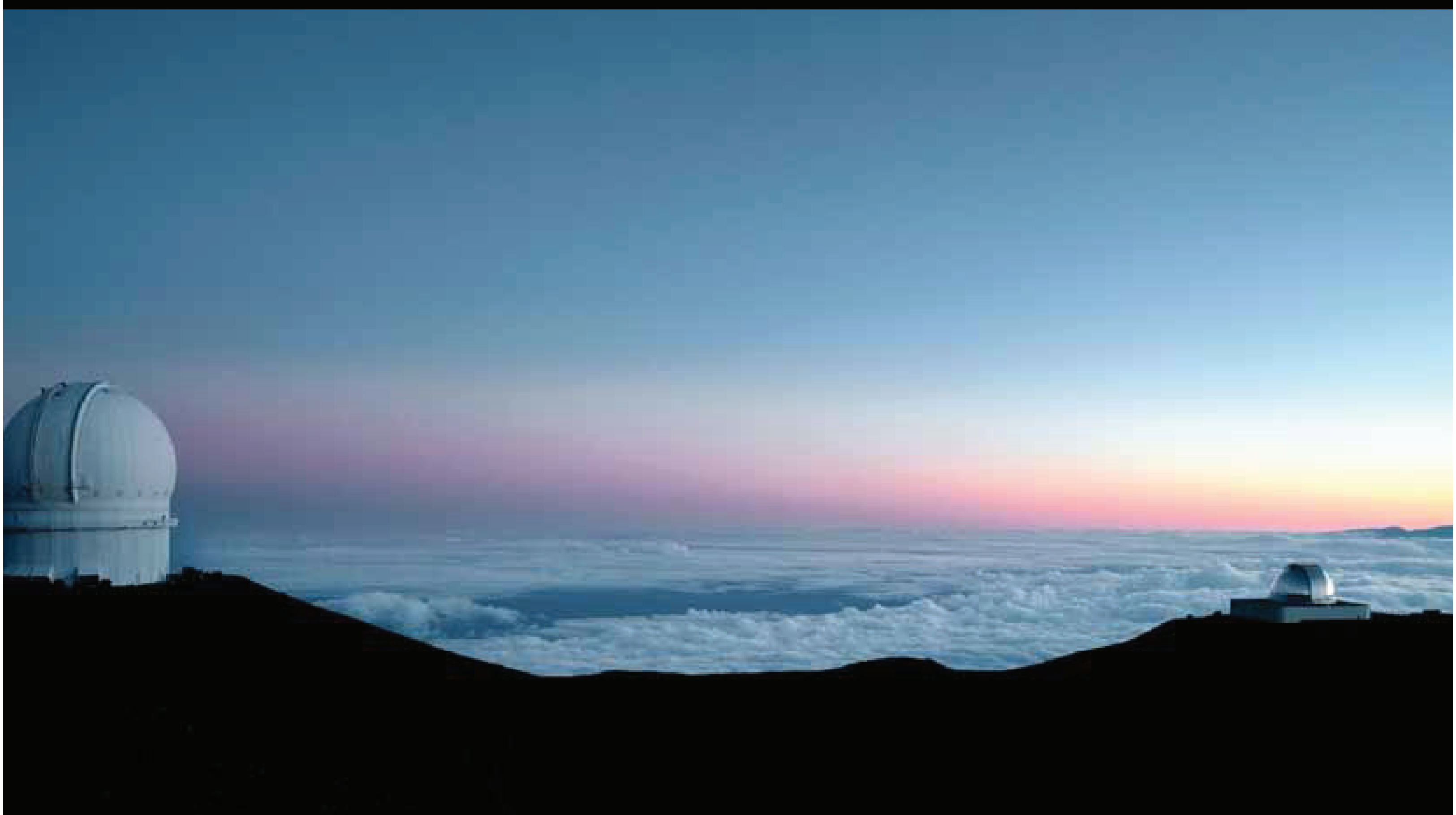
TwentyFour Income Fund Limited

Report and Audited Financial Statements

For the year ended 31 March 2016



TwentyFour
Asset Management

TwentyFour Income Fund Limited

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CORPORATE INFORMATION

Directors
Trevor Ash (Chairman)
Ian Burns
Richard Burwood
Jeannette Etherden

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St Peter Port
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Portfolio Manager
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UK Legal Advisers to the Company
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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.

Following the Extraordinary General Meeting held on 16 December 2015, Shareholders approved the change in investment policy to the one set out below. Full details were set out in the circular dated 25 November 2015 ("the Circular") which is available on the Company's website (www.twentyfourincomefund.com).

The Company's investment policy is to invest in a diversified portfolio of UK and European Asset Backed Securities.

The Company will maintain a Portfolio diversified by issuer, it being anticipated that the Portfolio will comprise at least 50 Asset Backed Securities at all times.

The Portfolio must comply, as at each date an investment is made, with the following restrictions:
(i) no more than 20 per cent. of the Portfolio value will be backed by collateral in any single country (save that this restriction will not apply to Northern European countries);
(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; and
(iii) no more than 10 per cent. of the Portfolio value will be exposed in aggregate to instruments not deemed securities for the purposes of FSMA.

As an exception to the requirements set out above the Portfolio Manager is permitted to purchase new investments at any time when the Portfolio does not comply with one or more of those restrictions so long as, at the time of investment:

- the asset purchased will be compliant with the single country restriction above (even where following the purchase more than 20 per cent. of the Portfolio will be backed by collateral in another single country due to market movements);
- the asset purchased will be compliant with the single Asset Backed Security/issuer exposure restriction above (even where following the purchase more than 5 per cent. of the Portfolio value will be exposed to another single Asset Backed Security or issuer due to market movements); and
- such purchase does not make the Portfolio, in aggregate, less compliant with any of (i), (ii) and (iii) 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.

SUMMARY INFORMATION Continued

Target Returns
The Company has a target annual net total return on the Company's NAV of between 6 and 9 per cent. per annum, which includes quarterly dividends with a target yield each financial year of 6 per cent. or higher, of the Issue Price.*

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 News Service the following business day.

Financial Highlights

	31.03.16	**31.03.15**
Total Net Assets	£333,410,804	£343,225,040
Net Asset Value per share	103.73p	120.47p
Share price at 31 March 2016	105.75p	128.00p
Premium to Net Asset Value	1.94%	6.25%
Dividends declared in respect of the year	7.14p	6.65p

As at 7 July 2016, the premium had moved to 1.57%. The estimated NAV per share and mid-market share price stood at 105.59p and 107.25p respectively.

Ongoing Charges
Ongoing charges for the year ended 31 March 2016 have been calculated in accordance with the AIC's recommended methodology. The ongoing charges for the year ended 31 March 2016 were 0.96% (31 March 2015: 0.97%).

* This is a target only and not a profit forecast. There can be no assurance that this target will be met or that the Company will make any distributions at all. This target return should not be taken as an indication of the Company's expected or actual current or future results. The Company's actual return will depend upon a number of factors, including but not limited to the size of the Issue, the number of Ordinary Shares in respect of which Realisation Elections are made and the Company's total expense ratio. Potential investors should decide for themselves whether or not the return is reasonable and achievable in deciding whether to invest in or retain or increase their investment in the Company. See note 16 for further detail.

CHAIRMAN'S STATEMENT

for the year ended 31 March 2016

I am pleased to present my report on the Company's progress for the year ended 31 March 2016.

For the majority of the period the Company's shares continued to trade at a premium, as they had done since launch, with the average premium during the year being 4.16%. The premium however saw material compression from late October onwards as investors recognised that it had grown significantly, largely due to the Company not having issued shares since October 2014. In addition the third anniversary of the Company, with the associated redemption option for investors and expected further issuance of shares, was always likely to put downward pressure on the premium. The Board has taken comfort that a reasonable premium has been established again more recently after the Portfolio Manager conducted an extensive series of meetings with investors prior to the Company's reorganisation and fund raising effective in March 2016. Indeed the Company has been able to issue 9.65 million shares at a small premium since the year to meet investor demand. The Board is willing to issue further shares as a premium management mechanism, subject to the Portfolio Managers confirming that attractive investment opportunities are available in the market.

The Net Asset Value ("NAV") total return on the shares from launch to 31st March 2016 was 26.44%. While the NAV per Share dropped 16.73p during the year, the income component of the return to investors remained strong and the Company declared three dividends of 1.5p per share, and a final dividend of 2.64p per share in respect of the year.

Initially the NAV benefited from a continuation of the trend that was seen towards the end of the last financial year as spreads on the portfolio continued to tighten, however there was subsequently strong supply in the UK non-conforming part of the market which, along with a period of material uncertainty created by the sale of a £13bn pool of UK mortgages by UK Asset Resolution, led to spread widening and price declines. Further negative sentiment was driven by the ineffectiveness of the European Central Bank's Asset Backed Securities ("ABS") Purchase Programme and the introduction of Solvency II for insurance companies.

More recently the ABS market has been driven less by these internal technical factors, and more by risk sentiment across all financial markets taking a material turn for the worse during the first two months of 2016. Importantly, however, the fundamental performance of the Company's investments has remained strong, and the investment opportunity at the point of the capital raise in March 2016 was as good as it had been since the Company's launch. While sentiment undoubtedly meant that less shares were issued than expected, raising additional gross proceeds of £37.7 million in such an environment was a most encouraging achievement. A total of 6,625,189 Ordinary Shares were elected for the Realisation Opportunity as the Company ended its initial three year term, therefore the first £6.6 million was applied to enable the redemption of Ordinary Shares, with the £31.1 million balance being available (net of the costs of the Transaction) for investment in accordance with the Company's investment policy. There were two further issues of equity in March taking the total gross proceeds before costs and expenses to £44.4 million for the period. This also allowed the Company to take advantage of some very attractive opportunities in March.

In anticipation of the redemption option, the Board discussed with the Portfolio Manager whether any changes to the Company's investment remit would be needed for it to remain relevant for a further three year period. The suggested changes were subsequently approved with strong investor support. However, given the recent repricing in the European ABS market, it is not expected that these changes will need to be implemented in the near future.

The ongoing investment opportunity remains extremely attractive, however uncertainty remains in global financial markets, driven most recently by the impact of the result of the UK referendum on EU membership. Where this has created increasing value, and a good opportunity for further growth of the Fund, I take comfort in the Portfolio Manager's confidence that this does not reflect any stress in the credit quality of the portfolio. I remain confident of the Fund's ability to fulfil its objectives.

Trevor Ash
Chairman
7 July 2016

PORTFOLIO MANAGER'S REPORT
for the year ended 31 March 2016

Market Commentary

The twelve month period to the end of March 2016 was one which presented significant ongoing issues to all markets from a variety of sources. Whilst the period saw the Company's NAV per Share and Share Price drop 16.74p and 22.25p respectively, dividends for the period totalled 7.14p, significantly ahead of the 6p target.
The period opened with the credit markets trading at relatively wide levels owing to a deterioration of confidence in the ability of Greece to stand by the terms of its bailout and make good on expected future repayments. This was a factor that overshadowed markets until July, and raised the possibility of Greece walking away from the negotiating table late in the process, and seeking a mandate from the electorate via a referendum. The effect of the government's rhetoric upon the goodwill of the country's creditors created significant instability in most markets.

April also saw questioning around expectations of the US Federal Reserve's ("Fed's") timetable to begin raising interest rates, after weak data from Q1 2015 was published. The uncertainty surrounding the timing of any move overshadowed sentiment until the December meeting when the Fed Fund's rate was raised to 0.25 to 0.5%. However since then uncertainty as to the future path of rates has continued and financial markets have faced sustained volatility.

ABS performance during the early stages of the twelve month period was stable, while sovereign bonds and other parts of fixed income suffered. This outperformance was partially driven by expectations for continued buying from the European Central Bank ("ECB") under the ongoing ABS Purchase Programme. However, while spreads in Prime, Buy to Let RMBS, Commercial Mortgage Backed Securities ("CMBS") and Collateralised Loan Obligations ("CLO") displayed resilience, spreads in UK Non-Conforming Residential Mortgage Backed Securities ("RMBS") drifted wider as supply in primary markets increased.

In May 2015, Peripheral RMBS began to display weakness in sympathy with market concerns around Greece. Spread widening was more evident in June as the market was initially distracted by the annual ABS conference, and subsequently as banks' dealers lightened inventory prior to their half year end.

Throughout the year two ABS specific issues weighed on the market; the imposition of Solvency II and the ECB's ABS Purchase Programme. Solvency II is a new set of capital requirements for insurance companies, which came into effect at the start of 2016. The treatment of ABS under this regulation has been widely criticised for being overly punitive. While there has been a small degree of compromise, the regulations in their final form still made it materially less efficient for insurers to maintain their ABS positions, and selling was seen throughout 2015 as a result. In contrast, the ECB's anticipated actions should have boosted the market via ABS purchases. However the pace and volume of trades was significantly below market expectations, and the benefits expected across the board never materialised.

While July saw the resolution of the more immediate Greek problems, the market was kept in check as concerns mounted that Chinese growth was struggling to maintain momentum. Chinese equity markets sold off heavily, and in response the Chinese government took unprecedented measures by suspending hundreds of stocks, banning large investors from selling and instructing a $500bn state run fund to initiate support for the market. This continued into August when falling energy and commodity prices further hit sentiment, and the People's Bank of China depreciated the Yuan on consecutive days, leading to a large and broad-based equity market sell-off.

PORTFOLIO MANAGER'S REPORT Continued
for the year ended 31 March 2016

Market Commentary (Continued)
The focus on China and the Fed continued throughout August and September, putting significant pressure on asset performance in a number of sectors. Spreads on UK Non-Conforming RMBS bonds widened, and were joined by UK Buy to Let in September, again a sector that had seen significant recent supply. In November the outcome of the sale of the mortgage pool backing the Granite (Northern Rock) RMBS transaction created uncertainty as to whether it would result in the maturity of an existing multi-billion pound transaction, or the refinancing of the pool into a larger transaction. This put pressure on spreads in UK Non-Prime RMBS until the market deemed the ultimate outcome favourable. All outstanding Granite bonds were called at par, providing investors with significant cash to invest into a smaller market place.

The support this gave the ABS market helped spreads stabilise and perform better through the turn of the year, and notably outperform the volatility seen elsewhere in January. However with the extreme moves seen in all other markets, as banks pulled back capital and pushed bid offer spreads wider, the ABS market was forced to follow, and material price declines were seen throughout February. There was, however, a degree of recovery in March as a result of the ECBs expansion of their market stimulus.

Fundamental performance of underlying assets during the period remained strong. The drivers of these, particularly in the consumer space, continued to improve with employment, wage and house price data either stabilizing or improving in the majority of geographies in which the Company invests. The disconnection between price/yield on one hand and credit risk on the other, has materially improved the risk/return dynamic for large parts of the market.

When the Company was launched investors were given the option of redemption of their holdings after three years. It was anticipated that this would be a point where the Company's future would be reassessed in light of prevailing investment opportunities and its likely ability to continue to fulfil its objective. As a result proposals were developed during the last quarter of 2015 to adjust the investment remit of the Company to enable it to stay relevant for a further three year period. These amendments were largely aimed at bringing the investment mandate in line with what the Portfolio Manager had initially envisaged at IPO, and which now allow the Company greater freedom within the same investment universe, as opposed to entirely new investment criteria.

Support for these changes was strong, as was appetite from existing investors for the Company to continue for another three years. While the market environment during the investor roadshow was not always positive, the company raised £31.1 million of net new funds allowing it to access the extraordinary value available in the market at the time. Looking forward, the Portfolio Manager remains convinced of the ongoing opportunity in the market and the inherent value in the current portfolio.

Foreign Exchange Accounting
The Company's policy is to hedge foreign exchange risk. The currency markets experienced significant volatility during the year, due in part to the market events mentioned above. The EUR/GBP exchange rate experienced moves in the range of 14% and finished 9% higher at the year end. The Company has significant exposure to Euro assets, representing 77% of the Investment Portfolio, which remains fully hedged.

Currency risk is hedged using "rolling forwards" with a one month maturity, selling forward a notional amount equivalent to the market value of the assets. Any movements in foreign exchange rates are monitored daily and the hedge is adjusted when necessary to ensure that currency exposure remains within strict limits. The Company operates to a tolerance of +/-0.50% exposure to the NAV on each non-GBP currency.

Foreign Exchange hedging is used to manage the portfolio's currency risk efficiently and not to enhance investment returns.

PORTFOLIO MANAGER'S REPORT Continued
for the year ended 31 March 2016

Foreign Exchange Accounting (Continued)
The net foreign currency gain or loss is recorded, in accordance with the hedging policy and IFRS, within the net loss on financial assets at fair value through profit or loss (see Statement of Comprehensive Income).

Market Outlook
The majority of negative drivers under which the European ABS market has laboured for the past year are largely gone, or priced in, in the view of the Portfolio Manager. Solvency II has been implemented and insurance companies have adjusted their holdings of ABS as a result. The ECB's ABS Purchase Programme has disappointed since early 2015, and the UK market is priced to reflect the resulting changes in supply and demand.

Current ABS pricing is attractive when compared to recent years, and the type and level of risk presents a very attractive opportunity for both income and capital gain. However the Portfolio Manager recognises that market sentiment is far from stable and while performance of the underlying asset pools and securitisation structures are within expectations, price moves across fixed income could be driven by external factors as they have been in the past. This should present opportunities for the Company to access further attractive investment opportunities, as buyers with long term capital will typically prove to be scarce at points of market weakness.

While it is not expected that the Bank of England's Monetary Policy Committee will adjust the Bank Rate in 2016, the Company will benefit from this move when it does happen.

UK Referendum on EU Membership
The UK referendum was included in the Portfolio Manager strategy for a number of months prior to the 23 June. While markets discounted the final result to varying degrees in the run-up to the vote, the Portfolio Manager decided to implement defensive measures in the event of a vote to leave in recognition of the potential volatility that could be experienced. As such the cash holding for the fund was increased, and a put option was purchased, giving the fund upside from a decrease in the value of sterling versus the dollar. The put option was implemented purely as a mitigant to market risk that could have a significantly negative impact on ABS prices, and was chosen as a cost effective and liquid way of reducing exposure. These strategies benefitted the fund given the result of the referendum, however the Portfolio Manager does not consider the outlook to have changed materially and sees potential for further price volatility in light of ongoing challenges to sentiment and current pricing level.

TwentyFour Asset Management LLP
7 July 2016

TOP TWENTY HOLDINGS
As at 31 March 2016

Security	Nominal/ Shares	Asset Backed Security Sector	Fair Value £	Percentage of Net Asset Value
LUSI 5 A	17,534,431	Peripheral RMBS	10,624,612	3.19
LEMES 2006-1 C	13,090,000	CMBS	9,963,154	2.99
CBFLU 1 MEZZ	10,000,000	BTL RMBS	9,900,000	2.97
NWEST IV-X E	14,000,000	Leveraged Loan CLO	9,441,576	2.83
CELES 2015-1 C	8,750,000	BTL RMBS	7,787,500	2.34
INTS 3 C	9,820,000	Peripheral RMBS	7,205,350	2.16
CORDR 2 C	9,850,000	Prime RMBS	7,137,632	2.14
CORDR 1 C	9,050,000	Peripheral RMBS	6,852,330	2.06
BBVAL 2007-1 B	10,000,000	Leases	6,849,079	2.05
WARW 1 E	8,000,000	Non-Conforming RMBS	6,840,000	2.05
EMACP 2007-NL4 D	13,750,000	Prime RMBS	6,813,475	2.04
SCGC 2015-1 E	8,000,000	Consumer ABS	6,349,756	1.90
HARVT 15X F	10,000,000	Leveraged Loan CLO	6,104,874	1.83
RMS 28 E	6,250,000	Non-Conforming RMBS	5,718,750	1.72
CASSA 2007-1 B	7,500,000	Peripheral RMBS	5,250,075	1.57
GROSV 2013-1X D	7,750,000	Leveraged Loan CLO	5,213,480	1.56
CADOG 3X E	8,000,000	Leveraged Loan CLO	5,167,355	1.55
RMACS 2006-NS3X M2C	7,734,150	Non-Conforming RMBS	4,937,078	1.48
AMF 2015-1 B	4,900,000	Non-Conforming RMBS	4,863,593	1.46
ERF 5 B	6,550,000	Prime RMBS	4,754,363	1.43

BOARD MEMBERS

Biographical details of the Directors are as follows:

Trevor Ash – (Chairman) (age 70)
Mr Ash is a resident of Guernsey and has over 30 years of investment experience. He is a Fellow of the Chartered Institute for Securities and Investment. He was formerly a managing director of Rothschild Asset 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 Insight and Merrill Lynch. 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 and Chairman of the Audit Committee) (age 56)
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 a non-executive director of London listed Phaunos Timber Fund Limited, River and Mercantile UK Micro Cap Limited and Fast Forward Innovations Limited (AIM). He is also a director of Montreux Capital Corp which is listed on the Toronto Stock Exchange and a number of other offshore funds. Mr Burns was appointed to the Board on 17 January 2013.

Richard Burwood – (Non-executive Director) (age 48)
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 2010, initially working as a portfolio manager for EFG Financial Products (Guernsey) Ltd managing the treasury department's ALCO Fixed Income portfolio. From 2011 to 2013 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. In January 2014 Mr Burwood joined the board of RoundShield Fund I GP Ltd, a Guernsey private equity fund, focused on European small to mid-cap opportunities. In August 2015 he became a Board Member of Funding Circle SME Income Fund Ltd, a Guernsey Company, offering investors access to a diversified pool of SME loans originated through Funding Circle's marketplaces in the UK, US and Europe. Mr Burwood was appointed to the Board on 17 January 2013.

Jeannette (Jan) Etherden – (Non-executive Director) (age 56)
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 and a Director of Miton UK MicroCap Trust plc since 31 March 2015. Ms Etherden was appointed to the Board on 17 January 2013.

DISCLOSURE OF DIRECTORSHIPS IN PUBLIC COMPANIES LISTED ON RECOGNISED STOCK EXCHANGES

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

Company Name	Stock Exchange
Trevor Ash (Chairman)	
JPEL Private Equity Limited	London
Picton Property Income Limited	London & Channel Islands
Sherbourne Investors (Guernsey) B Limited	London
Ian Burns	
Fast Forward Innovations Limited	London
Montreux Capital Corp.	Toronto
Phaunos Timber Fund Limited	London
River and Mercantile UK Micro Cap Limited	London
Richard Burwood	
Funding Circle SME Income Fund Limited, and its associated funding vehicles:	London
- Basinghall Lending DAC	Dublin
- Tallis Lending DAC	Dublin
Jeannette Etherden	
Ruffer Investment Company Limited	London
Miton UK MicroCap Trust plc	London

DIRECTORS' REPORT

The Directors present their Annual Report and Audited Financial Statements for the year ended 31 March 2016.

Business Review

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

Discount/Premium to Net Asset Value
The Board monitors and manages the level of the share price discount/premium to NAV. In managing this, the Company operates a share buyback facility whereby it may purchase, subject to various terms as set out in its Articles and in accordance with the Companies (Guernsey) Law, 2008, up to 14.99% of the Company's Ordinary Redeemable Shares in issue immediately following Admission for trading on the London Stock Exchange. The Company offered investors a realisation opportunity whereby they may have elected to realise all or part of their Shareholding in the Company after the 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 Reorganisation being not less than £50 million. Subsequently, the realisation opportunity shall be offered as at the date of the annual general meeting of the Company in each third year subject to the aggregate NAV of the continuing Ordinary Redeemable Shares on the last Business Day before Reorganisation being not less than £100 million.

Shareholder Information
Shareholder information is set out in the Company Information on page 4.

Going Concern
The Directors believe that it is appropriate to adopt the going concern basis in preparing the Financial Statements in view of the Company's holdings in cash and cash equivalents and the liquidity of investments and the income deriving from those investments, meaning the Company has adequate financial resources and suitable management arrangements in place to continue as a going concern for at least twelve months from the date of approval of the Financial Statements.

The Company also achieved its dividend target of 6% of the issue price for the year ended 31 March 2016, meaning that as per the Company's Articles, no Continuation Vote is required.

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

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

The Board's assessment of the Company over the three year period has been made with reference to the Company's current position and prospects, the Company's strategy, and the Board's risk appetite having considered each of the Company's principal risks and uncertainties summarised on pages 20 to 22.

DIRECTORS' REPORT Continued

Viability Statement (Continued)
The Board has also considered the Company's cash flows and income flows, its likely ability to pay dividends and the portfolio analysis, with reference to:

- liquidity analysis, including but not limited to, the changes in liquidity of the Company over time based on the liquidity of the underlying assets;
- foreign exchange analysis, including but not limited to, monitoring the effectiveness of the Company's foreign exchange hedging strategy;
- credit analysis, including but not limited to, analysing the current credit ratings and credit rating outlooks by the main rating agencies, as well as sufficient diversification across groups; and
- valuation analysis, including but not limited to, assessing the pricing accuracy of the underlying securities.

In this context, the Board's central case is that, notwithstanding the recent UK referendum vote to leave the European Union, the prospects for economic activity will remain such that the investment objective, policy and strategy of the Company will be viable for the foreseeable future through a period of at least three years from the year end, 31 March 2016.

In making this judgement, the Board has assessed that the main risks to the viability of the Company are key global and market uncertainties driven by factors external to the Company which in turn can impact on the liquidity and NAV of the investment portfolio. A simulation has been designed to estimate the impact of these uncertainties on the NAV of the Company at times of stress, such as the recent UK Brexit vote, based on historical performance data, using techniques which analyse how changes in the Company's ability to generate income (by assessing different levels of reinvestment rates available as well as changes in FX income generation, over a 3 year period), would impact the annual dividend the Company is able to generate. All of the foregoing has been considered against the background of the Company's dividend target.

Key assumptions covered by the Board in relation to the viability of the Company include:

Dividend Target
The ongoing viability of the Company and the validity of the going concern basis depend on the Company meeting its dividend target annually during the three-year period. In the event that the Company does not meet the dividend target annually during the three-year period as disclosed in note 19, an Ordinary Resolution will be put to the Shareholders, at the AGM following any reporting period in which the dividend target is not met, with the continuation vote requirements set out in note 16 on page 60.

Realisation Opportunity
The realisation opportunity (full details are set out in note 16 on page 59) is due to occur at the end of the three year term and is therefore low risk to the viability prospects of the Company.

Results
The results for the year are set out in the Statement of Comprehensive Income on page 36. The Directors proposed income distributions of £20,342,483 in respect of income available for distribution earned during the year ended 31 March 2016, a breakdown of which can be found in note 19 on page 65. Distributions declared during the year amount to £26,468,018, as recognised in the Statement of Changes in Equity.

Income available for distribution in any income period comprises (a) the accrued income of the portfolio for the period, and (b) an additional amount to reflect any income purchased in the course of any share subscriptions that took place during the period (so as to ensure that the income yield of the shares is not diluted as a consequence of the issue of new shares during an income period) and (c) any income on the foreign exchange contracts created by the libor differentials between each foreign currency pair.

DIRECTORS' REPORT Continued

Key Performance Indicators (KPIs)

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

- Net Asset Value
- Share Price
- Discount/Premium
- Ongoing Charges
- Quarterly Dividends

A record of these measures is disclosed on page 4.

Portfolio Manager

The portfolio management fee is payable to the Portfolio Manager, TwentyFour Asset Management LLP, monthly in arrears at a rate of 0.75% per annum of the lower of Net Asset Value, which is calculated as of the last business day of each month, or market capitalisation of each class of shares. For additional information refer to note 14 on page 50.

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

Alternative Investment Fund Manager

Alternative investment fund management services are provided by Maitland Institutional Services Limited ("Maitland") formerly known as Phoenix Fund Services (UK) Limited ("Phoenix"). The Alternative Investment Fund Manager ("AIFM") fee is payable quarterly in arrears at a rate of 0.07% of the Net Asset Value of the Company below £50 million, 0.05% on Net Assets between £50 million and £100 million and 0.03% on Net Assets in excess of £100 million. For additional information refer to note 15 on page 51.

Custodian and Depositary

Custodian and Depositary services are provided by Northern Trust (Guernsey) Limited. The terms of the Depositary agreement, allow Northern Trust (Guernsey) Limited to receive professional fees for services rendered. For additional information refer to note 15 on page 51.

Directors

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

Directors' and Other Interests

As at 31 March 2016, Directors of the Company held the following numbers of Ordinary Redeemable Shares beneficially:

	Number of Shares 31.03.16	Number of Shares 31.03.15
Trevor Ash	50,000	30,000
Ian Burns	29,242	-
Richard Burwood	5,000	5,000
Jeannette Etherden	25,000	25,000

DIRECTORS' REPORT Continued

Corporate Governance

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

The Financial Reporting Council (the "FRC") issued a revised UK Code in 2014, for reporting periods beginning on or after 1 October 2014. The Association of Investment Companies (the "AIC") updated the AIC Code of Corporate Governance (the "AIC Code") (including the Guernsey edition) and its Guide to Corporate Governance (the "AIC Guide") to reflect the relevant changes to the FRC document in February 2015. The Board has adopted the revised code.

The UK Listing Authority requires all UK premium listing companies to disclose how they have complied with the provisions of the UK Code. This Corporate Governance Statement, together with the Going Concern Statement, Viability Statement and the Statement of Directors' Responsibilities set out on pages 24 to 25, indicates how the Company has complied with the principles of good governance of the UK Code and its requirements on Internal Control.

The Company is a member of the AIC and by complying with the AIC Code is deemed to comply with both the UK Code and the GFSC Code.

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

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

Throughout the year ended 31 March 2016, the Company has complied with the recommendations of the AIC Code and thus the relevant provisions of the UK Code, except as set out below.

The UK Code includes provisions relating to:

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

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

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

DIRECTORS' REPORT Continued

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

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

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

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

The Board's responsibilities for the Annual Report and Audited Financial Statements are set out in the Statement of Directors' Responsibilities on pages 24 to 25.

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

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

Chairman
The Chairman is Trevor Ash. The Chairman of the Board must be independent for the purposes of Chapter 15 of the Listing Rules. Trevor Ash is considered independent because he:

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

DIRECTORS' REPORT Continued

Role, Composition and Independence of the Board (Continued)

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

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

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

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

Biographies for all the Directors can be found on page 10.

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

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

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

DIRECTORS' REPORT Continued

Directors' Attendance at meetings (Continued)
The Audit Committee meets at least twice a year, Management Engagement Committee meets at least once a year and a dividend meeting is held quarterly. In addition, ad hoc meetings of the Board to review specific items between the regular scheduled quarterly meetings can be arranged. Between formal meetings there is regular contact with the Portfolio Manager, AIFM, Administrator, Custodian and Depositary and the Corporate Broker.

Attendance at the Board and Committee meetings during the year was as follows:

	Quarterly Board Meetings		Audit Committee Meetings		Management Engagement Committee		Ad hoc Committee Meetings	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Trevor Ash	4	4	3	3	1	1	10	9
Ian Burns	4	4	3	3	1	-	10	7
Richard Burwood	4	4	3	3	1	1	10	10
Jeannette Etherden	4	4	3	3	1	1	10	7

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

Board Performance and Training
The Board undertook an evaluation in July 2015. This evaluation addressed six areas, Board Composition and meeting process, Board information, training, Board dynamics, Board accountability and effectiveness and an evaluation of the Chairman. There were no adverse findings from this evaluation.

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

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

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

DIRECTORS' REPORT Continued

Management Engagement Committee (Continued)
The Management Engagement Committee carried out a review of the performance and capabilities of the Portfolio Manager at its September 2015 meeting and the Board recommend the continued appointment of TwentyFour Asset Management LLP as Portfolio Manager is in the interest of shareholders.

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

Further details on the Audit Committee can be found in the Audit Committee Report on page 28.

Nomination Committee
There is no separate Nomination Committee. The Board as a whole fulfils the function of a Nomination Committee. Whilst the Directors take the lead in the appointment of new Directors, any proposal for a new Director will be discussed and approved by all members of the Board.

Remuneration Committee
In view of its non-executive and independent nature, the Board considers that it is not appropriate for there to be a separate Remuneration Committee as anticipated by the AIC Code. The Board as a whole fulfils the functions of the Remuneration Committee, although the Board has included a separate Directors' Remuneration Report on pages 26 and 27 of these Financial Statements.

International Tax Reporting
For purposes of the US Foreign Account Tax Compliance Act, the Company registered with the US Internal Revenue Service ("IRS") as a Guernsey reporting Foreign Financial Institution ("FFI"), received a Global Intermediary Identification Number (8V9U53.99999.SL.831), and can be found on the IRS FFI list.

The Common Reporting Standard ("CRS") is a standard developed by the Organisation for Economic Co-operation and Development ("OECD") and is a global approach to the automatic exchange of tax information. Guernsey has now adopted the CRS which came into effect on 1 January 2016.

The CRS has replaced the UK Inter-Governmental Agreement ("IGA") from 1 January 2016. However, it will still be necessary to submit the 2014 and 2015 reports for the UK IGA by 30 June 2016. The first report for CRS will be made by the Director of Income Tax in Guernsey by 30 June 2017.

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

Strategy
The strategy for the Company is to target less liquid, higher yielding asset backed securities. These securities, whilst fundamentally robust, do not offer enough liquidity for use in the typical daily mark-to-market UCITs funds, but are well suited to a traded closed-ended vehicle, where investors can obtain liquidity by trading shares on the London Stock Exchange. This part of the fixed income market has been largely overlooked and therefore represents attractive relative value. The strategy aims to generate a dividend in the Reporting Period ending 31 March 2017 of 6 pence per Ordinary Share and in each subsequent Reporting Period such Dividend Target as the Directors determine at their absolute discretion from time to time, with all excess income being distributed to investors at the year-end of the Company.

DIRECTORS' REPORT Continued

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

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

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

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

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

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

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

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

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

DIRECTORS' REPORT Continued

Principal Risks and Uncertainties (Continued)

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, interest rates, economic uncertainty and 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 have a material impact which could be materially detrimental to the performance of the Company's investments. Under extreme market conditions the portfolio may not benefit from diversification.

Liquidity risk

Investments made by the Company may be relatively illiquid and this may limit the ability of the Company to realise its investments and in turn pay dividends. 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. As a consequence, the value of the Company's investments may be materially adversely affected.

Credit risk

The Company may not achieve the Dividend Target and investors may not get back the full value of their investment because it 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 is indicated by the issuer's credit rating which is assigned by one or more internationally recognised rating agencies. This does not amount to a guarantee of the issuer's creditworthiness but generally provides a 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.

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. Refer to the Investment Objective and Policy on page 3 for information regarding investment restrictions currently in place in order to manage credit risk.

Foreign currency risk

The Company is exposed to foreign currency risk through its investments in predominantly Euro denominated assets. The Company's share capital is denominated in Sterling and its expenses are incurred in Sterling. The Company's financial statements are maintained and presented in Sterling. Amongst other factors affecting the foreign exchange markets, events in the Eurozone may have an impact upon the value of the Euro which in turn will impact the value of the Company's Euro denominated investments. The Company manages its exposure to currency movements by using spot and forward foreign exchange contracts, which are rolled forward periodically.

DIRECTORS' REPORT Continued

Principal Risks and Uncertainties (Continued)

Reinvestment risk
The Portfolio Managers are conscious of the challenge to reinvest any monies that result from principal and income payments and to minimise reinvestment risk as much as possible. Cashflow analysis is conducted on an ongoing basis and is an important part of the Portfolio Management process, ensuring such proceeds can be invested efficiently and in the best interests of the Fund.

The Portfolio Managers expect amortisations of around £40m over the next 12 months, however the investment opportunities at the end of the period were good as seen while investing the £37m capital raise, and while market conditions are always subject to change, the Portfolio Managers do not currently foresee any reinvestment significantly impacting the yield and affecting each quarter's minimum dividend target. The Portfolio Managers also recognise the need to be opportunistic as and when market conditions are particularly favourable in order to reinvest any proceeds.

Other Risks and Uncertainties

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

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

Income Recognition risk
The Board considers income recognition to be a principal risk and uncertainty of the Company as the Portfolio Manager estimates the remaining expected life of the security, which has an impact on the effective interest rate of the Asset Backed Securities which in turn impacts the calculation of interest income. The Board asked the Audit Committee to consider this risk with work undertaken by the Audit Committee as discussed on pages 28 to 30. As a result of the work undertaken by the Audit Committee, the Board is satisfied that income is appropriately stated in all material aspects in the Financial Statements.

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

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

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

DIRECTORS' REPORT Continued

Shareholder Engagement (Continued)
The Company's Annual General Meeting ("AGM") provides a forum for shareholders to meet and discuss issues of the Company and shareholders with the opportunity to vote on the resolutions as specified in the Notice of AGM. The Notice of the AGM and the results are released to the London Stock Exchange in the form of an announcement. Board members will be available to respond to shareholders' questions at the AGM.

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

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

Significant Shareholdings
Shareholders with holdings of more than 3.0% of the Ordinary Shares of the Company at 10 June 2016 (latest available) were as follows:

	Number of shares	Percentage of issued share capital
Investec Wealth & Investment Limited	40,313,564	12.25%
Brewin Dolphin, stockbrokers	34,432,760	10.46%
Architas Multi Manager	29,439,767	8.95%
BMO Global Asset Management (UK)	19,434,126	5.91%
Sarasin & Partners	17,594,910	5.35%
Fidelity International	14,341,175	4.36%
Bailie Gifford	13,620,584	4.14%
East Riding of Yorkshire	12,500,000	3.80%
Premier Asset Management	10,885,113	3.31%

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

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

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

Signed on behalf of the Board of Directors on 7 July 2016 by:

Trevor Ash
Chairman

Ian Burns
Director

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

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

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

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

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

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

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

The Directors confirm that to the best of their knowledge:

(a) The Financial Statements have been prepared in accordance with IFRS and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company as at and for the year ended 31 March 2016.

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

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

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES Continued

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

By order of the Board:

Trevor Ash
Chairman
7 July 2016

Ian Burns
Director

DIRECTORS' REMUNERATION REPORT

The Directors' remuneration report has been prepared on behalf of the Directors in accordance with the UK Code as issued by the UK Listing Authority. An ordinary resolution for the approval of the annual remuneration report will be put to the shareholders at the AGM to be held on 22 September 2016.

Remuneration Policy

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

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

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

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

Remuneration

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

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

In the year ended 31 March 2016, the Directors received the following annual remuneration in the form of Directors' fees which included receiving a one off payment of £5,000 each for additional work undertaken during the year in relation to the issue of New Ordinary Shares and the change in investment policy:

Trevor Ash (Chairman of the Board)	£35,000
Ian Burns (Audit Committee Chairman)	£32,500
Richard Burwood	£30,000
Jeannette Etherden	£30,000
Total	£127,500

The remuneration policy set out above is the one applied for the year ended 31 March 2016. With effect from 1 April 2016, the Directors' fees increased by £5,000 each.

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

The Directors were appointed as non-executive Directors by letters issued in January 2013. Each Director's appointment letter provides that, upon the termination of his/her appointment, he/she must resign in writing and all records remain the property of the Company. The Directors' appointments can be terminated in accordance with the Articles and without compensation. There is no notice period specified in the Articles for the removal of Directors. The Articles provide that the office of director shall be terminated by, among other things: (a) written resignation; (b) unauthorised absences from board meetings for six months or more; (c) unanimous written request of the other directors; and (d) an ordinary resolution of the Company.

DIRECTORS' REMUNERATION REPORT Continued

Remuneration (Continued)
Under the terms of their appointment, each Director is required to retire by rotation and be subject to re-election at least every three years with the first re-election due to take place at the AGM to be held on 22 September 2016. The Directors are required to annually seek re-election if they have already served for more than nine years. The Company may terminate the appointment of a Director immediately on serving written notice and no compensation is payable upon termination of office as a director of the Company becoming effective.

The amounts payable to Directors shown in note 14 were for services as non-executive Directors.

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

Signed on behalf of the Board of Directors on 7 July 2016 by:

Trevor Ash **Chairman**	**Ian Burns** **Director**

AUDIT COMMITTEE REPORT

On the following pages, we present the Audit Committee's Report, setting out the responsibilities of the Audit Committee and its key activities for the year ended 31 March 2016.

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

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

The Audit Committee supports the aims of the UK Code and the best practice recommendations of other corporate governance organisations such as the AIC, and believe that reporting against the revised AIC Code allows the Audit Committee to further strengthen its role as a key independent oversight Committee.

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

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

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

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

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

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

Fraud, Bribery and Corruption
The Audit Committee has relied on the overarching requirement placed on the service providers under the relevant agreements to comply with applicable law, including anti-bribery laws. A review of the service provider policies took place at the Management Engagement Committee Meeting, held on 23 September 2015. The Board receives confirmation from all service providers that there has been no fraud, bribery or corruption.

AUDIT COMMITTEE REPORT Continued

Financial Reporting and Significant Financial Issues

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

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

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

(i) Valuation of investments:
The Company's investments had a fair value of £333,347,124 as at 31 March 2016 (31 March 2015: £339,905,279) and represent a substantial portion of net assets of the Company. As such this is the largest factor in relation to the consideration of the Financial Statements. These investments are valued in accordance with the Accounting Policies set out in note 2 to the Financial Statements. Through regular reporting on the processes for the valuation of investments during the year by the Portfolio Manager, AIFM, Administrator, Custodian and Depositary the Audit Committee satisfied itself that both the sources of price information and valuation process itself are robust and reliable, and considered the valuation of the investments held by the Company as at 31 March 2016 to be reasonable.

(ii) Income Recognition:
The Audit Committee considered the calculation of income from investments recorded in the Financial Statements as at 31 March 2016. As disclosed in note 3(ii)(b) of the Notes to the Financial Statements on page 45, the estimated life of Asset Backed Securities is determined by the Portfolio Manager, impacting the effective interest rate of the Asset Backed Securities which in turn impacts the calculation of income from investments. The Audit Committee reviewed the Portfolio Manager's process for determining the expected life of the Company's investments and found it to be reasonable based on the explanations provided and information obtained from the Portfolio Manager. The Audit Committee was therefore satisfied that income was correctly stated in the Financial Statements.

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

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

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

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

AUDIT COMMITTEE REPORT Continued

Going Concern
The going concern basis can be found in the Directors' Report on page 12

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

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

As a general rule, the Company does not utilise external auditors for internal audit purposes, secondments or valuation advice. Services which do not compromise auditor independence, such as tax compliance, tax structuring, private letter rulings, accounting advice, quarterly reviews and disclosure advice are normally permitted but will be pre-approved by the Audit Committee.

The following tables summarise the remuneration paid to PwC and to other PwC member firms for audit and non-audit services during the year ended 31 March 2016 and the year ended 31 March 2015.

	01.04.15 to 31.03.16	01.04.14 to 31.03.15
PricewaterhouseCoopers CI LLP - Assurance work	**£**	**£**
- Annual audit	50,200	49,500
- Interim review	16,000	16,225
PricewaterhouseCoopers CI LLP - Non audit services		
- Prospectus update	50,000	-
- Reportable Income calculation	8,000	8,000
Other PwC member firms		
- Tax consulting and compliance services	-	15,500

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

The Audit Committee Report was approved by the Audit Committee on 7 July 2016 and signed on behalf by:

Ian Burns
Chairman, Audit Committee

ALTERNATIVE INVESTMENT FUND MANAGER'S REPORT

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

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

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

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

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

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

AIFM Remuneration
Under the Alternative Investment Fund Managers Directive, acting as the AIFM, Maitland Institutional Services Ltd is required to disclose how those whose actions have a material impact on the Company are remunerated.

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

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

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

ALTERNATIVE INVESTMENT FUND MANAGER'S REPORT

AIFM Remuneration (Continued)

March 16	Number of Beneficiaries	Total remuneration paid	Fixed remuneration
Total remuneration paid by the AIFM during the year for work performed on the AIF	54	£105,299	£105,299
Remuneration paid to employees of the AIFM who have a material impact on the risk profile of the AIF	5	£18,954	£18,954

In so far as the AIFM is aware:

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

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

R.W. Leedham
D.W. Munting
Directors
Maitland Institutional Services Limited
7 July 2016

DEPOSITARY STATEMENT

for the year ended 31 March 2016

Report of the Depositary to the Shareholders

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

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

Our obligations as Depositary are stipulated in the relevant provisions of the AIFM Directive and the relevant sections of Commission Delegated Regulation (EU) No 231/2013 (collectively the “AIFMD legislation”).

Amongst these obligations is the requirement to enquire into the conduct of the AIFM and the Company and their delegates in each annual accounting period. We have therefore enquired into the conduct of Maitland Institutional Services Limited (formerly known as Phoenix Fund Services (UK) Limited) (the “AIFM”) for the period ending 31 March 2016, in our capacity as Depositary to the Company.

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

Basis of Depositary Review

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

Review

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

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

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

For and on behalf of
Northern Trust (Guernsey) Limited
7 July 2016

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF TWENTYFOUR INCOME FUND LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of TwentyFour Income Fund Limited ("the Company") which comprise the statement of financial position as of 31 March 2016 and the statement of comprehensive income, the statements of changes in equity and the statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 March 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the requirements of The Companies (Guernsey) Law, 2008.

Report on other Legal and Regulatory Requirements

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

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

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

INDEPENDENT AUDITOR'S REPORT Continued

TO THE MEMBERS OF TWENTYFOUR INCOME FUND LIMITED

Matters on which we are required to report by exception

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

- the directors' statement set out on page 12 in relation to going concern. As noted in the directors' statement, the directors have concluded that it is appropriate to adopt the going concern basis in preparing the financial statements. The going concern basis presumes that the Company has adequate resources to remain in operation, and that the directors intend it to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the directors' use of the going concern basis is appropriate. However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Company's ability to continue as a going concern;

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

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

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

Evelyn Brady
For and on behalf of PricewaterhouseCoopers CI LLP
Chartered Accountants and Recognised Auditor
Guernsey, Channel Islands
7 July 2016

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2016

	Note	01.04.15 to 31.03.16 £	01.04.14 to 31.03.15 £
Income			
Interest income		20,920,493	20,633,090
Net foreign currency (losses)/gains	8	(22,044,696)	39,925,465
Net losses on financial assets at fair value through profit or loss	9	(15,132,946)	(31,235,932)
Total (loss)/income		(16,257,149)	29,322,623
Portfolio management fees	14	(2,445,832)	(2,466,913)
Directors' fees	14	(127,500)	(107,647)
Administration and secretarial fees	15	(185,444)	(186,295)
Audit fees		(59,000)	(94,697)
Custody fees	15	(34,083)	(25,206)
Broker fees		(50,155)	(49,972)
AIFM management fees	15	(126,274)	(90,421)
Depositary fees	15	(48,264)	(40,913)
Legal and professional fees		(35,566)	(42,842)
Other expenses		(116,165)	(94,867)
Total expenses		(3,228,283)	(3,199,773)
Total comprehensive (loss)/income for the year		(19,485,432)	26,122,850
(Loss)/earnings per Ordinary Redeemable Share - Basic & Diluted	4	(0.068)	0.095

All items in the above statement derive from continuing operations.

The notes on pages 40 to 65 form an integral part of the Financial Statements.

STATEMENT OF FINANCIAL POSITION
as at 31 March 2016

		31.03.2016	31.03.2015
Assets	**Note**	**£**	**£**
Current assets			
Investments	9	333,347,124	339,905,279
Derivative assets	17	365,658	89,873
Amounts due from broker		13,098,887	-
Other receivables	10	2,089,799	1,893,161
Cash and cash equivalents		4,913,606	7,152,308
Total current assets		353,815,074	349,040,621
Liabilities			
Current liabilities			
Amounts due to brokers		6,104,874	2,162,419
Dividend payable		7,521,590	-
Other payables	11	605,374	406,274
Derivative liabilities	17	6,172,432	3,246,888
Total liabilities		20,404,270	5,815,581
Net current assets		333,410,804	343,225,040
Equity			
Share capital account	12	327,589,440	292,107,523
Retained earnings		5,821,364	51,117,517
Total equity		333,410,804	343,225,040
Ordinary Redeemable Shares in issue	12	321,420,417	284,908,712
Net Asset Value per Ordinary Redeemable Share	6	103.73	120.47

The Financial Statements on pages 36 to 65 were approved by the Board of Directors on 7 July 2016 and signed on its behalf by:

The notes on pages 40 to 65 form an integral part of the Financial Statements.

Trevor Ash
Chairman

Ian Burns
Director

STATEMENT OF CHANGES IN EQUITY

for the year ended to 31 March 2016

	Note	Share Capital Account £	Retained Earnings £	Total £
Balances at 1 April 2015		292,107,523	51,117,517	343,225,040
Issue of shares		44,364,627	-	44,364,627
Redemption of shares		(6,620,551)	-	(6,620,551)
Share issue costs		(1,604,862)	-	(1,604,862)
Distributions paid		-	(26,468,018)	(26,468,018)
Income equalisation on new issues	5	(657,297)	657,297	-
Total comprehensive loss for the year		-	(19,485,432)	(19,485,432)
Balance at 31 March 2016		327,589,440	5,821,364	333,410,804

	Note	Share Capital Account £	Retained Earnings £	Total £
Balances at 1 April 2014		269,912,052	44,136,813	314,048,865
Issue of shares		22,638,420	-	22,638,420
Share issue costs		(284,504)	-	(284,504)
Distributions paid		-	(19,300,591)	(19,300,591)
Income equalisation on new issues	5	(158,445)	158,445	-
Total comprehensive income for the year		-	26,122,850	26,122,850
Balance at 31 March 2015		292,107,523	51,117,517	343,225,040

The notes on pages 40 to 65 form an integral part of the Financial Statements.

STATEMENT OF CASH FLOWS
for the year ended 31 March 2016

	Note	01.04.15 to 31.03.16 £	01.04.14 to 31.03.15 £
Cash flows from operating activities			
Total comprehensive (loss)/income for the year		(19,485,432)	26,122,850
Adjustments for:			
Net loss on investments	9	15,132,946	31,235,932
Amortisation adjustment under effective interest rate method		(11,025,323)	(11,450,832)
(Increase)/decrease in other receivables		(196,638)	6,315
Increase in other payables		199,099	79,214
Unrealised loss on forward currency contracts	8	2,649,761	2,745,003
Purchase of investments		(232,850,127)	(152,358,537)
Sale of investments		226,144,227	100,986,686
Net cash used in operating activities		(19,431,487)	(2,633,369)
Cash flows used in financing activities			
Proceeds from issue of Ordinary Redeemable Shares		44,364,627	22,638,420
Redemption of Ordinary Redeemable Shares		(6,620,551)	-
Share issue costs		(1,604,862)	(284,504)
Dividend distribution		(18,946,429)	(19,300,591)
Net cash inflow from financing activities		17,192,785	3,053,325
(Decrease)/increase in cash and cash equivalents		(2,238,702)	419,956
Cash and cash equivalents at beginning of year		7,152,308	6,732,352
Cash and cash equivalents at end of year		4,913,606	7,152,308

The notes on pages 40 to 65 form an integral part of the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2016

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

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS Continued
for the year ended 31 March 2016

2. Principal Accounting Policies (Continued)

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.

(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 Portfolio Manager and the Board of Directors to evaluate the information about these financial assets and liabilities on a fair value basis together with other related financial information.

Recognition, derecognition and measurement

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

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.

2. Principal Accounting Policies (Continued)

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

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.

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 Portfolio Manager determines that the provided price is not an accurate representation of the fair value of the Asset Backed Security, the Portfolio 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 Portfolio Manager determines that the provided price is not an accurate representation of the fair value of the Asset Backed Security, the Portfolio Manager will determine the valuation based on the Portfolio Manager's valuation policy. This may include the use of a comparable arm's length transaction, reference to other securities that are substantially the same, discounted cash flow analysis and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity-specific inputs.

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

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.

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 (see note 3(ii)(b)), 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

As there are only Ordinary Redeemable Shares in issue, which are redeemable at the discretion of the Board, the shares are presented as equity in accordance with IAS 32 – "Financial Instruments: Disclosure and Presentation". 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 Company operates (the "functional currency"). The Financial Statements are presented in Sterling, which is the Company's presentation currency.

Transactions and balances

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

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

k) Transaction costs

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

l) Segment reporting

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

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. All other expenses are recognised through profit or loss in the Statement of Comprehensive Income.

n) Other receivables

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

q) 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.

r) Income equalisation on new issues

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

s) Change in classification and presentation

There has been a change in classification of comparative figures within note 9, however it does not amount to a restatement, as there is no impact on the amounts recognised and presented in the primary statements.

3. Significant accounting judgements, estimates and assumptions

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

(i) Judgements

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

Functional currency

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

NOTES TO THE FINANCIAL STATEMENTS Continued
for the year ended 31 March 2016

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

(a) Fair value of securities not quoted in 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 Portfolio Manager will obtain prices determined at the close of business on the reporting date from an independent price vendor. The Portfolio Manager exercises its judgement on the quality of the independent price vendor and information provided. If a price cannot be obtained from an independent price vendor or where the Portfolio Manager determines that the provided price is not an accurate representation of the fair value of the Asset Backed Security, the Portfolio 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 Portfolio Manager determines that the third party quote is not an accurate representation of the fair value, the Portfolio Manager will determine the valuation based on the Portfolio Manager's valuation policy. This may include the use of a comparable arm's length transaction, reference to other securities that are substantially the same, discounted cash flow analysis and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity-specific inputs.

(b) Estimated life of Asset Backed Securities

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

(c) Determination of observable inputs

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

4. (Loss)/earnings per Ordinary Redeemable Share - Basic & Diluted

The (loss)/earnings per Ordinary Redeemable Share - Basic and Diluted has been calculated based on the weighted average number of Ordinary Redeemable Shares of 286,946,436 (31 March 2015: 274,897,753) and a net loss of £19,485,432 (31 March 2015: net gain of £26,122,850).

5. Income equalisation on new issues

In order to ensure there were no dilutive effects on earnings per share for current shareholders when issuing new shares, earnings have been calculated in respect of accrued income at the time of purchase and a transfer has been made from share capital to income to reflect this. The transfer for the year ended 31 March 2016 is £657,297 (31 March 2015: £158,445).

NOTES TO THE FINANCIAL STATEMENTS Continued

for the year ended 31 March 2016

6. Net Asset Value per Ordinary Redeemable Share

The net asset value of each Share of £1.04 (31 March 2015: £1.20) is determined by dividing the net assets of the Company attributed to the Shares of £333,425,804 (31 March 2015: £343,225,040) by the number of Shares in issue at 31 March 2016 of 321,420,417 (31 March 2015: 284,908,712).

7. Taxation

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

8. Net foreign currency (losses)/gains

	01.04.15 to 31.03.16	01.04.14 to 31.03.15
	£	£
Movement on unrealised loss on forward currency contracts	(2,649,761)	(2,745,003)
Realised (loss)/gain on foreign currency contracts	(19,445,706)	42,670,509
Unrealised foreign currency (loss)/gain on receivables/payables	(39,442)	28,278
Unrealised foreign currency exchange gain/(loss) on interest receivable	90,213	(28,319)
	(22,044,696)	39,925,465

9. Investments

	01.04.15 to 31.03.16	01.04.14 to 31.03.15
Financial assets at fair value through profit and loss:	£	£
Unlisted Investments:		
Opening book cost	351,856,355	284,863,665
Purchases at cost	236,792,582	154,520,956
Proceeds on sale/principal repayment	(239,243,114)	(100,986,686)
Amortisation adjustment under effective interest rate method	11,025,323	11,450,832
Realised gains on sale/principal repayment	3,122,176	6,134,320
Realised losses on sale/principal repayment	(24,141,341)	(4,126,732)
Closing book cost	339,411,981	351,856,355
Unrealised gain on investments	7,985,695	10,198,527
Unrealised loss on investments	(14,050,552)	(22,149,603)
Fair value	333,347,124	339,905,279
Realised gains on sale/principal repayment	3,122,176	6,134,320
Realised losses on sales/principal repayment	(24,141,341)	(4,126,732)
Decrease in unrealised gain	(2,212,832)	(23,404,113)
Decrease/(increase) in unrealised loss	8,099,051	(9,839,407)
Net losses on financial assets at fair value through profit or loss	(15,132,946)	(31,235,932)

NOTES TO THE FINANCIAL STATEMENTS Continued
for the year ended 31 March 2016

10. Other receivables

	As at 31.03.16 £	As at 31.03.15 £
Coupon interest receivable	2,046,796	1,849,557
Prepaid expenses	43,003	43,604
	2,089,799	1,893,161

11. Other payables

	As at 31.03.16 £	As at 31.03.15 £
Portfolio Management fees payable	203,567	225,044
Custody fee payable	2,714	3,369
Administration fee payable	44,734	46,925
Directors' fee payable	46,875	26,875
Audit fee payable	66,200	49,500
AIFM Management fee payable	30,728	32,336
Depositary fees payable	4,028	4,408
General expenses payable	206,528	17,817
	605,374	406,274

12. Share Capital

Authorised Share Capital

Unlimited number of Ordinary Redeemable Shares at no par value.

Issued Share Capital

	As at 31.03.16	As at 31.03.15
Ordinary Redeemable Shares	£	£
Share Capital at the beginning of the year	292,107,523	269,912,052
Issued Share Capital	44,364,627	22,638,420
Redeemed Share Capital	(6,620,551)	-
Share issue costs	(1,604,862)	(284,504)
Income equalisation on new issues	(657,297)	(158,445)
Total Share Capital at the end of the year	327,589,440	292,107,523

NOTES TO THE FINANCIAL STATEMENTS Continued
for the year ended 31 March 2016

12. Share Capital (Continued)

Ordinary Redeemable Shares	As at 31.03.16 shares	As at 31.03.15 shares
Shares at the beginning of the year	284,908,712	266,908,712
Issue of Shares	43,136,894	18,000,000
Redemption of Shares	(6,625,189)	-
Total Shares in issue at the end of the year	321,420,417	284,908,712

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 and denominated in such currencies as shall be determined at the discretion of the Board.

As at 31 March 2016, 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) 56 days before the annual general meeting date of the Company in each third year (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 £100 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 £100 million, the Realisation will not take place. Shareholders do not have a right to have their shares redeemed and shares are redeemable at the discretion of the Board.

13. Analysis of Financial Assets and Liabilities by Measurement Basis

	Assets at fair value through profit and loss £	Loans and receivables £	Total £
31 March 2016			
Financial Assets as per Statement of Financial Position			
Investments at fair value through profit or loss:			
-Asset backed securities	333,347,124	-	333,347,124
Cash and cash equivalents	-	4,913,606	4,913,606
Derivative assets	365,658	-	365,658
Amounts due from broker	-	13,098,887	13,098,887
Other receivables	-	2,089,799	2,089,799
	333,712,782	20,102,292	353,815,074

13. Analysis of Financial Assets and Liabilities by Measurement Basis (Continued)

	Liabilities at fair value through profit and loss	Other financial liabilities	Total
	£	£	£
Financial Liabilities as per Statement of Financial Position			
Amounts due to brokers	-	6,104,874	6,104,874
Dividend payable	-	7,521,590	7,521,590
Other payables	-	605,374	605,374
Derivative liabilities	6,172,432	-	6,172,432
	6,172,432	14,231,838	20,404,270

	Assets at fair value through profit and loss	Loans and receivables	Total
	£	£	£
31 March 2015			
Financial Assets as per Statement of Financial Position			
Investments at fair value through profit or loss:			
-Asset backed securities	339,905,279	-	339,905,279
Cash and cash equivalents	-	7,152,308	7,152,308
Derivative assets	89,873	-	89,873
Other receivables	-	1,893,161	1,893,161
	339,995,152	9,045,469	349,040,621

	Liabilities at fair value through profit and loss	Other financial liabilities	Total
	£	£	£
Financial Liabilities as per Statement of Financial Position			
Amounts due to brokers	-	2,162,419	2,162,419
Other payables	-	406,274	406,274
Derivative liabilities	3,246,888	-	3,246,888
	3,246,888	2,568,693	5,815,581

NOTES TO THE FINANCIAL STATEMENTS Continued

for the year ended 31 March 2016

14. Related Parties

a) Directors' Remuneration & Expenses

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

The annual Directors' fees comprise £30,000 payable to Mr Ash, the Chairman, £27,500 to Mr Burns as Chairman of the Audit Committee and £25,000 to Mr Burwood and Ms Etherden for the year ended 31 March 2016. The Directors also each received a one off payment of £5,000 each for additional work undertaken during the year in relation to the issue of New Ordinary Shares and the change in investment policy. During the year ended 31 March 2016, Directors fees of £127,500 (31 March 2015: £107,647) were charged to the Company, of which £46,875 (31 March 2015: £26,875) remained payable at the end of the year. With effect from 1 April 2016 the Chairman of the Board will be entitled to £35,000 per annum, the Audit Committee Chairman £32,500 per annum and the remaining Directors £30,000 per annum.

b) Shares held by related parties

As at 31 March 2016, Directors of the Company held the following shares beneficially:

	Number of Shares 31.03.16	Number of Shares 31.03.15
Trevor Ash	50,000	30,000
Ian Burns	29,242	-
Richard Burwood	5,000	5,000
Jeannette Etherden	25,000	25,000

As at 31 March 2016, the Portfolio Manager held Nil Shares (31 March 2015: Nil Shares) and partners and employees of the Portfolio Manager held 1,041,438 Shares (31 March 2015: 858,672 Shares), which is 0.32% (2015: 0.30%) of the Issued Share Capital.

c) Portfolio Manager

The portfolio management fee is payable to the Portfolio Manager, TwentyFour Asset Management LLP, monthly in arrears at a rate of 0.75% per annum of the lower of 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 year amounted to £2,445,832 (31 March 2015: £2,466,913) of which £203,567 (31 March 2015: £225,044) is due and payable at the year end. The Portfolio Management Agreement dated 29 May 2014 remains in force until determined by the Company or the Portfolio Manager giving the other party not less than twelve months' notice in writing. Under certain circumstances, the Company or the Portfolio Manager is entitled to immediately terminate the agreement in writing.

The Portfolio Manager is also entitled to a commission of 0.15% 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. In addition, the Portfolio Manager is entitled to 12.5% of the Brokers placing commission for the offer of subscription and continuation vote in March 2016. During the year the Portfolio Manager received £135,750 (31 March 2015: £33,958) in commission.

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

NOTES TO THE FINANCIAL STATEMENTS Continued
for the year ended 31 March 2016

15. Material Agreements

a) Alternative Investment Fund Manager

The Company's Alternative Investment Fund Manager (the "AIFM") is Maitland Institutional Services Limited (formerly known as Phoenix Fund Services (UK) Limited). In consideration for the services provided by the AIFM under the AIFM Agreement the AIFM is entitled to receive from the Company a minimum fee of £20,000 per annum and fees payable quarterly in arrears at a rate of 0.07% of the Net Asset Value of the Company below £50 million, 0.05% on Net Assets between £50 million and £100 million and 0.03% on Net Assets in excess of £100 million. During the year ended 31 March 2016, AIFM fees of £126,274 (31 March 2015: £90,421) were charged to the Company, of which £30,728 (31 March 2015: £32,336) remained payable at the end of the year.

b) Administrator and Secretary

Administration fees are payable to Northern Trust International Fund Administration Services (Guernsey) Limited monthly in arrears at a rate of 0.06% of the Net Asset Value of the Company below £100 million, 0.05% on Net Assets between £100 million and £200 million and 0.04% on Net Assets in excess of £200 million as at the last business day of the month subject to a minimum £75,000 each year. 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 year amounted to £185,444 (31 March 2015: £186,295) of which £44,734 (31 March 2015: £46,925) is due and payable at the year end.

c) Depositary

Depositary fees are payable to Northern trust (Guernsey) Limited, monthly in arrears, at a rate of 0.0175% of the Net Asset Value of the Company up to £100 million, 0.0150% on Net Assets between £100 million and £200 million and 0.0125% on Net Assets in excess of £200 million as at the last business day of the month subject to a minimum £25,000 each year. Total depositary fees and charges for the year amounted to £48,264 (31 March 2015: £40,913) of which £4,028 (31 March 2015: £4,408) is due and payable at the year end.

The Depositary is also entitled to a Global Custody fee of a minimum of £8,500 per annum plus transaction fees. Total Global Custody fees and charges for the year amounted to £34,083 (31 March 2015: £25,206) of which £2,714 (31 March 2015: £3,369) is due and payable at the year end.

16. Financial Risk Management

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

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

16. Financial Risk Management (Continued)

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 such as the recent UK vote to leave the EU. 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 the recent UK vote to leave the EU as well as interest rates and levels of unemployment and taxation which can have an impact on the arrears, foreclosures and losses incurred with respect to the pool of assets backing the security; (iii) changes in the market's perception of the adequacy of credit support built into the security's structure to protect against losses caused by arrears and foreclosures; (iv) changes in the perceived creditworthiness of the originator of the security or any other third parties to the transaction; (v) the speed at which mortgages or loans within the pool are repaid by the underlying borrowers (whether voluntary or due to arrears or foreclosures).

(ii) Reinvestment risk

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

A key determinant of a bond's yield is the price at which it is purchased and, therefore, when the market price of bonds generally increases, the yield of bonds purchased generally decreases. As such, the overall yield of the portfolio, and therefore the level of dividends payable to Shareholders, would fall to the extent that the market prices of 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.

NOTES TO THE FINANCIAL STATEMENTS Continued

for the year ended 31 March 2016

16. 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 31 March 2016, 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 £16,667,356 (31 March 2015: £16,995,264). An equal change in the opposite direction would have decreased the net assets attributable to equity Shareholders by the same amount.

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

Interest rate risk

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

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

As at 31 March 2016	Floating rate £	Fixed rate £	Non-interest bearing £	Total £
Financial assets at fair value through profit or loss	333,347,124	-	-	333,347,124
Derivative assets	-	-	365,658	365,658
Amounts due from broker	-	-	13,098,887	13,098,887
Other receivables	-	-	2,089,799	2,089,799
Cash and cash equivalents	4,913,606	-	-	4,913,606
Amounts due to broker	-	-	(6,104,874)	(6,104,874)
Dividend Payable	-	-	(7,521,590)	(7,521,590)
Other payables	-	-	(605,374)	(605,374)
Derivative liabilities	-	-	(6,172,432)	(6,172,432)
Net current assets	338,260,730	-	(4,849,926)	333,410,804

As at 31 March 2015	Floating rate £	Fixed rate £	Non-interest bearing £	Total £
Financial assets at fair value through profit or loss	339,905,279	-	-	339,905,279
Derivative assets	-	-	89,873	89,873
Other receivables	-	-	1,893,161	1,893,161
Cash and cash equivalents	7,152,308	-	-	7,152,308
Amounts due to broker			(2,162,419)	(2,162,419)
Other payables	-	-	(406,274)	(406,274)
Derivative liabilities	-	-	(3,246,888)	(3,246,888)
Net current assets	347,057,587	-	(3,832,547)	343,225,040

NOTES TO THE FINANCIAL STATEMENTS Continued

for the year ended 31 March 2016

16. Financial Risk Management (Continued)

Interest rate risk (Continued)

The Company only holds floating rate financial instruments and when short-term interest rates increase, the interest rate on a floating rate will increase. The time to re-fix interest rates ranges from 1 month to a maximum of 6 months and therefore the Company has minimal interest rate risk. However the Company may choose to utilise appropriate strategies to achieve the desired level of interest rate exposure (the Company is permitted to use, for example, interest rate swaps to accomplish this). 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 Portfolio Manager as part of its review of the weekly Net Asset Value calculations prepared by the Company's Administrator.

Credit risk

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

The main concentration of credit risk to which the Company is exposed arises from the Company's investments in 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 by no more than 20% of the portfolio value being backed by collateral in any single country (save that this restriction will not apply to Northern European countries). The Company also manages this credit risk by no more than 5% of the portfolio being exposed to any single Asset Backed Security or issuer of Asset Back Securities and no more than 10% of the portfolio value being exposed to instruments not deemed securities for the purposes of the Financial Services and Market Act 2000.

16. Financial Risk Management (Continued)

Credit risk (Continued)

Portfolio of Asset Backed Securities by ratings category assigned by Standard and Poor's and/or Moody's:

	31.03.16
AA-	0.77%
A+	0.12%
A	7.17%
A-	3.77%
BBB+	2.25%
BBB	9.08%
BBB-	8.74%
BB+	4.83%
BBE	2.29%
BB	13.87%
BB-	7.90%
B+	3.24%
B	2.70%
B-	8.98%
B-E	0.74%
CCC+	0.56%
CC	2.05%
PB-	1.83%
NR	19.11%
	100.00%

To further minimise credit risk, the Portfolio 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 the S&P 500. The Northern Trust Corporation has a credit rating of A+ from Standard & Poor's and A2 from Moody's.

NOTES TO THE FINANCIAL STATEMENTS Continued
for the year ended 31 March 2016

16. Financial Risk Management (Continued)

Credit risk (Continued)

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

	As at 31.03.2016 £
Investments	333,347,124
Cash and cash equivalents	4,913,606
Unrealised gains on derivative liabilities	365,658
Amounts due from broker	13,098,887
Other receivables	2,089,799
	353,815,074

	As at 31.03.2015 £
Investments	339,905,279
Cash and cash equivalents	7,152,308
Unrealised gains on derivative assets	89,873
Other receivables	1,893,161
	349,040,621

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

Shareholders have no right to have their shares redeemed or repurchased by the Company, however Shareholders may elect to realise their holdings as detailed under note 12 c) and the Capital Risk Management section of this note.

16. Financial Risk Management (Continued)

Liquidity risk (Continued)

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.

The tables below analyse 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 31 March 2016	Up to 1 month	1-6 months	6-12 months	Total
	£	£	£	£
Financial liabilities				
Amounts due to brokers	-	(6,104,874)	-	(6,104,874)
Unrealised loss on derivative liabilities	(6,172,432)	-	-	(6,172,432)
Dividend payable	(7,521,590)	-	-	(7,521,590)
Other payables	(539,174)	(66,200)	-	(605,374)
Total	(14,233,196)	(6,171,074)	-	(20,404,270)

As at 31 March 2015

	Up to 1 month	1-6 months	6-12 months	Total
	£	£	£	£
Financial liabilities				
Amounts due to brokers	(2,162,419)	-	-	(2,162,419)
Unrealised loss on derivative liabilities	(3,246,888)	-	-	(3,246,888)
Other payables	(348,774)	(57,500)	-	(406,274)
Total	(5,758,081)	(57,500)	-	(5,815,581)

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.

NOTES TO THE FINANCIAL STATEMENTS Continued

for the year ended 31 March 2016

16. Financial Risk Management (Continued)

Foreign Currency Risk (Continued)

At the year end, the Company had twenty six (31 March 2015: ten) open forward currency contracts.

	Contract values	Outstanding contracts	Mark to market equivalent	Unrealised (losses)/gains
	31.03.2016	**31.03.2016**	**31.03.2016**	**31.03.2016**
	€	£	**£**	**£**
Sixteen Sterling forward foreign currency contracts totalling:				
Settlement date 1 April 2016	6,696,995	5,281,961	5,309,651	(27,690)
Settlement date 4 April 2016	9,471,003	7,501,035	7,508,998	(7,963)
Settlement date 11 April 2016	364,173,101	282,627,318	288,764,097	(6,136,779)
Ten Euro forward foreign currency contracts totalling:				
Settlement date 11 April 2016	(43,063,238)	(33,801,606)	(34,150,051)	348,445
Settlement date 12 May 2016	(3,026,846)	(2,382,785)	(2,399,998)	17,213
				(5,806,774)

	Contract values	Outstanding contracts	Mark to market equivalent	Unrealised losses
	31.03.2015	**31.03.2015**	**31.03.2015**	**31.03.2015**
	€	£	**£**	**£**
Eight Sterling forward foreign currency contracts totalling:				
Settlement date 20 April 2015	407,457,050	291,750,795	294,878,906	(3,128,111)
Two Euro forward foreign currency contracts totalling:				
Settlement date 2 April 2015	(1,800,000)	(1,322,170)	(1,302,257)	(19,913)
Settlement date 30 April 2015	(1,213,000)	(886,903)	(877,912)	(8,991)
				(3,157,015)

As at 31 March 2016 and as at 31 March 2015 the Company held the following assets and liabilities denominated in Euro:

	As at 31.03.2016	As at 31.03.2015
Assets:	**£**	**£**
Investments	256,316,926	294,970,931
Cash and cash equivalents	562,411	65,945
Other receivables	1,823,785	1,765,988
Amounts due from broker	6,104,874	-
Less: Open forward currency contracts	(265,032,697)	(292,698,735)
	(224,701)	4,104,129

16. Financial Risk Management (Continued)

Foreign Currency Risk (Continued)

The tables below summarise the sensitivity of the Company's assets and liabilities to changes in foreign exchange movements between Euro and Sterling at 31 March 2016 and 31 March 2015. The analysis is based on the assumption that the relevant foreign exchange rate increased/decreased by the percentage disclosed in the table, with all other variables held constant. This represents management's best estimate of a reasonable possible shift in the foreign exchange rates, having regard to historical volatility of those rates.

	As at 31.03.2016 £	As at 31.03.2015 £
Impact on Statement of Comprehensive Income and Equity in response to a:		
- 10% increase	(37,831)	(235,492)
- 10% decrease	101,378	495,428
Impact on Statement of Changes in Equity in response to a:		
- 10% increase	(37,831)	(235,492)
- 10% decrease	101,378	495,428

Capital risk management

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

(i) Share buybacks

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

In deciding whether to make any such purchases the Directors will have regard to what they believe to be in the best interests of Shareholders as a whole, to the applicable legal requirements and any other requirements in its Articles. The making and timing of any buybacks will be at the absolute discretion of the Board and not at the option of the Shareholders, and is expressly subject to the Company having sufficient surplus cash resources available (excluding borrowed moneys). The Listing Rules prohibit the Company from conducting any share buybacks during close periods immediately preceding the publication of annual and interim results.

(ii) Realisation opportunity

The Company's structure included 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. Thereafter, the realisation opportunity shall be at the annual general meeting of the Company in each third year subject to the aggregate NAV of the continuing Ordinary Redeemable Shares on the last Business Day before Reorganisation being not less than £100 million.

16. Financial Risk Management (Continued)

Capital risk management (Continued)

(ii) Realisation opportunity (Continued)

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 make returns of cash to the holders of Realisation Shares will depend in part on the ability of the Portfolio 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 19, 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.

17. Fair Value Measurement

All assets and liabilities are carried at fair value or at carrying value which equates to fair value.

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

(i) Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

(ii) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices including interest rates, yield curves, volatilities, prepayment speeds, credit risks and default rates) or other market corroborated inputs (level 2).

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

The following tables analyse within the fair value hierarchy the Company's financial assets and liabilities (by class) measured at fair value for the years ended 31 March 2016 and 31 March 2015.

	Level 1	Level 2	Level 3	Total
	£	£	£	£
Assets				
Financial assets at fair value through profit and loss:				
Asset Backed Securities:				
BTL RMBS	-	7,787,500	11,891,299	19,678,799
CMBS	-	16,995,757	960,073	17,955,830
Consumer ABS	-	-	6,349,756	6,349,756
Leases	-	-	6,849,079	6,849,079
Leveraged Loan CLO	-	18,807,198	105,657,778	124,464,976
Non-Conforming RMBS	-	15,392,286	54,985,830	70,378,116
Peripheral RMBS	-	10,624,612	35,500,557	46,125,169
Prime RMBS	-	18,216,146	19,348,957	37,565,103
Student Loans	-	-	3,980,296	3,980,296
Derivative assets	-	365,658	-	365,658
Total assets as at 31 March 2016	-	88,189,157	245,523,625	333,712,782
Liabilities				
Derivative liabilities	-	6,172,432	-	6,172,432
Total liabilities as at 31 March 2016	-	6,172,432	-	6,172,432

NOTES TO THE FINANCIAL STATEMENTS Continued

for the year ended 31 March 2016

17. Fair Value Measurement (Continued)

	Level 1	Level 2	Level 3	Total
	£	£	£	£
Assets				
Financial assets at fair value through profit and loss:				
Asset Backed Securities:				
ABS CDO	-	1,396,309	-	1,396,309
CMBS	-	5,222,194	18,091,398	23,313,592
Leases	-	8,489,057	5,992,141	14,481,198
Leveraged Loan CLO	-	30,212,825	90,659,573	120,872,398
Non-Conforming RMBS	-	1,236,598	59,491,653	60,728,251
Peripheral RMBS	-	38,553,421	29,471,239	68,024,660
Peripheral SME	-	9,798,179	4,808,157	14,606,336
Prime RMBS	-	8,345,244	26,484,696	34,829,940
Student Loans	-	1,652,595	-	1,652,595
Derivative assets	-	89,873	-	89,873
Total assets as at 31 March 2015	-	104,996,295	234,998,857	339,995,152
Liabilities				
Derivative liabilities	-	3,246,888	-	3,246,888
Total liabilities as at 31 March 2015	-	3,246,888	-	3,246,888

Asset Backed Securities which have a value based on quoted market prices in active markets, are classified in level 1. At the year 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 or level 3. Where the Portfolio Manager determines that the price obtained from an independent price vendor is not an accurate representation of the fair value of the Asset Backed Security, the Portfolio Manager may source prices from third party broker or dealer quotes and if the price represents a reliable and an observable price, the Asset Backed Security is classified in level 2. All Asset Backed Securities classified as level 2 at 31 March 2016 and 31 March 2015 were priced from third party broker or dealer quotes.

NOTES TO THE FINANCIAL STATEMENTS Continued

for the year ended 31 March 2016

17. Fair Value Measurement (Continued)

Asset Backed Securities where no third party verifiable price is available (either from price vendor or third party broker/dealer quotes), or where the Portfolio Manager determines that the provided price is not an accurate representation of the fair value, are valued by the Portfolio Manager. The Portfolio Manager will determine the valuation of these Asset Backed Securities based on the Portfolio Manager's valuation policy, which may include the use of a comparable arm's length transaction, reference to other securities that are substantially the same, discounted cash flow analysis and other valuation techniques. Where the Portfolio Manager sources prices from a price vendor, the Asset Backed Security is classified in level 3. All Asset Backed Securities classified as level 3 at 31 March 2016 and 31 March 2015 were priced from third party price vendors.

The Company determines a transfer between level 2 and level 3 with reference to the source of pricing, and where an Asset Backed Security is priced based on a third party broker or dealer quote at year end, but was priced by a third party price vendor at the previous reporting period, a transfer from level 3 to level 2 is deemed to have occurred. Similarly, where an Asset Backed Security is priced using a third party price vendor at year end, but was priced based on a third party broker or dealer quote at the previous reporting period, a transfer from level 2 to level 3 is deemed to have occurred.

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

The following tables present the movement in level 3 instruments for the years ended 31 March 2016 and 31 March 2015 by class of financial instrument.

	Opening balance	Purchases /(sales)	Net realised gain/(loss) for the year included in the Statement of Comprehensive Income for level 3 Investments held at 31 March 2016	Net unrealised gain/(loss) for the year included in the Statement of Comprehensive Income for level 3 Investments held at 31 March 2016	Transfer into Level 3	Transfer out Level 3	Closing balance
	£	£	£	£	£	£	£
ABS CDO	-	(1,217,325)	(179,139)	-	1,396,464	-	-
BTL RMBS	-	11,784,966	153,765	(47,432)	-	-	11,891,299
CMBS	18,091,399	(20,337,362)	(554,294)	(91,395)	-	3,851,725	960,073
Consumer ABS	-	5,756,420	15,252	578,084	-	-	6,349,756
Leases	5,992,141	(5,104,550)	(976,498)	88,907	6,849,079	-	6,849,079
Leveraged Loan CLO	90,659,573	(2,949,360)	(10,373,381)	(4,961,640)	28,913,320	4,369,266	105,657,778
Non-Conforming RMBS	59,491,651	(8,159,259)	(2,561,715)	496,403	-	5,718,750	54,985,830
Peripheral RMBS	29,471,239	(2,266,033)	(2,061,559)	(2,167,355)	10,281,929	2,242,336	35,500,557
Prime RMBS	26,484,697	(27,613,209)	(431,042)	147,846	12,393,222	8,367,443	19,348,957
Peripheral SME	4,808,157	(5,452,471)	644,314	-	-	-	-
Student Loans	-	-	-	-	3,980,296	-	3,980,296
Total at 31 March 2016	234,998,857	(55,558,183)	(16,324,297)	(5,956,582)	63,814,310	24,549,520	245,523,625

17. Fair Value Measurement (Continued)

	Opening balance	Purchases /(sales)	Net realised gain/(loss) for the year included in the Statement of Comprehensive Income for level 3 Investments held at 31 March 2015	Net unrealised loss for the year included in the Statement of Comprehensive Income for level 3 Investments held at 31 March 2015	Transfer into Level 3	Transfer out Level 3	Closing balance
	£	£	£	£	£	£	£
CMBS	-	14,614,474	(62,171)	(2,355,943)	5,895,039	-	18,091,399
Leases	17,955,491	(1,641,453)	(450,149)	(1,382,691)	-	(8,489,057)	5,992,141
Leveraged Loan CLO	94,416,998	16,697,300	(1,792,847)	(12,104,190)	6,980,645	(13,538,333)	90,659,573
Non-Conforming RMBS	37,253,469	22,419,311	187,331	(1,380,123)	2,248,261	(1,236,598)	59,491,651
Peripheral Consumer	5,094,770	(1,023,067)	-	-	-	(4,071,703)	-
Peripheral RMBS	21,006,698	3,119,192	(785,999)	(3,725,445)	11,076,260	(1,219,467)	29,471,239
Prime RMBS	22,510,204	1,481,941	(107,011)	(245,000)	2,844,563	-	26,484,697
Peripheral SME	3,430,847	(2,288,454)	(935,041)	(207,352)	4,808,157	-	4,808,157
Total at 31 March 2015	201,668,477	53,379,244	(3,945,887)	(21,400,744)	33,852,925	(28,555,158)	234,998,857

The following tables analyse within the fair value hierarchy the Company's assets and liabilities not measured at fair value at 31 March 2016 and 31 March 2015 but for which fair value is disclosed.

	Level 1 31.03.2016	**Level 2 31.03.2016**	**Level 3 31.03.2016**	**Total 31.03.2016**
	£	**£**	**£**	**£**
Assets				
Cash and cash equivalents	4,913,606	-	-	4,913,606
Amounts due from broker	-	13,098,887	-	13,098,887
Other receivables	-	2,089,799	-	2,089,799
Total	**4,913,606**	**15,188,686**	**-**	**20,102,292**
Liabilities				
Amounts due to brokers	-	6,104,874	-	6,104,874
Dividend payable	-	7,521,590		7,521,590
Other payables	-	605,374	-	605,374
Total	**-**	**14,231,838**	**-**	**14,231,838**

NOTES TO THE FINANCIAL STATEMENTS Continued

for the year ended 31 March 2016

17. Fair Value Measurement (Continued)

	Level 1	Level 2	Level 3	Total
	31.03.2015	31.03.2015	31.03.2015	31.03.2015
	£	£	£	£
Assets				
Cash and cash equivalents	7,152,308	-	-	7,152,308
Other receivables	-	1,893,161	-	1,893,161
Total	**7,152,308**	**1,893,161**	**-**	**9,045,469**
Liabilities				
Amounts due to brokers	-	2,162,419	-	2,162,419
Other payables	-	406,274	-	406,274
Total	**-**	**2,568,693**	**-**	**2,568,693**

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

18. Segmental Reporting

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

The Company invests in a diversified portfolio of 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.

19. 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 for future financial years will be met or that the Company will make any distributions at all.

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

NOTES TO THE FINANCIAL STATEMENTS Continued
for the year ended 31 March 2016

19. Dividend Policy (Continued)

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

The Company declared the following dividends in respect of the distributable profit for the year ended 31 March 2016:

Period to	Dividend rate per Share (pence)	Net dividend payable (£)	Record date	Ex-dividend date	Pay date
30 June 2015	0.015	4,273,631	17 July 2015	16 July 2015	31 July 2015
30 September 2015	0.015	4,273,631	16 October 2015	15 October 2015	30 October 2015
31 December 2015	0.015	4,273,631	22 January 2016	21 January 2016	29 January 2016
31 March 2016	0.0264	7,521,590	4 March 2016	3 March 2016	29 April 2016

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

20. Ultimate Controlling Party

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

21. Subsequent Events

These Financial Statements were approved for issuance by the Board on 7 July 2016. Subsequent events have been evaluated until this date.

On 5 April 2016, following the acquisition of Phoenix Fund Services by Maitland FS Holdings (UK) Limited, Phoenix changed its name to Maitland Institutional Services Limited.

On 29 April 2016, the Company paid a dividend as detailed above.

On 5 May 2016, the Company announced that 3,600,000 new Ordinary Redeemable Shares were issued at a price of 107.49 pence per share.

On 26 May 2016, the Company announced that 4,050,000 new Ordinary Redeemable Shares were issued at a price of 108.56 pence per share. Following this issue, the Company's issued share capital comprises 329,070,417 Ordinary Shares.

On 16 June 2016, the Company announced that 2,000,000 new Ordinary Redeemable Shares were issued at a price of 109.92 pence per share. Following this issue, the Company's issued share capital comprises 331,070,417 Ordinary Shares.

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