TwentyFour Select Monthly Income Fund Limited

Report and Audited Financial Statements

For the year ended 30 September 2015

TwentyFour
Asset Management

TwentyFour Select Monthly Income Fund Limited

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CORPORATE INFORMATION

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Claire Whittet (Chair)
Christopher Legge
Thomas Emch
Ian Martin

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Portfolio Manager
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Receiving Agent
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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 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 may 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 a 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.

The Company has a target net total return on the original issue price of between 8 and 10% per annum. This comprises 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.

Shareholder Information

Phoenix Fund Services (UK) Limited ("Phoenix") is responsible for calculating the NAV per share of the Company. Phoenix delegate this responsibility to Northern Trust International Fund Administration Services (Guernsey) Limited (the "Administrator") however Phoenix 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.

SUMMARY INFORMATION continued

Financial Highlights

	Year ended 30.09.15	For the period from 12.02.14 (date of incorporation) to 30.09.14
Total Net Assets	£134,560,344	£123,194,466
Net Asset Value per share	92.59p*	98.41p
Share price at 30 September 2015	96.63p	102.75p
Premium to Net Asset Value	4.36%	4.41%
Dividends declared in respect of the profit for the year	6.53p	3.07p

*Including dividends, the NAV per share total return was 0.7%, for further details refer to the Chair's Statement on page 5.

As at 14 January 2016, the premium had moved to 3.00%. The estimated NAV per share and share price stood at 89.81p and 92.50p respectively.

Ongoing Charges

Ongoing charges for the year ended 30 September 2015 have been calculated in accordance with the Association of Investment Companies (the "AIC") recommended methodology. The ongoing charges for the year ended 30 September 2015 were 1.19% (30 September 2014: 1.16%).

CHAIR'S STATEMENT
for the year ended 30 September 2015

The market environment that prevailed in the 12 months to 30 September 2015 was difficult. Spreads on the European High Yield sector widened by over 1.5%, giving a total market return of just over 0.2% and a negative price performance of almost 5%. Given this backdrop the Company's portfolio also struggled in price terms, although a consistent level of income was generated. The NAV per share fell by 5.9% during the year. Total dividends for the year were 6.53p, ahead of the 6p target, which created a NAV per share total return of 0.7%.

The Company's shares continued to trade at a premium to NAV and approximately 20 million new shares were issued during the twelve months, with no shares having to be redeemed under the quarterly realisation mechanism.

The investment portfolio continues to meet an acceptable level of diversity and yield. The focus continues to be on Euro denominated credit (swapped back to Sterling) as the Portfolio Manager anticipates that European Central Bank (ECB) support through quantitative easing and low interest rates is likely to tighten spreads on high yield bonds, which should in turn outperform government bonds where rates are unlikely to go lower.

While bond prices are currently depressed and there are further potential negative global headwinds to navigate in 2016, the Portfolio Manager is confident that, over the medium to long term, the negative price performance will be reversed. The Portfolio Manager expects low interest rates and low default rates to remain over the medium term. Volatility is however expected to increase, as US interest rates rise and geopolitical risks remain high. The Portfolio Manager anticipates that these periods of enhanced volatility will represent opportunities to source suitable new investments. Additionally the uncertainty surrounding the position of the UK in Europe is likely to be a risk but also a source of opportunity.

The Board will continue to work closely with TwentyFour Asset Management LLP on monitoring developments in the fixed income market and ensuring that the Company's portfolio is appropriately positioned to maximise Shareholder returns over the long term.

Claire Whittet
Chair
14 January 2016

PORTFOLIO MANAGER'S REPORT
for the year ended 30 September 2015

The Company increased the capital issuance over the 12-month period by approximately £20m, averaging just under £1,700,000 per month. This included a one-off £10m tap issue at the end of January 2015 as a result of investor demand and favourable opportunities to invest the proceeds in the market.

The Company is an unconstrained fixed income vehicle, able to take advantage of any illiquidity premium associated with 'off-the-run' bonds and aged legacy issues. These portfolio components primarily consist of Asset Backed Securities (ABS), Bank Capital and High Yield corporate bonds, which remain unchanged from the initial marketing information and initial allocation of the Company at the end of the ramp-up period. There are no constraints in terms of geographical diversity but the asset allocation bias of the Company remains European.

Given the nature of the products being sourced for the Company (less-liquid assets with relatively robust credit-metrics) the Portfolio Manager needs a degree of secondary market activity in order to dis-lodge the positions from investors; periods of low market activity are not conducive for this.

The early part of this 12-month period did see some pick up in volatility premium, with US equities undergoing a 10% fall followed by a quick recovery. The Bank of Japan took the market by surprise with a significant increase in its domestic Quantitative Easing (QE) programme, swiftly followed by the ECB who announced its own asset purchase programme which was initially focused on bank covered bonds and ABS. However, adding to investor concerns was the continued decline in commodity prices (particularly crude oil) and a spike in geopolitical risks as Russia and the Ukraine squabbled over separatist rights in the border region. In Europe, sentiment was weakened yet again by Greece as a surprise election in Greece brought in the anti-austerity Syriza party, who won on a promise of anti-austerity measures in complete defiance of the European Union (EU) leadership; thereby rekindling the talk of a fracture in the Eurozone harmony and membership. In the credit markets, the ECB released their Asset Quality Review tests for the EU domiciled banks, which showed growing resilience of the banks due to improved capital buffers. The end of 2014 brought about a spate of skittish market behavior with traditional correlations breaking down as US equities hit all-time highs, commodities were sold off and US Treasury yields rallied. This was primarily due to expectations that the first Fed Funds rate hike would be pushed back into mid-2015. The start of 2015 was no less dramatic as the Swiss National Bank shocked markets by announcing it was to abandon the CHF1.20 floor against the EURO which resulted in an immediate 30% appreciation of the Swiss Franc. Then, to help settle markets, Mario Draghi surpassed all expectations by announcing an expansion in the ECB purchase programme to €60bn per month (until September 2016 at the earliest) to include Euro area sovereign bonds and Euro agencies; resulting in an obvious impact on government bonds across the Eurozone (exception being Greece with their new Syriza government).

As feared, the Greek government pledged that they were no longer going to adhere to the terms of the EU/IMF bailout and would endeavour to renegotiate them. Naturally the Eurozone finance ministers rejected this and a classic stand-off resulted which didn't help market sentiment. Counter-balancing this was the ECB's announcement of outright QE that helped stock indices rally to new highs and government bond yields fall to new lows. In Germany the 30 year Bunds dipped below 1% yield and over 50% of the Euro sovereign bond market moved to negative yields, which was clearly untenable in the long run. Across the other side of the Atlantic the US Fed continued with its measured rhetoric but omitted 'patience' from its Federal Open Markets Committee (FOMC) minutes and focus began to shift towards the strength of the USD against its basket of traded currencies, with many market participants suggesting that this USD rally, together with relatively benign economic data, would force the Fed to push back any rate rise into late 2015. The uncertainty became embedded in the market forcing many investors to the side-lines.

PORTFOLIO MANAGER'S REPORT continued

for the year ended 30 September 2015

Market activity continued to be muted throughout the summer months with investors retreating to cash as Greece flirted precariously close to non-payment of an ECB loan and Euro exit, which in turn led to increased rhetoric regarding contagion across the wider Eurozone region and dealers pulled bids back as a consequence. With the Greek impasse only being resolved on 20 July 2015 deadline day (of an ECB loan repayment), market activity had little time to recover being so close to the traditional summer break with a very limited time opportunity to launch new bond deals.

Through late July and August 2015 attention began to focus on China and the growing expectations of a slowdown in growth. As a result commodity prices depreciated further, which fuelled the concerns about deflationary pressures elsewhere. This also had the knock-on effect of lowering the likelihood of the FOMC hiking Fed Funds in September 2015 (which indeed were kept on hold). Concerns of a Chinese slowdown were then amplified by the announcement that the Chinese authorities had ordered the state run fund to initiate domestic equity buying whilst suspending large investors from selling hundreds of stocks, to try and stabilise the market. This ultimately had the opposite effect as investors interpreted the actions as being a panic policy and confirming the view that growth outlook was weak as some pessimists had claimed. A reduction in the Chinese reserve requirement by the People's Bank of China swiftly followed which weakened the currency and slowed the extent of the sell-off, but conditions across all markets remain cautious with volumes remaining poor. Equity markets sold off sharply and there was obvious contagion in fixed income assets (albeit not as bad as feared) with credit bid-offer spreads widening and trading volumes deteriorating substantially - hence the ability to source cheap assets remained a frustrating challenge. The Jackson Hole Symposium, held at the end of the summer shed little light on the Fed's stance and the FOMC on 17 September 2015 left rates unchanged coupled with a rather dovish comment which left the market in a continued state of flux.

In summary, the credit markets have been hampered by acute market uncertainty which has severely impaired trading activity. Since the summer there has been an improvement in primary market activity in the High Yield (HY) and financial sectors, which has created opportunities in the instruments we follow.

In terms of the current portfolio themes, the Portfolio Manager continues to have high conviction on Euro convergence and remain confident that European credit will outperform the USA or emerging markets (EM) regions as the ECB purchase programme continues to support the local regional market. The current portfolio is likely to be affected by the medium term swings in sentiment, driving the mark-to-market levels, but credit conditions for the underlying components remains supportive. In terms of cash flow and income generation the Company looks set to perform as expected and hence the Portfolio Manager has no significant concerns about meeting the minimum dividend performance as determined in the prospectus.

TwentyFour Asset Management LLP
14 January 2016

TOP TWENTY HOLDINGS

As at 30 September 2015

	Nominal/ Shares	Credit Security Sector	Fair Value * £	Percentage of Net Asset Value
NWIDE 10 1/4 06/29/49	39,000	Banks	5,012,126	3.72
COVBS 6 3/8 12/29/49	4,240,000	Banks	4,030,979	3.00
SOCGEN 7 ⅞ 12/29/49	5,870,000	Banks	3,875,227	2.88
BACR 7 7/8 12/29/49	3,500,000	Banks	3,522,505	2.62
HPARK 1X E	4,600,000	Asset Backed Security	3,122,194	2.32
NEWLOK 8 07/01/23	3,200,000	High Yield	2,991,000	2.22
ABBEY 10 ⅜ 12/31/49	2,000,000	Banks	2,968,648	2.21
LVFRSC 6 1/2 05/22/43	2,750,000	Insurance	2,733,913	2.03
CGMSE 2015-2X E	4,000,000	Asset Backed Security	2,690,349	2.00
ACAFP 7 1/2 04/49	2,700,000	Banks	2,674,280	1.99
AVOCA 11X F	4,000,000	Asset Backed Security	2,608,698	1.94
BUTSAS 7 3/8 09/15/19	3,500,000	High Yield	2,611,179	1.94
JUBIL 2014-12X F	3,950,000	Asset Backed Security	2,586,322	1.92
BLIR 7 3/8 12/29/49	3,400,000	Banks	2,525,939	1.88
ARGID 8 3/8 06/15/19	3,258,691	High Yield	2,503,455	1.86
GALAGB 11.5 06/01/19	2,300,000	High Yield	2,456,166	1.83
AARB 7 5/8 11/29/49	3,400,000	Banks	2,463,311	1.83
TMFG 9 7/8 12/01/19	3,100,000	High Yield	2,438,980	1.81
VOYCAR 11 02/01/19	2,250,000	High Yield	2,365,313	1.76
AQUIL 2006-1X E	3,500,000	Asset Backed Security	2,346,144	1.74

* 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. For further information refer to note 2(e) on pages 40 to 42.

The full portfolio listing can be obtained from the Administrator on request.

BOARD MEMBERS

Biographical details of the Directors are as follows:

Claire Whittet - (Chair) (age 60)
Ms Whittet is a resident of Guernsey and has over 38 years' experience in the banking industry and since 2003 has been a Director and, more recently, Managing Director and Co-Head of Rothschild Bank International Ltd and a Director of Rothschild Bank (CI) Ltd. Ms Whittet is also a non-executive director of a number of listed funds. Ms Whittet began 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 taking up her current position at Rothschild.

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 60)
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 including BH Macro Limited (FTSE 250) where he is Senior Independent Director. He 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 72)
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 52)
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 also a Director of Avenue Capital Credit Opportunities Limited and Bedlam Family Office. Mr Martin was appointed to the Board on 15 July 2014.

DISCLOSURE OF DIRECTORSHIPS IN PUBLIC COMPANIES LISTED ON RECOGNISED STOCK 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
International Public Partnerships Limited	London
Riverstone Energy Limited	London
Christopher Legge	
Ashmore Global Opportunities Limited	London
Baring Vostock Investments PCC Limited	Channel Island
BH Macro Limited	London, Bermuda and Dubai
John Laing Environmental Assets Group Limited	London
Schroder Global Real Estate Securities 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 2015.

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 London Stock Exchange on 10 March 2014.

Investment Objective and Policy
The investment objective and policy is set out in the Company 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 operates 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 London Stock Exchange.

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 on page 61.

Shareholder Information
Shareholder information is set out in the Company 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 on pages 53 to 62) and in view of its 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.

Long Term Viability Statement
In accordance with the AIC Code, the Directors have assessed the prospects of the Company over a longer period than the 12 months minimum required by the 'Going Concern' provision. The Board consider that three years is an appropriate period to assess the viability of the Company.

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 19 to 21. 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.

DIRECTORS' REPORT continued

Long Term Viability Statement continued
Key assumptions considered by the Board in relation to the viability of the Company are as follows:

Continuation of the Company
The continuation vote requirements are set out in note 16 on page 62.

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 annually during the three-year period as disclosed in note 19, the Directors will convene a general meeting in accordance with the continuation vote requirements set out in note 16 on page 62.

Quarterly Tenders
The Company has incorporated into its structure a mechanism for a quarterly tender to narrow 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 on page 62. 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 14 January 2019.

Results
The results for the year are set out in the Statement of Comprehensive Income. The Directors paid income distributions of £9,184,405 for the year ended 30 September 2015, a breakdown of which can be found in note 19 on page 67. The 30 September 2015 distribution which was declared on 8 October 2015 was paid on 30 October 2015.

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
- 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 on pages 51 and 52.

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.

During the year the Board visited the Portfolio Manager to gain an increased understanding of their systems and valuation methodologies and to meet them in their working environment and at the same time took the opportunity to meet with the Alternative Investment Fund Manager. Such visits are to be an on-going occurrence and the Board meets with the Portfolio Manager on other occasions.

Alternative Investment Fund Manager ("AIFM")

Alternative investment fund management services are provided by Phoenix Fund Services (UK) Limited ("Phoenix") whose appointment became effective on 22 July 2014. The AIFM fee is 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. For additional information refer to note 15 on page 52.

Custodian and Depositary

On 1 May 2014, the Custody Agreement was terminated with the Northern Trust (Guernsey) Limited and Northern Trust (Guernsey) Limited was appointed Depositary. The terms of the Depositary agreement dated 17 February 2014 (and effective 1 May 2014), 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 on pages 52 and 53.

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:

	Number of Shares	
	30.09.15	**30.09.14**
Claire Whittet	25,000	10,000
Christopher Legge	50,000	25,000
Thomas Emch	25,000	25,000
Ian Martin	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 Financial Reporting Council (the "FRC") issued a revised Code in 2014, for reporting periods beginning on or after 1 October 2014. The AIC updated the AIC Code of Corporate Governance (the "AIC Code") (including the Guernsey edition) and its Guide to Corporate Governance (the "AIC Guide") to reflect the relevant changes to the FRC document in February 2015. The Board has adopted the revised code.

DIRECTORS' REPORT continued

Corporate Governance continued

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 23 to 24, indicates how the Company has complied with the principles of good governance of the UK Code and its requirements on Internal Control.

The Company is a member of the Association of Investment Companies (the "AIC") and by complying with 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 2015, 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
- the need for an internal audit function
- the whistle blowing policy
- Senior Independent Director
- Remuneration Committee
- 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.

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.

DIRECTORS' REPORT continued

Corporate Governance continued

Role, Composition and Independence of the Board continued

The Board's responsibilities for the Annual Report and Audited Financial Statements are set out in the Statement of Directors' Responsibilities on pages 23 to 24.

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 9.

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 Report. 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 Report 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 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	5	5	3	3	1	1	13	12
Christopher Legge	5	5	3	3	1	1	13	12
Thomas Emch	5	5	3	3	1	1	13	12
Ian Martin	5	5	3	3	1	1	13	11

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 25 to 26.

Board Performance and Training

The Directors consider how the Board functions as a whole taking balance of skills, experience and length of service into consideration and also reviews the individual performance of its members on an annual basis.

To enable this evaluation to take place, the Company Secretary will circulate a detailed questionnaire plus a separate questionnaire for the evaluation of the Chairman. The questionnaires, once completed, are returned to the Company Secretary who collates responses, prepares a summary and discusses the Board evaluation with the Chairman prior to circulation to the remaining Board members. The performance of the Chairman is evaluated by the other Directors. On occasions, the Board may seek to employ an independent third party to conduct a review of the Board. This evaluation took place on the 14 July 2015.

These evaluations consider the balance of skills, experience, independence and knowledge of the Board, its diversity and how the Board works together as a unit as well as other factors relevant to its effectiveness.

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 at their offices and elsewhere 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 first Management Engagement Committee meeting was held on 14 July 2015.

The Management Engagement Committee carried out its first review of the performance and capabilities of the Portfolio Manager at its first meeting 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 pages 27 to 29.

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 25 to 26 of these Financial Statements.

Foreign Account Tax Compliance Act

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") on 30 June 2014, received a Global Intermediary Identification Number, and can be found on the IRS FFI list under the link http://apps.irs.gov/app/fatcaFfiList/flu.jsf. The responsible officer is Helen Howell, Deputy Chief Operating Officer at Twenty Four Asset Management LLP.

The Company is subject to Guernsey regulations and guidance based on reciprocal information sharing inter-governmental agreements which Guernsey has entered into with the United Kingdom and the United States of America. The Board will take the necessary actions to ensure 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.

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.

DIRECTORS' REPORT continued

Corporate Governance continued

Internal Controls continued

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.

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 risk associated with changes in market prices, including spreads, economic uncertainty and changes in regulation. 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 and levels of sovereign debt, may have a material impact which could be materially detrimental to the performance of the Company's investments.

DIRECTORS' REPORT continued

Corporate Governance continued
Principal Risks and Uncertainties continued

Market Risk continued
Under extreme market conditions the portfolio may not benefit from diversification. For additional information refer to note 16 on pages 53 to 55.

Liquidity Risk
Investments made by the Company may be relatively 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 on pages 57 to 58.

Credit risk
The Company may not achieve the Dividend Target and investors may not get back the full value of their investment because it will invest in Credit Securities issued by 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 on pages 55 to 57.

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. Approximately 85% of the foreign currency investments at year end are in Euros. 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 on pages 58 to 61.

DIRECTORS' REPORT continued

Corporate Governance continued
Principal Risks and Uncertainties continued
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 of some classes of debt. The Portfolio Manager monitors this and takes appropriate action.

Income Recognition Risk
The Board considers income recognition to be a principal risk and uncertainty of the Company. The Portfolio Manager estimates the remaining life of the security, 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 27 to 29. As a result of the work undertaken by the Audit Committee, the Board is satisfied that income is appropriately stated in all material aspects in the Financial Statements.

Reinvestment Risk
A by-product of 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 reinvest any monies that result from portfolio asset redemptions and amortisations. The Portfolio Manager has recognised this potential challenge and performed ongoing cashflow analysis on the current portfolio; encouragingly the redemptions and expected amortisations over the coming 12 months are minimal and pose no significant impact. 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 on page 54.

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.

DIRECTORS' REPORT continued

Corporate Governance continued
Shareholder Engagement continued
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 London Stock Exchange in the form of an announcement.

Shareholders with holdings of more than 3.0% of the Shares of the Company are set out below.

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 6 January 2016 were as follows:

	Number of shares	Percentage of issued share capital
NorTrust Nominees Limited	20,720,616	13.92%
State Street Nominees Limited	20,244,350	13.60%
The Bank Of New York Nominees	13,037,605	8.76%
Platform Securities Nominees	12,276,177	8.25%
Pershing Nominees Limited	12,118,626	8.14%
Vidacos Nominees Limited	8,244,471	5.54%
Ferlim Nominees Limited	8,179,650	5.50%
Aurora Nominees Limited	5,479,247	3.68%
Halb Nominees Limited	5,315,380	3.57%
W B Nominees Limited	5,224,266	3.51%
Rock Nominees Limited	4,721,038	3.17%

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.

Disclosure of Information to Auditors
The Directors who held office at the date of approval of these Financial Statements confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

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 14 January 2016 by:

Claire Whittet Chair	Christopher Legge 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. They also have the responsibility for the maintenance and the integrity of the Company's website.

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.

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 of the Company as at and for the year ended 30 September 2015.

(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.

STATEMENT OF DIRECTORS' RESPONSIBILITIES continued

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
Chair
14 January 2016

Christopher Legge
Director

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 14 July 2015.

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 2015 the Directors received the following annual remuneration in the form of Director's fees:

Claire Whittet (Chair of the Board)	£30,000
Christopher Legge (Audit Committee Chairman)	£27,500
Thomas Emch	£25,000
Ian Martin	£25,000
Total	£107,500

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 2015 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 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 14 January 2016 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 2015.

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 AIC Code requires the Audit Committee to annually consider the need for internal audit function.

The ultimate responsibility for reviewing and approving the Annual Report and other 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, including the Audit Committee members, 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 14 July 2015. 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 £128,802,069 as at 30 September 2015 (30 September 2014: £117,308,598) 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 2015 to be reasonable from 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 2015. 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 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 fund. 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 2015 and for the period ended 30 September 2014.

	Year ended 30.09.15	For the period from 12.02.14 (date of incorporation) to 30.09.14
PricewaterhouseCoopers CI LLP	**£**	**£**
- Annual audit	45,700	45,000
- Interim review	22,500	N/A
- Listing & Financial Reporting Procedures	-	45,000
- Tax consulting and compliance services	3,000	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 14 January 2016 and signed on behalf by:

Christopher Legge
Chairman, Audit Committee

ALTERNATIVE INVESTMENT MANAGER'S REPORT

Phoenix Fund Services (UK) Limited acts as the Alternative Investment Fund Manager ("AIFM") of TwentyFour Select Monthly Income Fund Limited ("the Company") 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 redeem 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 shall include 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 Alternative Investment Fund Managers Directive, acting as the AIFM, Phoenix Fund Services (UK) Ltd 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 Phoenix Fund Services (UK) Ltd, it has deemed itself as a lower risk firm in accordance with SYSC 19B and the Remuneration Code. The only employees at Phoenix Fund Services (UK) Ltd 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 is subject to regulatory requirements on remuneration that TwentyFour Asset Management LLP view as being equal to those detailed in the Alternative Investment Fund Managers Directive, which include the Capital Requirements Directive or Markets in Financial Instruments Directive. The discretion of TwentyFour Asset Management LLP is strictly controlled within certain pre-defined parameters as determined in the prospectus of each Alternative Investment Fund.

ALTERNATIVE INVESTMENT MANAGER'S REPORT continued

AIFM Remuneration continued

September 15	Number of Beneficiaries	Total remuneration paid	Fixed remuneration
Total remuneration paid by the AIFM during the year	54	£119,038	£119,038
Remuneration paid to employees of the AIFM who have a material impact on the risk profile of the AIF	5	£22,617	£22,617

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, Phoenix Fund Services (UK) Limited.

R.W. Leedham
D.W. Munting
Directors
Phoenix Fund Services (UK) Limited
14 January 2016

DEPOSITARY STATEMENT

for the year ended 30 September 2015

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 Phoenix Fund Services (UK) Limited (the "AIFM") and the Company for the year ended 30 September 2015, 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
14 January 2016

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 2015 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 2015, 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 11 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
14 January 2016

PUBLICATION OF REPORT AND AUDITED FINANCIAL STATEMENTS

a) The maintenance and integrity of the Company's website is the responsibility of the Directors; 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.

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

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 September 2015

	Notes	Year ended 30.09.15 £	For the period from 12.02.14 (date of incorporation) to 30.09.14 £
Income			
Interest income		9,711,733	4,008,515
Net foreign currency gains	8	3,544,710	3,470,419
Net loss on financial assets at fair value through profit or loss	9	(9,914,061)	(5,449,310)
Total income		3,342,382	2,029,624
Expenses			
Portfolio management fee	14	(998,154)	(468,360)
Directors' fees	14	(112,842)	(46,223)
Administration fees	15	(101,544)	(52,314)
AIFM management fee	15	(76,175)	(7,119)
Audit fee		(45,700)	(45,000)
Custody fees	15	(15,953)	(7,152)
Broker fees		(50,000)	(25,000)
Depositary fees	15	(23,183)	(8,244)
Other expenses		(164,751)	(81,172)
Total expenses		(1,588,302)	(740,584)
Total comprehensive income for the year/period		1,754,080	1,289,040
Earnings per Ordinary Share - Basic & Diluted	4	0.013	0.012

All items in the above statement derive from continuing operations.

The notes on pages 39 to 68 form an integral part of the Financial Statements.

STATEMENT OF FINANCIAL POSITION

as at 30 September 2015

Assets	Notes	30.09.15 £	30.09.2014 £
Current assets			
Investments	9	128,802,069	117,308,598
Derivative assets	16	480,209	1,582,673
Other receivables	10	4,028,231	2,265,533
Cash and cash equivalents		4,532,345	4,912,175
Total current assets		137,842,854	126,068,979
Liabilities			
Current liabilities			
Amounts due to broker		1,889,571	2,543,473
Other payables	11	245,140	253,043
Derivative liabilities	16	1,147,799	77,997
Total current liabilities		3,282,510	2,874,513
Total net assets		134,560,344	123,194,466
Equity			
Share capital account	12	142,609,447	123,434,794
Other reserves		(8,049,103)	(240,328)
Total equity		134,560,344	123,194,466
Ordinary Shares in issue	12	145,335,881	125,185,881
Net Asset Value per Ordinary Share	6	92.59	98.41

The Financial Statements on pages 35 to 68 were approved by the Board of Directors on 14 January 2016 and signed on its behalf by:

Claire Whittet
Chair

Christopher Legge
Director

The notes on pages 39 to 68 form an integral part of the Financial Statements.

STATEMENT OF CHANGES IN EQUITY
for the year ended 30 September 2015

	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
Share issue costs	(339,085)	-	(339,085)
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
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

	Share Capital Account	Other Reserves	Total
	£	£	£
Balance at 12 February 2014	-	-	-
Issue of shares	125,946,801	-	125,946,801
Share issue costs	(2,248,587)	-	(2,248,587)
Income equalisation on new issues	(263,420)	263,420	-
Distributions paid	-	(1,792,788)	(1,792,788)
Total comprehensive income for the period	-	1,289,040	1,289,040
Balance at 30 September 2014	123,434,794	(240,328)	123,194,466

The notes on pages 39 to 68 form an integral part of the Financial Statements.

STATEMENT OF CASH FLOWS
for the year ended 30 September 2015

	Note	Year ended 30.09.15 £	For the period from 12.02.14 (date of incorporation) to 30.09.14 £
Cash flows used in operating activities			
Total comprehensive income for the year/period		1,754,080	1,289,040
Adjustments for:			
Net loss on investments	9	9,914,061	5,449,310
Amortisation of adjustment under effective interest rate method		(639,168)	(217,124)
Increase in receivables		(529,278)	(2,265,533)
(Decrease)/increase in payables		(7,903)	253,043
Unrealised loss/(gain) on derivatives		2,172,266	(1,504,676)
Purchase of investments		(89,423,264)	(143,836,560)
Sale of investments		66,767,578	23,839,249
Net cash used in operating activities		(9,991,628)	(116,993,251)
Cash flows from financing activities			
Proceeds from issue of ordinary shares		16,075,985	125,946,801
Proceeds from re-issuance of treasury shares		3,551,432	-
Share issue costs		(339,085)	(2,248,587)
Dividend distribution		(9,676,534)	(1,792,788)
Net cash inflow from financing activities		9,611,798	121,905,426
(Decrease)/increase in cash and cash equivalents		(379,830)	4,912,175
Cash and cash equivalents at beginning of year/period		4,912,175	-
Cash and cash equivalents at end of year/period		4,532,345	4,912,175

The notes on pages 39 to 68 form an integral part of the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 September 2015

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 on 10 March 2014.

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

The Portfolio Manager of the Company is TwentyFour Asset Management.

2. Principal Accounting Policies
a) Basis of preparation and Statement of compliance
The Financial Statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board (“IASB”) and are in compliance with the Companies (Guernsey) Law, 2008.

b) Changes in presentation
The comparable period that has been used to show the Statement of Financial Position and the Statement of Changes in Equity has been amended to reflect income equalisation on new shares and therefore a reclassification between the Share Capital account and Other Reserves has been recognised. This is a change in presentation and not a restatement.

c) 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.

d) 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 this standard.

IFRS 9 'Financial Instruments' does not currently have a mandatory effective date and amends IAS 39. IFRS 9 specifies how an entity should classify and measure financial assets, including some hybrid contracts. They require 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. They apply a consistent approach to classifying financial assets and replace the numerous categories of financial assets in IAS 39, each of which had its own classification criteria.

2. Principal Accounting Policies continued

d) Standards, amendments and interpretations issued but not yet effective continued
They also result in one impairment method, replacing the numerous impairment methods in IAS 39 that arise from the different classification.

e) 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.

2. Principal Accounting Policies continued

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

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.

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.

NOTES TO THE FINANCIAL STATEMENTS Continued
for the year ended 30 September 2015

2. Principal Accounting Policies continued

e) Financial assets at fair value through profit or loss continued
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.

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.

f) 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.

g) 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.

h) 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.

i) Cash and cash equivalents
Cash and cash equivalents comprises cash in hand and 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.

NOTES TO THE FINANCIAL STATEMENTS Continued
for the year ended 30 September 2015

2. Principal Accounting Policies continued

j) 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.

k) 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.

l) 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.

m) 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.

n) 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.

o) 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.

p) 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.

NOTES TO THE FINANCIAL STATEMENTS Continued
for the year ended 30 September 2015

2. Principal Accounting Policies continued

q) 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.

r) Income equalization 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.

s) 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(k), 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.

NOTES TO THE FINANCIAL STATEMENTS Continued
for the year ended 30 September 2015

3. Significant accounting judgements, estimates and assumptions continued

(ii) Estimates and assumptions continued

(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. 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.

(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(h).

(c) Determination of observable inputs

In note 17, Fair Value Measurement, 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 has been calculated based on the weighted average number of Ordinary Shares of 138,712,320 (30 September 2014: 111,058,808) and a net gain for the year of £1,754,080 (30 September 2014: £1,289,040).

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 £113,679 (30 September 2014: £263,420).

6. Net Asset Value per Ordinary Share

The net asset value of each Share of 92.59p (30 September 2014: £98.41p) is determined by dividing the net assets of the Company attributed to the Shares of £134,560,344 (30 September 2014: £123,194,466) by the number of Shares in issue at 30 September 2015 of 145,335,881 (30 September 2014: 125,185,881).

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 2014: £600).

NOTES TO THE FINANCIAL STATEMENTS Continued

for the year ended 30 September 2015

8. Net foreign currency gains

	Year ended 30.09.15 £	For the period from 12.02.14 (date of incorporation) to 30.09.14 £
Movement in net unrealised (loss)/gain on forward currency contracts and spot currency contracts	(2,172,265)	1,504,676
Realised gain on forward currency contracts	5,657,181	2,824,471
Realised currency loss	(17,758)	(821,357)
Unrealised income exchange gain/(loss)	77,552	(37,371)
	3,544,710	3,470,419

9. Investments

	Year ended 30.09.15 £	For the period from 12.02.14 (date of incorporation) to 30.09.14 £
Financial assets at fair value through profit and loss:		
Unlisted Investments:		
Opening book cost	122,539,767	-
Purchases at cost	88,769,362	146,380,033
Proceeds on sale/principal repayment	(68,000,998)	(23,839,249)
Amortisation adjustment under effective interest rate method	639,168	217,124
Realised loss on sale/principal repayment	(4,307,317)	(218,141)
Closing book cost	139,639,982	122,539,767
Unrealised loss on investments	(10,837,913)	(5,231,169)
Fair value	128,802,069	117,308,598
Realised loss on sales/principal repayment	(4,307,317)	(218,141)
Increase in unrealised loss	(5,606,744)	(5,231,169)
Net loss on financial assets at fair value through profit or loss	(9,914,061)	(5,449,310)

The Company does not experience any seasonality or cyclicality in its investing activities.

NOTES TO THE FINANCIAL STATEMENTS Continued
for the year ended 30 September 2015

10. Other receivables

	30.09.15	30.09.14
	£	£
Amounts due from brokers	1,233,420	-
Interest income receivable and accrued income	2,672,409	2,163,269
Prepaid expenses	15,175	8,889
Dividends receivable	107,227	93,375
	4,028,231	2,265,533

11. Other payables

	30.09.15	30.09.14
	£	£
Portfolio Management fees payable	92,094	80,887
Directors' fee payable	26,875	20,625
Administration fee payable	26,050	23,813
AIFM management fee payable	18,369	7,119
Audit fee payable	45,700	45,000
Broker fee payable	-	25,000
General expenses payable	32,838	45,211
Depositary fee payable	2,260	3,460
Custody fee payable	954	1,928
	245,140	253,043

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

	30.09.15	30.09.14
	£	£
Ordinary Shares		
Share Capital at the beginning of the year/period	123,434,794	-
Issue of shares	29,527,004	125,946,801
Share issue costs	(339,085)	(2,248,587)
Purchase of own shares into treasury	(13,451,019)	-
Re-issuance of treasury shares	3,551,432	-
Income equalisation on new issues	(113,679)	(263,420)
Total Share Capital at the end of the year/period	142,609,447	123,434,794

NOTES TO THE FINANCIAL STATEMENTS Continued
for the year ended 30 September 2015

12. Share Capital continued

	30.09.15	30.09.14
	£	£
Treasury Shares		
Share Capital at the beginning of the year/period	-	-
Purchased shares	13,451,019	-
Sold shares	(3,551,432)	-
Total Share Capital at the end of the year/period	9,899,587	-

Reconciliation of number of Shares

	30.09.15	30.09.14
	Shares	Shares
Ordinary Shares		
Shares at the beginning of the year/period	125,185,881	-
Issue of shares	30,723,887	125,185,881
Purchase of own shares into treasury	(14,173,887)	-
Re-issuance of treasury shares	3,600,000	-
Total Shares in issue at the end of the year/period	145,335,881	125,185,881

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

	30.09.15	30.09.14
	Shares	Shares
Treasury Shares		
Shares at the beginning of the year/period	-	-
Purchase of own shares to hold in treasury	14,173,887	-
Reissue of treasury shares	(3,600,000)	-
Total Shares held in treasury at the end of the year/period	10,573,887	-

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.

NOTES TO THE FINANCIAL STATEMENTS Continued
for the year ended 30 September 2015

12. Share Capital continued

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 3,600,000 treasury shares were re-issued for a total consideration of £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

	Financial Assets at fair value through profit and loss	Loans and receivables	Total
	£	£	£
30 September 2015			
Financial Assets as per Statement of Financial Position			
Investments at fair value through profit or loss:			
-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 (see note 16)	480,209	-	480,209
Cash and cash equivalents	-	4,532,345	4,532,345
Other receivables	-	4,028,231	4,028,231
	129,282,278	8,560,576	137,842,854

	Financial Liabilities at fair value through profit and loss	Other financial liabilities	Total
	£	£	£
30 September 2015			
Financial Liabilities as per Statement of Financial Position			
Amounts due to brokers	-	1,889,571	1,889,571
Other payables	-	245,140	245,140
Derivative liabilities (see note 16)	1,147,799	-	1,147,799
	1,147,799	2,134,711	3,282,510

NOTES TO THE FINANCIAL STATEMENTS Continued
for the year ended 30 September 2015

13. Analysis of Financial Assets and Liabilities by Measurement Basis continued

	Financial Assets at fair value through profit and loss	Loans and receivables	Total
	£	£	£
30 September 2014			
Financial Assets as per Statement of Financial Position			
Investments at fair value through profit or loss:			
-Preferred stock	2,895,000	-	2,895,000
-Bonds	80,408,167	-	80,408,167
-Asset backed securities	34,258,005	-	34,258,005
-Interest rate swaps	(252,574)	-	(252,574)
Derivative assets (see note 16)	1,582,673	-	1,582,673
Cash and cash equivalents	-	4,912,175	4,912,175
Other receivables	-	2,265,533	2,265,533
	118,891,271	7,177,708	126,068,979

	Financial Liabilities at fair value through profit and loss	Other financial liabilities	Total
	£	£	£
30 September 2014			
Financial Liabilities as per Statement of Financial Position			
Amounts due to brokers	-	2,543,473	2,543,473
Other payables	-	253,043	253,043
Derivative liabilities (see note 16)	77,997	-	77,997
	77,997	2,796,516	2,874,513

NOTES TO THE FINANCIAL STATEMENTS Continued
for the year ended 30 September 2015

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 annual Directors' fees comprise £30,000 payable to Ms Whittet, the Chair, £27,500 to Mr Legge as Chair of the Audit Committee and £25,000 each to Mr Emch and Mr Martin. During the year, Directors' fees of £112,842 (30 September 2014: £46,223) were charged to the Company, of which £26,875 (30 September 2014: £20,625) remained payable at the end of the year. Previously unrecognised Director fees of Ian Martin amounting to £5,342 was recognised as an expense for the year ended 30 September 2015. Directors' expenses for the year were £15,639 (30 September 2014: £3,975).

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

	Number of Shares	
	30.09.15	**30.09.14**
Claire Whittet	25,000	10,000
Christopher Legge	50,000	25,000
Thomas Emch	25,000	25,000
Ian Martin	25,000	-

Directors are entitled to receive a dividend on any shares held by them during the year. Dividends declared by the Company are set out in note 19 on page 67.

As at 30 September 2015, the Portfolio Manager held no Shares (30 September 2014: 400,000 Shares), which is 0% (30 September 2014: 0.32%) of the Issued Share Capital. Due to changes in the firm's capital approach in connection with the majority purchase by Vontobel Group AG, the Portfolio Manager sold its holding in the Company in March 2015. Partners and employees of the Portfolio Manager increased their holdings during the year, and held 883,227 (30 September 2014: 548,336), which is 0.61% (30 September 2014: 0.44%) 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 £998,154 (30 September 2014: £468,360) of which £92,094 (30 September 2014: £80,887) 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 £34,348 (30 September 2014: £40,605) in commission.

On 30 April 2015, the Portfolio Manager entered into a strategic partnership with Vontobel Asset Management ("Vontobel"), the multi-boutique asset manager and subsidiary of the Vontobel Group. Vontobel acquired a 60 percent stake in TwentyFour Asset Management LLP. The strategic partnership has had no impact on the Portfolio Manager's activities and fees.

NOTES TO THE FINANCIAL STATEMENTS Continued

for the year ended 30 September 2015

14. Related Parties continued

c) Portfolio Manager continued

The transaction strengthens Vontobel's presence in the UK market, extends its fixed income product offering and underlines its commitment to broaden its asset management business through targeted investments.

Portfolio Manager's Partners continue to manage Portfolio Manager's day-to-day operations, retaining full authority over fund investment decisions. The established Portfolio Manager brand remains in place. Portfolio Manager's Partners and key employees retains a 40% stake in the business and remains fully committed to Portfolio Manager. To further strengthen alignment, the Partners have agreed to reinvest a significant share of their consideration into existing Portfolio Manager or Vontobel investment funds. In line with Vontobel's multi-boutique structure, both firms' investment platforms will operate independently of each other to ensure a continuation of their strong performance record. The 40% stake held by the Partners will be acquired by Vontobel over the longer-term.

15. Material Agreements

a) Alternative Investment Fund Manager

The Company's AIFM is 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 £76,175 (30 September 2014: £7,119) were charged to the Company, of which £18,369 (30 September 2014: £7,119) remained payable at the end of the year.

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 £50,000 in the first year of admission and £75,000 for each year thereafter. 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 £101,544 (30 September 2014: £52,314) were charged to the Company, of which £26,050 (30 September 2014: £23,813) remained payable at the end of the year.

c) Placing Agent

For its services as the Company's placing agent pursuant to a placing agreement dated 17 February 2014 in connection with the initial public offering ("IPO") of shares in March 2014, Numis Securites Limited (the "Placing Agent") was entitled to receive a fee of 2% of the gross proceeds of the IPO. The placing agent received a fee of £1,930,360 under this agreement.

The Placing Agent is also entitled to receive commission of 1% on all tap issues. During the year the Placing Agent received £196,274 (30 September 2014: £232,110) in commission.

d) Depositary

Depositary's fees are payable to Northern Trust (Guernsey) Limited monthly in arrears at a rate of 0.0175% of the Net Asset Value 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 £15,000 in the first year of admission and £25,000 for each year thereafter. During the year, depositary fees of £23,183 (30 September 2014: £8,244) were charged to the Company, of which £2,260 (30 September 2014: £3,460) remained payable at the end of the year.

NOTES TO THE FINANCIAL STATEMENTS Continued
for the year ended 30 September 2015

15. Material Agreements continued

d) Depositary continued
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 £15,953 (30 September 2014: £7,152) of which £954 (30 September 2014: £1,928) is due and payable at the end of the year.

16. Financial Risk Management
The Company's objective in managing risk is the creation and protection of shareholder value. Risk is inherent in the Company's activities, but it is managed through an ongoing process of identification, measurement and monitoring.

The Company's financial instruments include investments designated at fair value through profit or loss and cash and cash equivalents. 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.

(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).

NOTES TO THE FINANCIAL STATEMENTS Continued
for the year ended 30 September 2015

16. Financial Risk Management continued

(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 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 2015, if the market prices had been 5% higher with all other variables held constant, the increase in the net assets attributable to equity Shareholders would have been £6,440,103 (30 September 2014: £5,865,430). The total comprehensive income for the year would have also increased by £87,704 (30 September 2014: £64,452). 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.

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

	Floating rate	Fixed rate	Non-interest bearing	Total
As at 30 September 2015	£	£	£	£
Financial assets at fair value through profit or loss	45,203,982	83,598,087	-	128,802,069
Receivables	-	-	4,028,231	4,028,231
Cash and cash equivalents	4,532,345	-	-	4,532,345
Derivative assets	-	-	480,209	480,209
Derivative liabilities	-	-	(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

NOTES TO THE FINANCIAL STATEMENTS Continued

for the year ended 30 September 2015

16. Financial Risk Management continued

Interest rate risk continued

	Floating rate	Fixed rate	Non-interest bearing	Total
As at 30 September 2014	£	£	£	£
Financial assets at fair value through profit or loss	37,960,377	76,453,221	2,895,000	117,308,598
Receivables	599,396	1,563,873	102,264	2,265,533
Cash and cash equivalents	4,912,175	-	-	4,912,175
Derivative assets	-	-	1,582,673	1,582,673
Derivative liabilities	-	-	(77,997)	(77,997)
Amounts due to broker	-	-	(2,543,473)	(2,543,473)
Other payables	-	-	(253,043)	(253,043)
Net current assets	43,471,948	78,017,094	1,705,424	123,194,466

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 minimal interest rate risk. 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.

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 to manage this risk is by maintaining a portfolio diversified by issuer and invests in Credit Securities with at least one investment grade rating from an internationally recognised credit agency. The Company also manages this credit risk by investing no more than 5% of the portfolio value in any single Credit Security or issuer of Credit Securities.

NOTES TO THE FINANCIAL STATEMENTS Continued
for the year ended 30 September 2015

16. Financial Risk Management continued

Credit risk continued
Portfolio of debt securities by ratings category assigned by Standard and Poor's:

	30.09.15
BBB-	2.12%
BB+	8.99%
BB	2.22%
BB-	2.25%
B+	9.99%
B	13.10%
B-	18.55%
BE	2.10%
B-E	0.82%
CCC+	17.61%
CCC	0.74%
CC	0.96%
PB-	1.15%
NR	17.68%
MULT	1.72%
	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 2015

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:

	30.09.15	30.09.14
	£	£
Investments	128,802,069	117,308,598
Cash and cash equivalents	4,532,345	4,912,175
Derivative assets	480,209	1,582,673
Other receivables	4,028,231	2,265,533
	137,842,854	126,068,979

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. Therefore under normal market conditions there is a low risk that the Company will not be able to fund redemption requests.

NOTES TO THE FINANCIAL STATEMENTS Continued
for the year ended 30 September 2015

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:

As at 30 September 2015

	Up to 1 month	1-6 months	6-12 months	Total
	£	£	£	£
Financial liabilities				
Amounts due to brokers	(1,889,571)	-	-	(1,889,571)
Derivative liabilities	(1,147,799)	-	-	(1,147,799)
Other payables	(199,440)	(45,700)	-	(245,140)
Total	(3,236,810)	(45,700)	-	(3,282,510)

As at 30 September 2014

	Up to 1 month	1-6 months	6-12 months	Total
	£	£	£	£
Financial liabilities				
Amounts due to brokers	(2,543,473)	-	-	(2,543,473)
Derivative liabilities	(77,997)	-	-	(77,997)
Other payables	(208,043)	(45,000)	-	(253,043)
Total	(2,829,513)	(45,000)	-	(2,874,513)

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.

NOTES TO THE FINANCIAL STATEMENTS Continued

for the year ended 30 September 2015

16. Financial Risk Management continued

Foreign currency risk continued

At year end, the Company had sixteen (30 September 2014: six) open forward currency contracts and five (30 September 2014: Nil) open spot currency contracts.

Open forward 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	£	£	£
Sixteen Sterling forward foreign currency contracts totalling:				
2 CHF forward foreign currency contract	(8,550,000)	(5,790,367)	(5,779,563)	10,804
3 EUR forward foreign currency contract	(89,400,000)	(66,323,609)	(65,914,740)	408,869
2 USD forward foreign currency contract	4,400,000	2,876,274	2,904,770	28,496
				448,169
4 EUR forward foreign currency contract	(96,400,000)	(70,494,957)	(71,038,466)	(543,509)
2 SEK forward foreign currency contract	(17,750,000)	(1,376,568)	(1,397,625)	(21,057)
2 USD forward foreign currency contract	(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)

	Contract values	Outstanding contracts	Mark to market	Unrealised gains/(losses)
	30.09.14	**30.09.14**	**30.09.14**	**30.09.14**
	Currency	£	£	£
Six Sterling forward foreign currency contracts totalling:				
3 EUR forward foreign currency contract	77,656,651	62,070,951	60,514,258	1,556,693
1 CHF forward foreign currency contract	1,900,000	1,241,074	1,226,632	14,442
1 SEK forward foreign currency contract	10,060,000	872,412	860,874	11,538
				1,582,673
1 USD forward foreign currency contract	8,429,402	5,121,735	5,199,732	(77,997)
				(77,997)

NOTES TO THE FINANCIAL STATEMENTS Continued
for the year ended 30 September 2015

16. Financial Risk Management continued

Foreign currency risk continued

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)

As at 30 September 2015 and 2014 the Company held the following assets and liabilities denominated in currencies other than Pounds Sterling:

	30.09.15	30.09.14
	£	**£**
Investments	77,667,796	65,827,923
Cash and cash equivalents	2,253,255	669,801
Other receivables	2,852,506	1,297,879
Less: Open forward currency contracts	(161,827,206)	(67,801,496)
Less: Open spot currency contracts	80,242,525	-
	1,188,876	(5,893)

16. Financial Risk Management continued

Foreign currency risk continued
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 2015 and 2014. 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.

	30.09.15	30.09.14
	£	£
Impact on Statement of Comprehensive Income and Equity in response to a:		
- 5% increase in EUR/GBP	(41,367)	(4,241)
- 5% decrease in EUR/GBP	115,958	8,493
Impact on Statement of Changes in Equity in response to a:		
- 5% increase in EUR/GBP	(41,367)	(4,241)
- 5% decrease in EUR/GBP	115,958	8,493

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS Continued
for the year ended 30 September 2015

16. Financial Risk Management continued

Capital risk management continued

(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 is not met as disclosed in note 19 page 66; 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,

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).

NOTES TO THE FINANCIAL STATEMENTS Continued

for the year ended 30 September 2015

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 at 30 September 2015 and 2014.

	Level 1	Level 2	Level 3	Total
	£	£	£	£
Assets				
Financial assets at fair value through profit and loss:				
-Preferred stock	-	-	-	-
-Bonds	-	2,452,088	91,810,655	94,262,743
-Interest rate swaps	-	-	(839,620)	(839,620)
-Asset backed securities	-	4,024,690	31,354,256	35,378,946
Derivative assets	-	480,209	-	480,209
Total assets as at 30 September 2015	-	6,956,987	122,325,291	129,282,278
Liabilities				
Derivative liabilities	-	1,147,799	-	1,147,799
Total liabilities as at 30 September 2015	-	1,147,799	-	1,147,799

	Level 1	Level 2	Level 3	Total
	£	£	£	£
Assets				
Financial assets at fair value through profit and loss:				
-Preferred stock	-	-	2,895,000	2,895,000
-Bonds	-	3,727,025	76,681,142	80,408,167
-Interest rate swaps	-	-	(252,574)	(252,574)
-Asset backed securities	-	13,814,087	20,443,918	34,258,005
Derivative assets	-	1,582,673	-	1,582,673
Total assets as at 30 September 2014	-	19,123,785	99,767,486	118,891,271
Liabilities				
Derivative liabilities	-	77,997	-	77,997
Total liabilities as at 30 September 2014	-	77,997	-	77,997

NOTES TO THE FINANCIAL STATEMENTS Continued
for the year ended 30 September 2015

17. Fair Value Measurement continued

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/period, 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. The prices of these Credit Securities are obtained from an independent price vendor or where the Portfolio Manager determines that the price 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 firm tradable price, the Credit Security is classified in level 2.

Credit Securities where no third party verifiable price is available are classified in level 3. The valuation of these Credit Securities will be determined based on the Portfolio Manager's valuation policy, which 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. Where the Portfolio Manager sources prices from a third party broker or dealer quotes and these prices are indicative rather than tradable, the Credit Security is classified in level 3. Due to the inputs into the valuation of the Credit Securities classified in level 3 not being available or visible to the Company, no sensitivity on inputs can be performed.

There were no transfers between level 1 and 2 during the year/period, however transfers between level 2 and 3 occurred based on the Portfolio Manager’s ability to obtain a firm tradable price as detailed above.

There were no changes in valuation techniques during the year.

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	76,681,142	(252,574)	20,443,918	99,767,486
Net purchases		18,279,930		7,892,798	26,172,728
Investment reclassification	(2,895,000)	2,895,000	-	-	-
Net realised gain loss for the year included in the Statement of Comprehensive Income for level 3 Investments	-	(2,455,922)	-	(728,036)	(3,183,958)
Net unrealised gain/(loss) for the year included in the Statement of Comprehensive Income for level 3 Investments held at 30 September 2015	-	(990,085)	(587,046)	(2,032,042)	(3,609,173)
Transfer into Level 3	-	2,545,025	-	8,637,135	11,182,160
Transfer out of Level 3	-	(5,144,434)	-	(2,859,518)	(8,003,952)
Closing balance	-	91,810,656	(839,620)	31,354,255	122,325,291

NOTES TO THE FINANCIAL STATEMENTS Continued
for the year ended 30 September 2015

17. Fair Value Measurement continued

The following table presents the movement in level 3 instruments for the period ended 30 September 2014 by class of financial instrument.

	Preferred Stock	Bonds	Interest Rate Swaps	Asset backed securities	**Total**
	£	**£**	**£**	**£**	**£**
Opening balance	-	-	-	-	-
Purchases	2,733,339	78,583,997	-	21,970,582	103,287,918
Net unrealised gain/(loss) for the period included in the Statement of Comprehensive Income for level 3 Investments held at 30 September 2014	161,661	(1,902,855)	(252,574)	(1,526,664)	(3,520,432)
Closing balance	2,895,000	76,681,142	(252,574)	20,443,918	99,767,486

There were no transfers between levels during the period ended 30 September 2014.

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**
	£	**£**	**£**	**£**
Assets				
Cash and cash equivalents	4,532,345	-	-	4,532,345
Other receivables	-	4,028,231	-	4,028,231
Total	**4,532,345**	**4,028,231**	**-**	**8,560,576**
Liabilities				
Amounts due to brokers	-	1,889,571	-	1,889,571
Other payables	-	245,140	-	245,140
Total	**-**	**2,134,711**	**-**	**2,134,711**

NOTES TO THE FINANCIAL STATEMENTS Continued
for the year ended 30 September 2015

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 2014 but for which fair value is disclosed.

	Level 1	Level 2	Level 3	Total
	£	£	£	£
Assets				
Cash and cash equivalents	4,912,175	-	-	4,912,175
Other receivables	-	2,265,533	-	2,265,533
Total	**4,912,175**	**2,265,533**	**-**	**7,177,708**
Liabilities				
Amounts due to brokers	-	2,543,473	-	2,543,473
Other payables	-	253,043	-	253,043
Total	**-**	**2,796,516**	**-**	**2,796,516**

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.

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 2015

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 income 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 profit for the year ended 30 September 2015:

Period to	Dividend rate per Share (pence)	Net dividend paid - Income (£)	Ex-dividend date	Record date	Pay date
31 October 2014	0.50	648,179	13 November 2014	14 November 2014	28 November 2014
30 November 2014	0.50	650,679	18 December 2014	19 December 2014	31 December 2014
31 December 2014	0.50	658,679	15 January 2015	16 January 2015	30 January 2015
31 January 2015	0.50	708,679	19 February 2015	20 February 2015	27 February 2015
28 February 2015	0.50	708,679	19 March 2015	20 March 2015	31 March 2015
31 March 2015	0.50	713,681	16 April 2015	17 April 2015	30 April 2015
30 April 2015	0.50	719,929	21 May 2015	22 May 2015	29 May 2015
31 May 2015	0.50	719,929	18 June 2015	19 June 2015	30 June 2015
30 June 2015	0.50	719,929	16 July 2015	17 July 2015	31 July 2015
31 July 2015	0.50	719,929	20 August 2015	21 August 2015	28 August 2015
31 August 2015	0.50	723,679	17 September 2015	18 September 2015	30 September 2015
30 September 2015	1.03	1,492,434	15 October 2015	16 October 2015	30 October 2015

Under Guernsey law, companies can pay dividends in excess of accounting profit provided they satisfy the solvency test prescribed by The Companies (Guernsey) Law, 2008. The 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 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 2015

21. Subsequent Events
These Financial Statements were approved for issuance by the Board on 14 January 2016. 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 Company issued the following shares:

In October 2015, 3,500,000 treasury shares were re-issued for a total consideration of £3,326,380.

As at the date of the Annual Report and Audited Financial Statements the Company had 148,835,881 shares in use of which 7,073,887 were held in treasury.

On 8 October 2015, the Company declared a dividend of 1.03p per share.

On 12 November 2015, the Company declared a dividend of 0.05p per share.

On 10 December 2015, the Company declared a dividend of 0.05p per share.

On 14 January 2016, the Company declared a dividend of 0.05p per share.

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