

# TwentyFour Income Fund Limited

Interim Report and Unaudited Financial Statements

For the period from 11 January 2013 (date of incorporation) to 30 September 2013



TwentyFour

Asset Management

**TWENTYFOUR INCOME FUND LIMITED**

**INTERIM REPORT AND UNAUDITED FINANCIAL  
STATEMENTS**

**For the period from 11 January 2013 (date of incorporation) to 30  
September 2013**

# TwentyFour Income Fund Limited

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# TwentyFour Income Fund Limited

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## CORPORATE INFORMATION

### Directors

Trevor Ash (Chairman)  
Ian Burns  
Richard Burwood  
Jeannette Etherden

### Registered Office

PO Box 255,  
Trafalgar Court,  
Les Banques,  
St Peter Port,  
Guernsey, GY1 3QL

### Custodian and Principal Banker

The Northern Trust Company,  
50 Bank Street,  
Canary Wharf,  
London, E14 5NT

### Investment Manager

TwentyFour Asset Management LLP  
24 Cornhill  
London, EC3V 3ND

### Secretary and Administrator

Northern Trust International Fund Administration  
Services (Guernsey) Limited,  
PO Box 255,  
Trafalgar Court,  
Les Banques,  
St Peter Port,  
Guernsey, GY1 3QL

### UK Legal Advisers to the Company

Eversheds LLP  
One Wood Street  
London EC2V 7WS

### Corporate Broker

Numis Securities Limited  
The London Stock Exchange Building  
10 Paternoster Square  
London, EC4M 7LT

### Guernsey Legal Advisers to the Company

Carey Olsen  
Carey House  
Les Banques  
St Peter Port  
Guernsey, GY1 4BZ

### Independent Auditor

PricewaterhouseCoopers CI LLP  
PO Box 321,  
Royal Bank Place,  
1 Gategny Esplanade,  
St Peter Port,  
Guernsey, GY1 4ND

### Registrars

Computershare Investor Services (Guernsey)  
Limited  
3rd Floor  
NatWest House  
Le Truchot  
St Peter Port  
Guernsey, GY1 1WD

### Receiving Agent

Computershare Investor Services PLC  
The Pavilions  
Bridgwater Road  
Bristol, BS13 8AE

# TwentyFour Income Fund Limited

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## BOARD MEMBERS

Biographical details of the Directors are as follows:

### **Trevor Ash - (Chairman) (age 67)**

Mr Ash is a resident of Guernsey and has over 30 years of investment experience. He is a Fellow of the Securities Institute in England and Wales. He was formerly a managing director of Rothschild Asset Management (CI) Limited (now Insight Investment Management (CI) Limited). He is a director of a number of hedge funds, fund of hedge funds, venture capital, derivative and other offshore funds including several managed or advised by Cazenove, Insight, Merrill Lynch and F&C. Mr Ash retired as a director of NM Rothschild & Sons (CI) Limited, the banking arm of the Rothschild Group in the Channel Islands in 1999. Mr Ash was appointed to the Board on 11 January 2013.

### **Ian Burns - (Non-executive Director) (age 54)**

Mr Burns is a resident of Guernsey and a fellow of both the Institute of Chartered Accountants in England and Wales and the Chartered Institute of Securities and Investment. He is a founder and Executive Director of Via Executive Limited, a specialist management consulting company and managing director of Regent Mercantile Holdings Limited, a privately owned investment company. Mr Burns is currently the Finance Director of Polo Resources Limited and a non-executive director of Phaunos Timber Fund Limited, as well as a non-executive director of Seven Dials European Property Fund Limited, Darwin Property Management (Guernsey) Ltd, Premier Asset Management (Guernsey) Ltd and Azincourt Resources Inc. Mr Burns was appointed to the Board on 17 January 2013.

### **Richard Burwood - (Non-executive Director) (age 46)**

Mr Burwood is a resident of Guernsey with over 20 years' experience in banking and investment management. During 18 years with Citibank London, Mr Burwood spent 11 years as a fixed income portfolio manager spanning both banks/finance investments and Asset Backed Securities. He gained direct experience as a portfolio manager of securities backed by mortgages, auto loans and collateralised loan obligations. Mr Burwood has lived in Guernsey since in 2010, initially working as a portfolio manager for EFG Financial Products (Guernsey) Ltd managing the treasury department's ALCO Fixed Income portfolio. Most recently Mr Burwood worked as the business and investment manager for the Guernsey branch of Man Investments (CH) AG. This role involved overseeing all aspects of the business including operations and management of proprietary investments. Mr Burwood was appointed to the Board on 17 January 2013.

### **Jeannette (Jan) Etherden - (Non-executive Director) (age 53)**

Ms Etherden is a resident of the United Kingdom. She started in 1983 as a research analyst at Confederation Life (acquired by Sun Life of Canada in 1994) and was Head of UK Equities from 1991. In 1996 she moved to Newton Investment Management Limited as a multi-asset fund manager. She was appointed a Director of Newton Investment Management Limited in 1997 and additionally was Chief Operating Officer of Investments at Newton Investment Management Limited from 1999 until her resignation in 2001. From January 2004 to January 2006 she was Business Development Manager for the Candela Fund at Olympus Capital Management. Ms Etherden has been a Director of Ruffer Investment Company Ltd since 1 July 2004. Ms Etherden was appointed to the Board on 17 January 2013.

# TwentyFour Income Fund Limited

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## SUMMARY INFORMATION

### The Company

TwentyFour Income Fund Limited (the “Company”) was incorporated with limited liability in Guernsey, as a closed-ended investment company on 11 January 2013. 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 6 March 2013.

### Investment Objective and Investment Policy

The Company’s investment objective is to generate attractive risk adjusted returns principally through income distributions.

The Company pursues its investment objective by investing in a diversified portfolio of UK and European Asset Backed Securities.

The portfolio will comply, as at each date an investment is made, with the following restrictions:

- (i) at least 50% of the portfolio value will be invested in assets which have at least one investment grade credit rating from an internationally recognised rating agency, or in cash; and
- (ii) no more than 5 per cent. of the portfolio value will be exposed to any single Asset Backed Security or issuer of Asset Backed Securities.

Exceptions to these restrictions will be permitted in respect of reinvestments where the Investment Manager will be permitted to purchase new investments if the purchase would, at the time of reinvestment:

- not increase the proportion of the portfolio represented by noninvestment grade Asset Backed Securities (even where following the purchase less than 50% of the portfolio value will be invested in assets which have at least one investment grade credit rating from an internationally recognised rating agency or cash due to market movements and/or changes in credit ratings); and
- the asset purchased would be compliant with the single Asset Backed Security/issuer exposure restriction above (even where following the purchase more than 5% of the portfolio value will be exposed to another single Asset Backed Security or issuer due to market movements).

For the avoidance of doubt, reinvestments will make the portfolio, in aggregate, no less compliant with one or both of (i) and (ii), above.

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 Directors will 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 Issue Price of between 7 and 10 % per annum.

### Shareholder Information

Northern Trust International Fund Administration (Guernsey) Limited (the “Administrator”) is responsible for calculating the NAV per share of the Company. The unaudited NAV per ordinary redeemable share will be calculated as at the close of business on the last business day of every week and the last business day of every month by the Administrator and will be announced by a Regulatory Information Service the following business day.

# TwentyFour Income Fund Limited

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## SUMMARY INFORMATION

### Continued

#### Financial Highlights

	<b>30.09.13</b>
Total Net Assets	£229,903,835
Net Asset Value per share	106.04p
Share price at 30 September 2013	110.00p
Premium to Net Asset Value	3.74%

As at 28 November 2013, the premium had moved to 3.72%. The estimated NAV per share and mid-market share price stood at 110.15p and 114.25p respectively.

#### Ongoing Charges

Ongoing charges for the period ended 30 September 2013 have been calculated in accordance with the AIC's recommended methodology. The ongoing charges for the period ended 30 September 2013 were 0.99%.

# TwentyFour Income Fund Limited

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## CHAIRMAN'S STATEMENT

for the period from 11 January 2013 (date of incorporation) to 30 September 2013

I am pleased to present my report on the Company's progress for the period from launch to the end of September 2013.

The IPO of the Company in March raised £150 million from a broad range of investors following a six month pre-marketing and structuring process between the Manager and Numis Securities. The Board were very pleased to have raised such a significant amount of interest for a unique proposition.

The investment of the initial portfolio was completed ahead of the Manager's target of 3 months, with the expected diversity and target yield, and in compliance with the tests around sectors and ratings.

During the marketing phase a material number of investors made clear their desire for the fund to grow in size to bring additional liquidity to the stock, and with this in mind the Company has issued further stock on a number of occasions during the period, primarily in two tranches during June and September. This has been possible due to the flexible shelf prospectus that the fund was launched under allowing up to £500 million of capital to be raised during the first year of the Company's life.

The Company's shares have been trading at a premium since launch. When this has been in excess of 5% the Board has authorised the issuance of further stock at or near to the market price to satisfy this demand and manage the premium.

The Company's issued share capital as at 30 September 2013 consisted of 216,817,637 Ordinary Redeemable Shares. After the period end the company issued a further 50,091,075 of shares.

The Net Asset Value of the Company has displayed positive performance since launch, with the exception of a limited and temporary decline in June, as all markets sold off in the wake of US Fed Chairman Bernanke's comments around tapering the volume of bonds the central bank was buying on a monthly basis.

Our performance expectations continue to be positive and are driven by a technical imbalance in the marketplace. Central banks across Europe continue to fund the banking system at very cheap levels meaning there is little incentive for banks to securitize high quality assets into ABS bonds. At the same time the yields available on mezzanine ABS bonds, and the increasingly favourable capital treatment that many investors may well receive going forward, mean that there are more buyers coming into this market. This should continue to put pressure on yields, and force bond prices up.

The Company declared its first dividend from inception to 28 June 2013 of 1.25p per Ordinary Redeemable Share to Ordinary Redeemable Shareholders. The dividend was paid on 31 July 2013. The inception to 30 September 2013 total return of the Company was +7.29%, including the dividend and the shares traded at an average premium to the NAV of 5.12% during the period.

Trevor Ash  
Chairman  
28 November 2013



# TwentyFour Income Fund Limited

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## INVESTMENT MANAGER'S REPORT

for the period from 11 January 2013 (date of incorporation) to 30 September 2013

### Investment Review

The Company launched with £150 million in capital in March 2013, the proceeds of which were invested in line with expectations within the 3 months indicated during the marketing process. Further capital has been issued through the Company's Placing Programme which allows up to £500 million in capital to be issued up to one year following launch, taking the total equity issued to £216.8 million, with another capital raising completed on 31 October 2013, raising a further £55 million.

Asset allocation has broadly reflected that expected at inception. In geographic terms the portfolio is heavily skewed towards the UK, the Netherlands and Spain, with smaller exposures to Portugal, Italy, France and Germany. This is indicative of the component parts of the European Asset Backed Securities ("ABS") market, but also the belief of the portfolio management team that while the securities are cheap, there will be a range of drivers of spread reversion and price performance, and that having a diversified portfolio will enable the Company to benefit from the full range of upside.

In terms of sectoral allocations the Company is, as anticipated, heavily exposed to the Residential Mortgage Backed Securities ("RMBS") market. This is the largest sector of the European ABS market, and allows access to a number of different geographies. In addition to RMBS, the Company has significant exposure to Collateralised Loan Obligations ("CLO"s), which is beyond that anticipated at launch and has been driven by the reopening of the CLO primary market. A more vibrant market place driven by new issuance should help drive a more pronounced tightening of CLO spreads, as well as supplying a refinancing option for legacy CLOs that are in amortisation and which are no longer efficient funding, meaning that the likelihood of old deals being repaid at par has increased. In addition the focus of European central banks on supplying credit to corporates that are too small to issue into the bond market should be supportive of both underlying credit and yields given the impact on prepayment speeds.

Performance of the Company has been positive since launch, however during June spreads widened for a short period. This was driven by a number of stimuli, most notably the risk-off tone adopted by the market following the announcement from the Federal Reserve that they were considering tapering their quantitative easing ("QE") bond purchases. The uncertainty in the markets following this announcement pushed prices in most of the fixed income markets down, and as this coincided with the half-year end for banks when their appetite is generally to reduce risk, and with significant amounts of bonds coming onto the market as public auction activity picked up, the Company's NAV dropped as credit spreads widened.

This spread move was not long-lasting and the principal driver of performance in the first half of the year reasserted itself later on in the summer, as a lack of supply and an increasing number of new entrants to the market place led to a demand-supply imbalance that forced prices up again. The outlook over the medium term is for this to continue as rhetoric from bodies such as the ECB, the Basle Committee for Banking Supervision and EIOPA points towards easing of capital constraints on holders of mezzanine ABS, and reduction of haircuts making investing in this part of the market more efficient for large investors such as banks and insurers.

Fundamental performance of the underlying deals has been biased towards improvement. Clear forward guidance in the UK on interest rates linking the base rate to unemployment, and with it the expectation of wage inflation and more efficient corporate results as gains in productivity feed through, leave us expecting to see the underlying assets performing more strongly before the Company picks up the benefits that rate hikes bring to a floating rate fund such as this.

# TwentyFour Income Fund Limited

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## INVESTMENT MANAGER'S REPORT

### Continued

for the period from 11 January 2013 (date of incorporation) to 30 September 2013

#### Principal Risks & Uncertainties

##### *Limited Operating History*

The Company is a recently established investment company and these unaudited Interim Report and Financial Statements demonstrate the performance of the Company and its investment in respect of the Company for the period since incorporation and the period ended 30 September 2013.

##### *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, changes in regulation. While the Company, through its investments in Asset Backed 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 be materially detrimental to the performance of the Company's investments.

##### *Liquidity Risk*

Investments made by the Company may be relatively illiquid and this may limit the ability of the Company to realise its investments. Substantially all of the assets of the Company are invested in Asset Backed Securities. There may be no active market in the Company's interests in Asset Backed Securities. The Company does not have redemption rights in relation to any of its investments. In circumstances where there is no active market in the Company's interests in Asset Backed Securities and the Company is required to provide liquidity for example in order to fund redemption requests or repay borrowings, the Company may only be able to realise its interest at a discount to the Net Asset Value and at a time when the value of such Asset Backed Securities is depressed because of adverse market conditions. As a consequence, the value of the Company's investments may be materially adversely affected.

##### *Credit risk*

The Company is invested in Asset Backed Securities comprising debt 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 can usually be measured 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 strong 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.

# TwentyFour Income Fund Limited

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## INVESTMENT MANAGER'S REPORT

Continued

### Principal Risks & Uncertainties (continued)

#### *Credit risk (continued)*

In the event of a default under an Asset Backed Security, the Company's right to recover under the Asset Backed Security 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

TwentyFour Asset Management LLP

28 November 2013

## TwentyFour Income Fund Limited

### TOP TWENTY HOLDINGS

As at 30 September 2013

Number of Shares	Country	Asset Backed Security Sector	Fair Value £	Percentage of Net Asset Value
12,250,000	UK	Residential MBS	10,832,530	4.71
15,000,000	UK	Collateralised Loan Obligations	9,389,227	4.08
13,700,000	Spain	Small/Medium Enterprise	9,206,147	4.00
12,800,000	Netherlands	Residential MBS	8,749,742	3.81
14,200,000	Netherlands	Residential MBS	7,975,442	3.47
8,500,000	UK	Collateralised Loan Obligations	7,213,825	3.14
13,750,000	Netherlands	Collateralised Loan Obligations	6,666,271	2.90
8,600,000	Netherlands	Residential MBS	6,516,203	2.83
27,900,000	Spain	Residential MBS	6,071,805	2.64
8,000,000	UK	Residential MBS	6,051,888	2.63
7,015,000	Netherlands	Collateralised Loan Obligations	5,240,630	2.28
7,400,000	UK	Collateralised Loan Obligations	5,209,940	2.27
7,300,000	Netherlands	Commercial MBS	5,186,735	2.26
8,000,000	Netherlands	Collateralised Loan Obligations	5,065,055	2.20
6,500,000	Cayman	Collateralised Loan Obligations	5,040,620	2.19
6,200,000	Spain	Consumer	4,710,964	2.05
7,500,000	Italy	Residential MBS	4,183,402	1.82
6,347,048	Spain	Residential MBS	3,820,762	1.66
5,187,196	Italy	Leases	3,612,525	1.57
4,500,000	Netherlands	Collateralised Loan Obligations	3,611,071	1.57

# TwentyFour Income Fund Limited

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## STATEMENT OF PRINCIPAL RISKS AND UNCERTAINTIES

The Company's assets are mainly comprised of Asset Backed Securities carrying exposure to risks related to the underlying assets backing the security or the originator of the security. The Company's principal risks are therefore market or economic in nature. The Company is also exposed to capital, liquidity and credit risks. These risks and the way in which they are managed, are described in more detail in the Investment Manager's Report.

## RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

- these Unaudited Interim Financial Statements have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting" as adopted by the European Union, and
- the interim management report (comprising the Chairman's Statement and Investment Manager's Report) meets the requirements of an interim management report, and includes a fair review of the information required by:
  - (a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the period from 11 January 2013 to 30 September 2013 and their impact on the Unaudited Interim Financial Statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
  - (b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place during the period from 11 January 2013 to 30 September 2013 and that have materially affected the financial position or performance of the entity during that period.

As this is the Company's first set of Financial Statements, we have elected to show full IFRS disclosure notes. For future interim periods, Condensed Financial Statements will be prepared.

By order of the Board,

**Trevor Ash**  
Chairman

**Richard Burwood**  
Director

**28 November 2013**

# TwentyFour Income Fund Limited

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## INDEPENDENT INTERIM REVIEW REPORT TO TWENTYFOUR INCOME FUND LIMITED

### *Introduction*

We have been engaged by TwentyFour Income Fund Limited ("the Company") to review the Unaudited Financial Statements in the interim financial report for the period ended 30 September 2013, which comprises the Unaudited Statement of Comprehensive Income, the Unaudited Statement of Financial Position as at 30 September 2013, the Unaudited Statement of Changes in Equity, the Unaudited Statement of Cash Flows and related notes. We have read the other information contained in the interim financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the Unaudited Financial Statements.

### *Directors' responsibilities*

The interim financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the interim financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2 a), the annual financial statements of the Company will be prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The Unaudited Financial Statements included in this interim financial report have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting" as adopted by the European Union.

### *Our responsibility*

Our responsibility is to express to the Company a conclusion on the Unaudited Financial Statements in the interim financial report based on our review. This report, including the conclusion, has been prepared for and only for the Company for the purpose of the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in producing this report, 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.

### *Scope of review*

We conducted our review in accordance with International Standard on Review Engagements 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the International Auditing and Assurance Standards Board. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the Unaudited Financial Statements in the interim financial report for the period ended 30 September 2013 are not prepared, in all material respects, in accordance with International Accounting Standard 34, "Interim Financial Reporting" as adopted by the European Union, and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

PricewaterhouseCoopers CI LLP  
Chartered Accountants  
Guernsey, Channel Islands  
28 November 2013

# TwentyFour Income Fund Limited

## UNAUDITED STATEMENT OF COMPREHENSIVE INCOME

for the period from 11 January 2013 (date of incorporation) to 30 September 2013

	Note	For the period from 11.01.13 (date of incorporation) to 30.09.13 £
<b>Income</b>		
Interest income		6,200,015
Net foreign currency gains	7	4,393,517
Net gains on financial assets at fair value through profit or loss	8	5,836,880
<b>Total income</b>		<b>16,430,412</b>
Management fee	13	(747,438)
Directors' fees	13	(76,038)
Administration fees	14	(72,220)
Audit fee		(16,250)
Custodian fees	14	(12,011)
Broker fees		(28,494)
Other expenses		(41,511)
<b>Total expenses</b>		<b>(993,962)</b>
Total comprehensive income for the period		<b>15,436,450</b>
<b>Earnings per Ordinary Redeemable Share - Basic &amp; Diluted</b>	4	<b>0.090</b>

All items in the above statement derive from continuing operations.

There are no comparative figures as this is the Company's first financial period of operation.

The notes on pages 17 to 39 form an integral part of the Unaudited Interim Financial Statements.

# TwentyFour Income Fund Limited

## UNAUDITED STATEMENT OF FINANCIAL POSITION

as at 30 September 2013

		30.09.2013
	Note	£
<b>Assets</b>		
<b>Current assets</b>		
Investments	8	220,296,941
Derivative assets	15	2,177,700
Other receivables	9	1,422,536
Cash and cash equivalents	2	16,991,639
<b>Total current assets</b>		<u>240,888,816</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Amounts due to broker	2	10,611,591
Other payables	10	361,939
Derivative liabilities	15	11,451
<b>Total liabilities</b>		<u>10,984,981</u>
<b>Net current assets</b>		<u>229,903,835</u>
<b>Equity</b>		
Share capital account	11	216,814,457
Other reserves		13,089,378
<b>Total equity</b>		<u>229,903,835</u>
Ordinary Redeemable Shares in issue	11	<u>216,817,637</u>
Net Asset Value per Ordinary Redeemable Share	5	<u>106.04</u>

There are no comparative figures as this is the Company's first financial period of operation.

The Unaudited Interim Financial Statements on pages 13 to 39 were approved by the Board of Directors on 28 November 2013 and signed on its behalf by:

**Trevor Ash**  
Chairman

**Richard Burwood**  
Director

The notes on pages 17 to 39 form an integral part of the Unaudited Interim Financial Statements.



## TwentyFour Income Fund Limited

### UNAUDITED STATEMENT OF CHANGES IN EQUITY

for the period from 11 January 2013 (date of incorporation) to 30 September 2013

	Share Capital	Other	
	Account	Reserves	Total
	£	£	£
<b>Balances at 11 January 2013</b>	-	-	-
<b>Total comprehensive income for the period</b>			
Total comprehensive income for the period	-	15,436,450	15,436,450
<b>Transactions with Shareholders recorded directly in equity</b>			
Issue of shares	220,546,660	-	220,546,660
Share issue costs	(3,732,203)	-	(3,732,203)
Distributions paid	-	(2,347,072)	(2,347,072)
<b>Balance at 30 September 2013</b>	<b>216,814,457</b>	<b>13,089,378</b>	<b>229,903,835</b>

There are no comparative figures as this is the Company's first financial period of operation.

The notes on pages 17 to 39 form an integral part of the Unaudited Interim Financial Statements.

# TwentyFour Income Fund Limited

## UNAUDITED STATEMENT OF CASH FLOWS

for the period from 11 January 2013 (date of incorporation) to 30 September 2013

For the period from 11.01.13 (date of  
incorporation) to 30.09.13

£

### Cash flows used in operating activities

Total comprehensive income for the period	15,436,450
Adjustments for:	
Net gains on investments	(5,836,880)
Adjustment for amortisation of investment cost	(3,389,455)
Increase in receivables	(1,422,536)
Increase in payables	361,939
Increase in open forward currency contracts	(2,166,249)
Purchase of investments	(221,009,917)
Sale of investments	20,550,902
Net cash used in operating activities	(197,475,746)

### Cash flows from financing activities

Proceeds from issue of Ordinary Redeemable Shares	220,546,660
Share issue costs	(3,732,203)
Dividend distribution	(2,347,072)
Net cash inflow from financing activities	214,467,385

**Increase in cash and cash equivalents** 16,991,639

Cash and cash equivalents at beginning of period -

**Cash and cash equivalents at end of period** 16,991,639

There are no comparative figures as this is the Company's first financial period of operation.

The notes on pages 17 to 39 form an integral part of the Financial Statements.

# TwentyFour Income Fund Limited

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## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

for the period from 11 January 2013 (date of incorporation) to 30 September 2013

### 1. General Information

TwentyFour Income Fund Limited (the “Company”) was incorporated with limited liability in Guernsey, as a closed-ended investment company on 11 January 2013. 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 6 March 2013.

The Company’s investment objective is to generate attractive risk adjusted returns principally through income distributions.

The Company pursues its investment objective by investing in a diversified portfolio of UK and European Asset Backed Securities.

The portfolio will comply, as at each date an investment is made, with the following restrictions:

- (i) at least 50% of the portfolio value will be invested in assets which have at least one investment grade credit rating from an internationally recognised rating agency, or in cash; and
- (ii) no more than 5% of the portfolio value will be exposed to any single Asset Backed Security or issuer of Asset Backed Securities.

Exceptions to these restrictions are permitted in respect of reinvestments where the Investment Manager will be permitted to purchase new investments if the purchase would, at the time of reinvestment:

- not increase the proportion of the portfolio represented by noninvestment grade Asset Backed Securities (even where following the purchase less than 50% of the portfolio value will be invested in assets which have at least one investment grade credit rating from an internationally recognised rating agency or cash due to market movements and/or changes in credit ratings); and
- the asset purchased would be compliant with the single Asset Backed Security/issuer exposure restriction above (even where following the purchase more than 5% of the portfolio value will be exposed to another single Asset Backed Security or issuer due to market movements).

For the avoidance of doubt, reinvestments will make the portfolio, in aggregate, no less compliant with one or both of (i) and (ii), above.

The Company may hold cash and invest in cash equivalents, money market instruments, bonds, commercial paper or other debt obligations with banks or other counterparties having a credit rating of A or higher as determined by any internationally recognised rating agency selected by the Board. The Company may also invest in any government and public securities as defined for the purposes of the FCA rules.

The Investment Manager of the Company is TwentyFour Asset Management LLP (the “Investment Manager”).

### 2. Principal Accounting Policies

#### a) Statement of compliance

The Unaudited Interim Financial Statements for the period from 11 January 2013 to 30 September 2013 have been prepared in accordance with IAS 34 “Interim Financial Statements”, the Listing Rules of the London Stock Exchange (“LSE”) and applicable legal and regulatory requirements of the Companies (Guernsey) Law, 2008. The first full annual financial statements will be prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) as adopted by the European Union as at, and for the period ending, 31 March 2014.

# TwentyFour Income Fund Limited

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## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

### Continued

for the period from 11 January 2013 (date of incorporation) to 30 September 2013

#### 2. Principal Accounting Policies (continued)

##### b) Presentation of information

The Unaudited Interim 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 at fair value through profit or loss.

Where presentational guidance set out in the Statement of Recommended Practice ("SORP") for Investment Companies issued by the Association of Investment Companies ("AIC") in January 2009 is consistent with the requirements of IFRS, the Directors have sought to prepare the Financial Statements on a basis compliant with the SORP.

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

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

- IFRS 9 Financial Instruments (Effective 1 January 2015)
- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) (Effective 1 January 2014)

The Directors anticipate that the adoption of the other standards and interpretations effective in a future period will not have a material impact on the financial statements of the Company, other than IFRS 9.

IFRS 9, 'Financial Instruments' effective for annual periods beginning on or after 1 January 2015, requires that the effects of changes in credit risk of liabilities designated as at fair value through profit or loss are presented in other comprehensive income unless such treatment would create or enlarge an accounting mismatch in profit or loss, in which case all gains or losses on that liability are presented in profit or loss. Other requirements of IFRS 9 relating to classification and measurement of financial liabilities are unchanged from IAS 39. The requirements of IFRS 9 relating to derecognition are unchanged from IAS 39.

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

###### *Classification*

The Company classifies its investments in debt 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.

# TwentyFour Income Fund Limited

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## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

### Continued

for the period from 11 January 2013 (date of incorporation) to 30 September 2013

#### 2. Principal Accounting Policies (continued)

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

###### (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 hedging relationship.

(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 Investment 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.

Investments in asset-backed securities are the purchase of an interest in pools of loans. The investment characteristics of Asset Backed Securities are such that principal payments are made more frequently than traditional debt securities. The principal may be repaid at any time because the underlying debt or other assets generally may be repaid at any time.

The Company records these 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 securities is recognised within income in the Statement of Comprehensive Income.

##### *Fair value estimation*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investments in Asset Backed 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) Asset Backed Securities traded or dealt on an active market or exchange.

Asset Backed 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 management deem the mid-market price to be a reasonable approximation of an exit price.

# TwentyFour Income Fund Limited

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## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

### Continued

for the period from 11 January 2013 (date of incorporation) to 30 September 2013

#### 2. Principal Accounting Policies (continued)

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

*Fair value estimation (continued)*

ii) Asset Backed Securities not traded or dealt on an active market or exchange.

Asset Backed Securities which are not traded or dealt on active markets or exchanges are valued by reference to their 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 Investment Manager determines that the provided price is not an accurate representation of the fair value of the Asset Backed Security, the Investment Manager will source prices at the close of business on the reporting date from third party broker/dealer quotes for the relevant security.

In cases where no third party price is available (either from an independent price vendor or third party broker/dealer quotes), or where the Investment Manager determines that the provided price is not an accurate representation of the fair value of the Asset Backed Security, the Investment Manager will determine the valuation based on the Investment 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.

##### *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.

##### *Impairment*

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

##### e) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

##### f) Amounts due from and due to brokers

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

##### g) Income

Interest income is recognised on a time-proportionate basis using the effective interest method. Discounts received or premiums paid in connection with the acquisition of Asset Backed Securities are amortised into interest income using the effective interest method over the estimated life of the related security.

# TwentyFour Income Fund Limited

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## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

### Continued

for the period from 11 January 2013 (date of incorporation) to 30 September 2013

#### 2. Principal Accounting Policies (continued)

##### g) Income (continued)

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 Company estimates cash flows considering the expected life of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate and all other premiums or discounts.

##### h) Cash and cash equivalents

Cash and cash equivalents comprises 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 shown in current liabilities in the Statement of Financial Position.

##### i) Share capital

Ordinary Redeemable Shares are classified as equity. Incremental costs directly attributable to the issue of ordinary redeemable shares are shown in equity as a deduction, net of tax, from the proceeds and disclosed in the Statement of Changes in Equity.

##### j) Foreign currency translation

###### *Functional and presentation currency*

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

###### *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency assets and liabilities are translated into the functional currency using the exchange rate prevailing at the statement of financial position date.

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

##### k) Transaction costs

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

##### l) Segment reporting

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

# TwentyFour Income Fund Limited

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## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

### Continued

for the period from 11 January 2013 (date of incorporation) to 30 September 2013

#### 2. Principal Accounting Policies (continued)

##### m) Expenses

All expenses are included in the Statement of Comprehensive Income on an accruals basis. Expenses incurred on the acquisition of investments at fair value through profit or loss are charged to the Statement of Comprehensive Income in capital. All other expenses are recognised through profit or loss in the Statement of Comprehensive Income in revenue.

##### n) Other receivables

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

##### o) Other payables

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

##### p) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability 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.

#### 3. Significant accounting judgements, estimates and assumptions

The preparation of the Company's Unaudited Interim 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 Consolidated Financial Statements:

##### *Functional currency*

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



# TwentyFour Income Fund Limited

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## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

### Continued

for the period from 11 January 2013 (date of incorporation) to 30 September 2013

### 3. Significant accounting judgements, estimates and assumptions (continued)

#### (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 Unaudited Interim Financial Statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising which are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

#### (a) Fair value of derivative financial instruments

The Company may, from time to time, hold financial instruments that are not quoted in active markets, such as over-the-counter derivatives. The Company holds forward foreign exchange contracts and their fair value is determined with reference to rates in active currency markets.

#### (b) Fair value of securities not quoted in an active markets

The Company carries its investments in Asset Backed Securities at fair value, with changes in value being recognised in the Statement of Comprehensive Income. In cases where prices of Asset Backed Securities are not quoted in an active market, the Investment Manager will obtain price determined at the close of business on the reporting date from an independent price vendor. The Investment Manager would exercise 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 Investment Manager determines that the provided price is not an accurate representation of the fair value of the Asset Backed Security, the Investment Manager will source prices from third party broker or dealer quotes for the relevant security. Where no third party price is available, or where the Investment Manager determines that the third party quote is not an accurate representation of the fair value, the Investment Manager will determine the valuation based on the Investment 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.

#### (c) Estimated life of Asset Backed Securities

In determining the estimated life of the Asset Backed Securities held by the Company, the Investment 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 Asset Backed Securities as determined by the Investment Manager, impacts the effective interest rate of the Asset Backed Securities which in turn impacts the calculation of income as discussed in note 2(h).

#### (d) Determination of observable inputs

In note 16, 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 Redeemable Share - Basic & Diluted

The earnings per Ordinary Redeemable Share - Basic and Diluted has been calculated based on the weighted average number of Ordinary Redeemable Shares of 171,051,600 and a net gain of £15,436,450.

There were no dilutive elements to shares issued or repurchased during the year.

# TwentyFour Income Fund Limited

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

### Continued

for the period from 11 January 2013 (date of incorporation) to 30 September 2013

#### 5. Net Asset Value per Ordinary Redeemable Share

The net asset value of each Share of £1.06 is determined by dividing the net assets of the Company attributed to the Shares of £229,903,835 by the number of Shares in issue at 30 September 2013 of 216,817,637.

#### 6. 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 £600.

#### 7. Net foreign currency gains

	For the period from 11.01.13 (date of incorporation) to 30.09.13
	£
Unrealised gain on forward currency contracts	2,166,249
Realised gain on forward currency contracts	1,951,561
Realised currency gain	265,840
Unrealised currency gain on receivables/payables	34,083
Unrealised income exchange loss	(24,216)
	<u>4,393,517</u>

#### 8. Investments

	For the period from 11.01.13 (date of incorporation) to 30.09.13
	£
<b>Financial assets at fair value through profit and loss:</b>	
<b>Unlisted Investments:</b>	
Opening book cost	-
Purchases at cost	231,621,508
Proceeds on sale/principal repayment	(20,550,902)
Amortisation of discount on purchase	3,389,455
Realised gain on sale/principal repayment	1,675,636
	<u>216,135,697</u>
Closing book cost	216,135,697
Unrealised gain on investments	4,161,244
	<u>220,296,941</u>
<b>Fair value</b>	<u>220,296,941</u>
Realised gains on sales/principal repayment	1,675,636
Increase in unrealised gain	4,161,244
	<u>5,836,880</u>
<b>Net gains on financial assets at fair value through profit or loss</b>	<u>5,836,880</u>

# TwentyFour Income Fund Limited

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

### Continued

for the period from 11 January 2013 (date of incorporation) to 30 September 2013

#### 9. Other receivables

	As at 30.09.13
	£
Coupon interest receivable	1,383,843
Prepaid expenses	38,693
	<u>1,422,536</u>

#### 10. Other payables

	As at 30.09.13
	£
Management fees payable	254,238
Custody fee payable	11,846
Administration fee payable	40,714
Directors' fee payable	26,875
Audit fee payable	16,250
General expenses payable	12,016
	<u>361,939</u>

#### 11. Share Capital

##### Authorised Share Capital

Unlimited number of Ordinary Redeemable Shares at no par value.

##### Issued Share Capital

	As at 30.09.13
	£
<b>Ordinary Redeemable Shares</b>	<b>£</b>
Share Capital at the beginning of the period	-
Issued Share Capital	220,546,660
Share issue costs	(3,732,203)
Total Share Capital at the end of the period	<u>216,814,457</u>

# TwentyFour Income Fund Limited

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

### Continued

for the period from 11 January 2013 (date of incorporation) to 30 September 2013

#### 11. Share Capital (continued)

	As at 30.09.13
<b>Ordinary Shares</b>	£
Share Capital at the beginning of the period	-
Issued Share Capital	220,546,660
Share issue costs	(3,732,203)
Total Share Capital at the end of the period	<u>216,814,457</u>

The Share Capital of the Company consists of an unlimited number of Shares with or without par value which, upon issue, the Directors may designate as: Ordinary Redeemable Shares; Realisation Shares or such other class as the Board shall determine, in each case of such classes and denominated in such currencies as shall be determined at the discretion of the Board.

As of 30 September 2013, one share class has been issued, being the Ordinary Redeemable Shares of the Company.

The Ordinary Redeemable Shares carry the following rights:

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

c) On 8 January 2016, being 56 days before the third anniversary of admission (the "Reorganisation Date"), the Shareholders are entitled to serve a written notice (a "Realisation Election") requesting that all or a part of the Ordinary Redeemable Shares held by them be redesignated to Realisation Shares, subject to the aggregate NAV of the continuing Ordinary Redeemable Shares on the last business day before the Reorganisation Date being not less than £50 million. A Realisation Notice, once given is irrevocable unless the Board agrees otherwise. If one or more Realisation Elections be duly made and the aggregate NAV of the continuing Ordinary Redeemable Shares on the last business day before the Reorganisation Date is less than £50 million, the Realisation will not take place.

# TwentyFour Income Fund Limited

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

### Continued

for the period from 11 January 2013 (date of incorporation) to 30 September 2013

#### 12. Analysis of Financial Assets and Liabilities by Measurement Basis

	Assets at fair value through profit and loss £	Loans and receivables £	Total £
30 September 2013			
<b>Financial Assets as per Statement of Financial Position</b>			
Investments at fair value through profit or loss:			
-Asset backed securities	220,296,941	-	220,296,941
Unrealised gains on derivative assets	2,177,700	-	2,177,700
Cash and cash equivalents	-	16,991,639	16,991,639
Other receivables	-	1,422,536	1,422,536
	<u>222,474,641</u>	<u>18,414,175</u>	<u>240,888,816</u>
	Liabilities at fair value through profit and loss £	Other financial liabilities £	Total £
<b>Financial Liabilities as per Statement of Financial Position</b>			
Amounts due to brokers	-	10,611,591	10,611,591
Other payables	-	361,939	361,939
Unrealised loss on derivative liabilities	11,451	-	11,451
	<u>11,451</u>	<u>10,973,530</u>	<u>10,984,981</u>

#### 13. 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 Mr Ash, the Chairman, £27,500 to Mr Burns as Chairman of the Audit Committee and £25,000 to Mr Burwood and Ms Etherden. During the period ended 30 September 2013, Directors fees of £76,038 were charged to the Company, of which £26,875 remained payable at the end of the period.

##### b) Shares held by related parties

As at 30 September 2013, Directors of the Company held the following shares beneficially:-

	Number of Shares
Trevor Ash	25,000
Richard Burwood	5,000
Jeannette Etherden	25,000

# TwentyFour Income Fund Limited

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## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

### Continued

for the period from 11 January 2013 (date of incorporation) to 30 September 2013

#### 13. Related Parties (continued)

##### b) Shares held by Related Parties (continued)

As at 30 September 2013, the Investment Manager held 400,000 Shares, which is 0.18% of the Issued Share Capital, and partners and employees of the Investment Manager held 796,000 Shares, which is 0.37% of the Issued Share Capital.

##### c) Investment Manager

The investment management fee is payable to the Investment Manager, TwentyFour Asset Management LLP, monthly in arrears at a rate of 0.75% per annum of the lower of Net Asset Value, which is calculated weekly on each valuation day, or market capitalisation of each class of shares. Total investment management fees for the period amounted to £747,438 of which £254,238 is due and payable at the period end. The Investment Management Agreement dated 18 February 2013 remains in force until determined by the Company or the Investment Manager giving the other party not less than twelve months' notice in writing. Under certain circumstances, the Company or the Investment Manager are entitled to immediately terminate the agreement in writing.

The Investment Manager is also entitled to a commission of 0.15% 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 period the Investment Manager received £330,820 in commission.

#### 14. Material Agreements

##### a) Placing Agent

For its services as the Company's placing agent pursuant to a placing agreement dated 18 February 2013 in connection with the initial public offering ("IPO") of shares in March 2013, Numis Securites Limited (the "Placing Agent") was entitled to receive a fee of 1.45% of the gross proceeds of the IPO. The placing agent received a fee of £2,175,000 under this agreement.

The Placing Agent is also entitled to receive commission of 1% on all tap issues. During the period the Placing Agent received £705,547 in commission.

##### 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 £65,000 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. Total administration and secretarial fees for the period amounted to £72,220 of which £40,714 is due and payable at the period end.

##### c) Custodian

The custodian's fees and charges are payable to The Northern Trust Company monthly in arrears. Custody fees are a minimum of £8,500 per annum plus transaction fees. Total custody fees and charges for the year amounted to £12,011 of which £11,846 is due and payable at the period end.

# TwentyFour Income Fund Limited

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## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

### Continued

for the period from 11 January 2013 (date of incorporation) to 30 September 2013

#### 15. 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 Asset Backed Securities.

##### (i) Price 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 mark to market basis. Market 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 Asset Backed Securities.

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

The price of an Asset Backed 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).

##### (li) 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 Asset Backed Securities generally rise and the proceeds of Asset Backed Securities held by the Company that mature or are sold are not able to be reinvested in Asset Backed Securities with a yield comparable to that of the portfolio as a whole.

# TwentyFour Income Fund Limited

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

### Continued

for the period from 11 January 2013 (date of incorporation) to 30 September 2013

#### 15. Financial Risk Management (continued)

##### *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 2013, 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 £11,014,847. An equal change in the opposite direction would have decreased the net assets attributable to equity Shareholders.

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 table below summarises the Company's exposure to interest rate risk:

	Floating rate	Fixed rate	Non-interest bearing	Total
As at 30 September 2013	£	£	£	£
Financial assets at fair value through profit or loss	220,296,941	-	-	220,296,941
Receivables	-	-	1,422,536	1,422,536
Cash and cash equivalents	16,991,639	-	-	16,991,639
Unrealised gains on derivative assets	-	-	2,177,700	2,177,700
Unrealised loss on derivative liabilities	-	-	(11,451)	(11,451)
Amounts due to broker	-	-	(10,611,591)	(10,611,591)
Other payables	-	-	(361,939)	(361,939)
<b>Net current assets</b>	<b>237,288,580</b>	<b>-</b>	<b>(7,384,745)</b>	<b>229,903,835</b>

The Company only holds floating rate financial instruments which have little 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 asset backed 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 Investment 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.



# TwentyFour Income Fund Limited

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

### Continued

for the period from 11 January 2013 (date of incorporation) to 30 September 2013

#### 15. Financial Risk Management (continued)

The main concentration of credit risk to which the Company is exposed arises from the Company's investments in Asset Backed 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 to invest at least 50% of the portfolio value in assets 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 Asset Backed Security or issuer of Asset Backed Securities.

Portfolio of debt securities by ratings category assigned by Standard and Poor's and/or Moody's:

Rating	30.09.13
AA-	5.31%
A+	11.00%
A	3.88%
A-	5.20%
BBB+	1.97%
BBB	7.73%
BBB-	9.33%
BB+	5.63%
BB	8.92%
BB-	4.39%
B+	7.49%
B	10.18%
B-	7.68%
CCC+	4.08%
CCC	1.38%
CCC-	1.36%
NR	4.47%
	<hr/>
	100.00%

To further minimise credit risk, the Investment Manager undertakes extensive due diligence procedures on investments in Asset Backed Securities and monitors the on-going investment in these securities. The Company may also use credit default swaps to mitigate the effects of market volatility on credit risk.

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. All 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.

# TwentyFour Income Fund Limited

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

### Continued

for the period from 11 January 2013 (date of incorporation) to 30 September 2013

#### 15. 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:

	As at 30.09.2013 £
Investments	220,296,941
Cash and cash equivalents	16,991,639
Unrealised gains on derivative assets	2,177,700
Other receivables	1,422,536
	<u>240,888,816</u>

Investments in Asset Backed 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 Asset Backed 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 Asset Backed Securities may be relatively illiquid and this may limit the ability of the Company to realise its investments. Investments in Asset Backed 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 Investment 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.

Shareholders have no right to have their shares redeemed or repurchased by the Company, except as detailed under note 11 c) and the Capital Risk Management 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 there is no risk that the Company will not be able to fund redemption requests.

# TwentyFour Income Fund Limited

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

### Continued

for the period from 11 January 2013 (date of incorporation) to 30 September 2013

#### 15. 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 2013

	Up to 1 month	1-6 months	6-12 months	Total
	£	£	£	£
<b>Financial liabilities</b>				
Amounts due to brokers	(10,611,591)	-	-	(10,611,591)
Unrealised loss on derivative assets	(11,451)	-	-	(11,451)
Other payables	(345,689)	(16,250)	-	(361,939)
<b>Total</b>	<b>(10,968,731)</b>	<b>(16,250)</b>	<b>-</b>	<b>(10,984,981)</b>

##### 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 Euro and Sterling. The Company manages the exposure to currency movements by using spot and forward foreign exchange contracts, rolling forward on a periodic basis.

At the period end, the Company had twelve open forward currency contracts.

	Contract values	Outstanding contracts	Mark to market equivalent	Unrealised gains/(losses)
	30.09.2013	30.09.2013	30.09.2013	30.09.2013
	€	£	£	£
Eleven Sterling forward foreign currency contracts totalling: Settlement date 9 October 2013	234,897,774	198,537,770	196,360,071	2,177,700
One Euro forward foreign currency contract totalling: Settlement date 2 October 2013	(8,156,529)	(6,829,461)	(6,818,010)	(11,451)
				<u>2,166,249</u>

# TwentyFour Income Fund Limited

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

### Continued

for the period from 11 January 2013 (date of incorporation) to 30 September 2013

#### 15. Financial Risk Management (continued)

##### Foreign Currency Risk (continued)

As at 30 September 2013 the Company held the following assets and liabilities denominated in Euro:

	As at 30.09.2013
Assets:	£
Investments	195,093,203
Cash and cash equivalents	328,207
Other receivables	111,402
Amounts due to broker	(7,001,215)
Less: Open forward currency contracts	(189,542,059)
	<u>(1,010,462)</u>

The table below summarises the sensitivity of the Company's assets and liabilities to changes in foreign exchange movements between Euro and Sterling at 30 September 2013. 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.

	As at 30.09.2013 £
Impact on Statement of Comprehensive Income and Equity in response to a:	
- 10% increase	<u>(2,065,313)</u>
- 10% decrease	<u>2,267,458</u>
Impact on Statement on Equity in response to a:	
- 10% increase	<u>(2,065,313)</u>
- 10% decrease	<u>2,267,458</u>

##### 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.

# TwentyFour Income Fund Limited

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## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

### Continued

for the period from 11 January 2013 (date of incorporation) to 30 September 2013

#### 15. Financial Risk Management (continued)

##### Capital risk management (continued)

###### *(i) Share buybacks*

The Company has been granted the authority to make market purchases of up to a maximum of 14.99 per cent. 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.

###### *(ii) Realisation opportunity*

The Company's structure includes an opportunity for investors to elect to realise all or part of their shareholding in the Company after an initial three year period ending 6 March 2016 subject to the aggregate NAV of the continuing Ordinary Redeemable Shares on the last business day before the Reorganisation Date being not less than £50 million. It is anticipated that realisations will be satisfied by the assets underlying the relevant shares being managed on a realisation basis, which is intended to generate cash for distribution as soon as practicable and may ultimately generate cash which is less than the published NAV per Realisation Share.

In the event that the Realisation takes place, it is anticipated that the ability of the Company to use its share repurchase and redemption authorities to enable realisations and/or returns of cash to the holders of Realisation Shares will depend in part on the ability of the Investment Manager to realise the portfolio.

###### *(iii) Continuation votes*

In the event that the Company does not meet the dividend target in any financial reporting period as disclosed in Note 18, the Directors may convene a general meeting of the Company where the Directors will propose a resolution that the Company should continue as an Investment Company.

#### 16. 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).

# TwentyFour Income Fund Limited

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

### Continued

for the period from 11 January 2013 (date of incorporation) to 30 September 2013

#### 16. Fair Value Measurement (continued)

(iii) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table analyses within the fair value hierarchy the Company's financial assets and liabilities (by class) measured at fair value for the period ended 30 September 2013.

	Level 1	Level 2	Level 3	Total
	£	£	£	£
<b>Assets</b>				
Financial assets at fair value through profit and loss:				
Asset Backed Securities:				
<i>Collateralised Debt Obligations</i>	-	-	1,833,099	1,833,099
<i>Collateralised Loan Obligations</i>	-	37,355,910	27,978,084	65,333,994
<i>Residential MBS</i>	-	43,230,877	83,044,565	126,275,442
<i>Leases</i>	-	3,368,691	2,818,771	6,187,462
<i>Commercial MBS</i>	-	4,824,598	-	4,824,598
<i>Consumer</i>	-	2,883,597	611,181	3,494,778
<i>Small/Medium Enterprise</i>	-	10,031,951	2,315,617	12,347,568
Derivative assets	-	2,177,700	-	2,177,700
<b>Total assets as at 30 September 2013</b>	<b>-</b>	<b>103,873,324</b>	<b>118,601,317</b>	<b>222,474,641</b>
<b>Liabilities</b>				
Derivative liabilities	-	11,451	-	11,451
<b>Total liabilities as at 30 September 2013</b>	<b>-</b>	<b>11,451</b>	<b>-</b>	<b>11,451</b>

Asset Backed Securities which have a value based on quoted market prices in active markets, are classified in level 1. At period-end, no Asset Backed Securities held by the Company, are classified as level 1.

Asset Backed Securities which are not traded or dealt on organised markets or exchanges are classified in level 2. The prices of these Asset Backed Securities are obtained from an independent price vendor or where the Investment Manager determines that the price is not an accurate representation of the fair value of the Asset Backed Security. In this case, the Investment Manager may source prices from third party broker or dealer quotes and if the price represents a firm tradable price, the Asset Backed Security is classified in level 2.

# TwentyFour Income Fund Limited

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

### Continued

for the period from 11 January 2013 (date of incorporation) to 30 September 2013

#### 16. Fair Value Measurement (continued)

Asset Backed Securities where no third party verifiable price is available are classified in level 3. The valuation of these Asset Backed Securities will be determined based on the Investment 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 Investment Manager sources prices from a third party broker or dealer quotes and these prices are indicative rather than tradable, the Asset Backed Security is classified in level 3.

The following table presents the movement in level 3 instruments for the period ended 30 September 2013 by class of financial instrument.

	<i>Collateralised Debt Obligations</i>	<i>Collateralised Loan Obligations</i>	<i>Consumer</i>	<i>Leases</i>	<i>Residential MBS</i>	<i>Small/Medium Enterprise</i>	<b>Total</b>
	£	£	£	£	£	£	£
Opening balance	-	-	-	-	-	-	-
Purchases	1,801,122	26,834,139	620,992	2,720,388	78,802,976	2,346,147	113,125,764
Net unrealised (loss)/gain for the period included in the Statement of Comprehensive Income for level 3 Investments held at 30 September 2013	31,977	1,143,945	(9,811)	98,383	4,241,589	(30,530)	5,475,553
Closing balance	1,833,099	27,978,084	611,181	2,818,771	83,044,565	2,315,617	118,601,317

There were no transfers between levels during the period.

The following table analyses within the fair value hierarchy the Company's assets and liabilities not measured at fair value at 30 September 2013 but for which fair value is disclosed.

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	£	£	£	£
<b>Assets</b>				
Cash and cash equivalents	16,991,639	-	-	16,991,639
Other receivables	-	1,422,536	-	1,422,536
<b>Total</b>	<b>16,991,639</b>	<b>1,422,536</b>	<b>-</b>	<b>18,414,175</b>
<b>Liabilities</b>				
Amounts due to brokers	-	10,611,591	-	10,611,591
Other payables	-	361,939	-	361,939
<b>Total</b>	<b>-</b>	<b>10,973,530</b>	<b>-</b>	<b>10,973,530</b>

# TwentyFour Income Fund Limited

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## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

### Continued

for the period from 11 January 2013 (date of incorporation) to 30 September 2013

#### 16. Fair Value Measurement (continued)

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

Cash and cash equivalents include cash in hand and 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.

#### 17. 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 Asset Backed 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 Asset Backed Securities.

#### 18. Dividend Policy

The Board intends to distribute an amount at least equal to the value of the Company's net income arising each quarter to the holders of Ordinary Redeemable Shares. For these purposes, the Company's income will include the interest payable by the Asset Backed Securities in the Portfolio and the amortisation of any discount or premium to par at which an Asset Backed Security is purchased over its remaining expected life, prior to its maturity, however there is no guarantee that the dividend target of 5% of the issue price for the period ended 31 March 2014 or 6% of the Issue Price for financial years thereafter, will be met or that the Company will make any distributions at all.

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



# TwentyFour Income Fund Limited

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

### Continued

for the period from 11 January 2013 (date of incorporation) to 30 September 2013

#### 18. Dividend Policy (continued)

The Company declared the following dividends for the period from 11 January 2013 to 30 September 2013:

Period to	Dividend rate per Share (pence)	Net dividend payable (£)	Record date	Ex-dividend date	Pay date
30 June 2013	0.0125	2,347,072	19 July 2013	17 July 2013	31 July 2013
30 September 2013	0.0125	2,710,220	11 October 2013	9 October 2013	25 October 2013

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 Company passed the solvency test for each dividend paid.

#### 19. Ultimate Controlling Party

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

#### 20. Subsequent Events

These Financial Statements were approved for issuance by the Board on 28 November 2013. Subsequent events have been evaluated until this date.

On 18 October 2013, the Company announced its proposed issue of equity and placing programme as described in the Company's Prospectus published on 19 February 2013. The issue closed on 31 October 2013. The new share price was set at 109.8p per share, which was a 2.25% premium to the NAV at 25 October 2013. The Company issued 50,091,075 shares and raised £55,000,000 before costs and expenses.

On 25 October 2013, the Company paid a dividend as detailed in note 18.

[www.twentyfourincomefund.com](http://www.twentyfourincomefund.com)

PO Box 255  
Trafalgar Court  
Les Banques  
St Peter Port  
Guernsey  
GY1 3QL

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