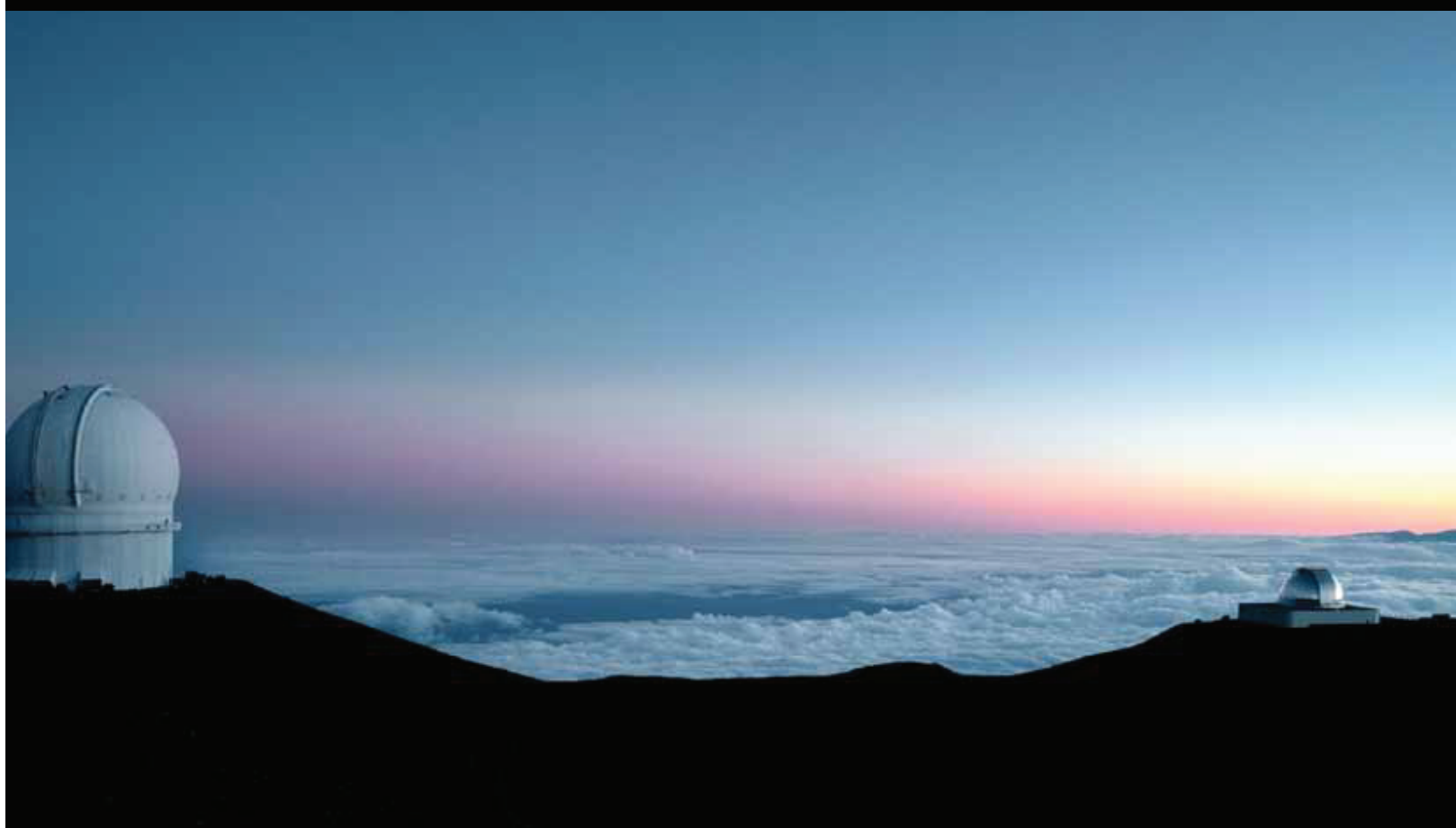


TwentyFour Income Fund Limited

Annual Report and Audited Financial Statements

For the period from 11 January 2013 (date of incorporation) to 31 March 2014



TwentyFour
Asset Management

TwentyFour Income Fund Limited

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TwentyFour Income Fund Limited

CORPORATE INFORMATION

Directors

Trevor Ash (Chairman)
Ian Burns
Richard Burwood
Jeannette Etherden

Depository (*appointed 30 May 2014*)

Northern Trust (Guernsey) Limited
PO Box 71
Trafalgar Court
Les Banques
St Peter Port
Guernsey, GY1 3DA

Registered Office

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

Custodian and Principal Banker

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

Alternative Investment Fund Manager (*appointed 30 May 2014*)

Phoenix Fund Services (UK) Limited
Springfield Lodge,
Colchester Road,
Chelmsford, CM2 5PW

Secretary and Administrator

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

Portfolio Manager (*appointed 30 May 2014*)

TwentyFour Asset Management LLP
24 Cornhill
London, EC3V 3ND

Corporate Broker

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

Investment Manager (*resigned 30 May 2014*)

TwentyFour Asset Management LLP
24 Cornhill
London, EC3V 3ND

Independent Auditor

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

UK Legal Advisers to the Company

Eversheds LLP
One Wood Street
London, EC2V 7WS

Receiving Agent

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

Guernsey Legal Advisers to the Company

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

Registrars

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

TwentyFour Income Fund Limited

SUMMARY INFORMATION

The Company

TwentyFour Income Fund Limited (the “Company”) was incorporated with limited liability in Guernsey, as a closed-ended investment company on 11 January 2013. The Company’s shares were listed with a Premium Listing on the Official List of the UK Listing Authority and admitted to trading on the Main Market of the London Stock Exchange on 6 March 2013.

Investment Objective and Investment Policy

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

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

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

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

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

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

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

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

The Company has a target net total return on the Issue Price of between 7 and 10% per annum.

Shareholder Information

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

TwentyFour Income Fund Limited

SUMMARY INFORMATION Continued

Financial Highlights

31.03.14

Total Net Assets	£314,048,865
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Net Asset Value per share	117.66p
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Share price at 31 March 2014	122.50p
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Premium to Net Asset Value	4.11%
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As at 9 June 2014, the premium had moved to 3.37%. The estimated NAV per share and mid-market share price stood at 120.19p and 124.25p respectively.

Ongoing Charges

Ongoing charges for the period ended 31 March 2014 have been calculated in accordance with the AIC's recommended methodology. The ongoing charges for the period ended 31 March 2014 were 0.86%.

TwentyFour Income Fund Limited

CHAIRMAN'S STATEMENT

for the period from 11 January 2013 (date of incorporation) to 31 March 2014

I am pleased to present my report on the Company's progress for the period from launch to 31 March 2014.

The IPO of the Company in March 2013 raised £150 million from a broad range of investors following a six month pre-marketing and structuring process between the Investment Manager and Numis Securities Limited. The Board were very pleased to have raised such a significant amount of interest for a unique proposition.

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

During the marketing phase a material number of investors made clear their desire for the Company to grow in size to bring additional liquidity to the stock, and with this in mind the Company has issued further stock on a number of occasions, primarily in three tranches during June, September and October. This has been possible due to the flexible prospectus that the Company was launched under allowing up to £500 million of capital to be raised during the first year of the Company's life. The Company's shares have been trading at a premium since launch. To satisfy ongoing demand and manage the premium, additional shares have been issued into the market at a premium to NAV.

The Company's issued share capital as at 31 March 2014 consisted of 266,908,712 Ordinary shares. At the last capital raise in October the Board noted that it did not intend to approve any material further issues of new shares under the Placing Programme other than for the purposes of premium management, or unless more attractive investment opportunities presented themselves.

The Net Asset Value ("NAV") of the Company has displayed positive performance since launch, with the exception of a limited and temporary decline in June as all markets sold off in the wake of US Federal Reserve Chairman Bernanke's comments around tapering the volume of bonds the central bank was buying on a monthly basis. The NAV performance has been supported on a fundamental basis by the ongoing positive trends in the consumer and corporate loan markets.

Our performance expectations continue to be positive and are driven by a technical imbalance in the marketplace. Central banks across Europe continue to fund the banking system at very cheap levels meaning there is little incentive for banks to securitize high quality assets into Asset Backed Securities ("ABS"). This has coincided with low yield curves and significant credit spread compression across many parts of the fixed income universe, meaning that although the European ABS market has seen yield-tightening, on a comparable basis it still looks to be good value when compared on a risk/return basis to the alternatives.

The Company declared its first dividend from inception to 28 June 2013 of 1.25p per Ordinary Share to Ordinary Shareholders. The dividend was paid on 31 July 2013. Further dividends of 1.25p per Ordinary Share were paid in October 2013 and January 2014.

The inception to 31 March 2014 total return of the Company was +26.25%, including the dividends and the shares traded at an average premium to the NAV of 4.64% during the period.

Trevor Ash
Chairman
9 June 2014

TwentyFour Income Fund Limited

INVESTMENT MANAGER'S REPORT

for the period from 11 January 2013 (date of incorporation) to 31 March 2014

Investment Review

The Company launched with £150 million in capital in March 2013, the proceeds of which were invested in line with expectations within the three months indicated during the marketing process. Further capital has been issued through the Company's Placing Programme, taking the total equity issued to £267m.

Asset allocation has broadly reflected that expected at inception. In geographical terms the portfolio is heavily skewed towards the UK, the Netherlands, Italy and Spain, with smaller exposures to Portugal, France and Germany. This is indicative of the component parts of the European ABS market, but also the belief of the portfolio management team that while the securities are cheap, in some cases this was not to do with the underlying credit performance or structure, but rather because some investors would not buy bonds from less popular peripheral economies. The Company continues to believe that this mispricing presents an attractive return premium for the underlying risk. This peripheral aversion has abated during the period and spreads over core European ABS have compressed which has helped drive performance in the Company, however, there is still a premium to be taken as further compression is expected.

In terms of sectoral allocations the Company is, as anticipated, heavily exposed to the Residential Mortgage Backed Securities ("RMBS") market. This is the largest sector of the European ABS market, and allows access to a number of different geographies. While mortgage pool performance has benefitted from the low interest rate environment for a number of years, the stabilisation and improvement in many countries' housing and employment statistics has helped investor sentiment.

In addition to RMBS, the Company has significant exposure to Collateralised Loan Obligations ("CLO"s), which is beyond that anticipated at launch and has been driven by the reopening of the CLO primary market. A more vibrant market place driven by new issuance has pushed CLO spreads tighter, as well as supplying a refinancing option for legacy CLOs that are in amortisation and which are no longer efficient for the equity holders, meaning that the likelihood of old deals being called at par has increased.

At the same time the focus of European central banks on supplying credit to corporates that are too small to issue into the bond market should be supportive of both underlying credit and yields given the potential impact on prepayment speeds.

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

This spread move was not long-lasting and the principal driver of performance in the first half of the year reasserted itself later on in the summer, as a lack of supply and an increasing number of new entrants to the marketplace led to a demand-supply imbalance that forced prices up again.

Since year end the market has focussed on indications that the suggested capital weightings for insurance companies and pension funds investing in this asset class were to be reduced. While this has now happened, the consensus from participants is that they are still overly punitive when contrasted against how other comparable asset classes have been treated. This may leave scope for increasingly accommodative capital weightings in the future.

TwentyFour Income Fund Limited

INVESTMENT MANAGER'S REPORT Continued

for the period from 11 January 2013 (date of incorporation) to 31 March 2014

Fundamental performance of the underlying deals has been biased towards improvement. Clear forward guidance in the UK on interest rates linking the base rate to a number of metrics (including employment, wage growth, spare capacity and unit labour costs), and with it, the expectation of wage inflation and more efficient corporate results as gains in productivity feed through, leaves us expecting to see the underlying assets performing more strongly before the central bank raises rates. In addition the ECB seems increasingly likely to invoke further economic stimulus and a rate increase is further off there than in the UK, again supporting performance. However, the Company is only invested in floating rate notes and so picks up the benefits that rate hikes bring when that policy move is eventually made.

TwentyFour Asset Management LLP

9 June 2014

TwentyFour Income Fund Limited

TOP TWENTY HOLDINGS

As at 31 March 2014

Security	Number of Shares	Country	Asset Backed Security Sector	Fair Value £	Percentage of Net Asset Value
LUSI 5 A	20,383,447	Portugal	Peripheral RMBS	14,479,396	4.61
LUSI 4 A	16,220,829	Portugal	Peripheral RMBS	11,818,166	3.76
WHINS 2X C1	10,225,000	UK	Prime RMBS	10,051,175	3.20
BANKP I C	14,400,000	Spain	Peripheral SME	10,043,282	3.20
MERCT I-X B2	12,700,000	Mixed	Leveraged Loan CLO	9,018,170	2.87
LEMES 2006-1 C	11,300,000	Netherlands	CMBS	8,738,109	2.78
ESAIL 2007-NL2X D1	11,375,000	Netherlands	Non-Conforming RMBS	8,315,805	2.65
EMACP 2007-NL4 D	13,750,000	Netherlands	Prime RMBS	8,234,049	2.62
DOLPH 2010-3 E	8,500,000	Netherlands	Prime RMBS	7,268,566	2.31
MSIMM 2007-1X E	8,800,636	Mixed	Leveraged Loan CLO	7,101,252	2.26
EUROC VIII-X D	8,600,000	Mixed	Leveraged Loan CLO	6,886,753	2.19
ESAIL 2007-NL2X B	10,000,000	Netherlands	Non-Conforming RMBS	6,678,691	2.13
SPAUL 2X E	8,000,000	Mixed	Leveraged Loan CLO	6,661,586	2.12
CORDR 2 C	8,850,000	Italy	Peripheral RMBS	6,461,831	2.06
BBVAL 2007-1 B	10,000,000	Spain	Leases	6,257,038	1.99
HSAME 2006-IX E	8,000,000	Mixed	Leveraged Loan CLO	6,150,724	1.96
ITALF 2007-1 C	7,753,781	Italy	Leases	5,790,033	1.84
CADOG 3X E	8,000,000	Mixed	Leveraged Loan CLO	5,753,903	1.83
JUBIL 2013-10X E	7,015,000	Mixed	Leveraged Loan CLO	5,553,144	1.77
DRYD 2013-27X E	6,500,000	Mixed	Leveraged Loan CLO	5,321,118	1.69

TwentyFour Income Fund Limited

BOARD MEMBERS

Biographical details of the Directors are as follows:

Trevor Ash - (Chairman) (age 68)

Mr Ash is a resident of Guernsey and has over 30 years of investment experience. He is a Fellow of the Securities Institute in England and Wales. He was formerly a managing director of Rothschild Asset Management (CI) Limited. He is a director of a number of hedge funds, fund of hedge funds, venture capital, derivative and other offshore funds including several managed or advised by Cazenove, Insight 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 54)

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

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

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

Jeannette (Jan) Etherden - (Non-executive Director) (age 54)

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

TwentyFour Income Fund Limited

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)	
CQS Rig Finance Fund Limited	London
ELDeRS Investment Company Limited	Channel Islands
Investors in Global Real Estate Limited	London
J.P. Morgan Private Equity Limited	London
Picton Property Income Limited	London & Channel Islands
Sherbourne Investors (Guernsey) B Limited	London
Ian Burns	
Azincourt Resources Limited	Toronto
Montreux Capital Corp.	Toronto
Phaunos Timber Fund Limited	London & Channel Islands
Jeannette Etherden	
Ruffer Investment Company Limited	London

TwentyFour Income Fund Limited

DIRECTORS' REPORT

The Directors present their Annual Report and Audited Financial Statements for the period from 11 January 2013 (date of incorporation) to 31 March 2014.

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.

On 6 March 2013, through a placing of 136,076,790 Ordinary Shares and applications for 13,923,210 Ordinary Shares by way of an Offer for Subscription, the Company raised £150million. On 13 June 2013, a further £31million was raised through the issue of 29,602,750 Ordinary Shares at a 2% premium to the NAV as at 7 June 2013.

During the period from July to November 2013, the Company raised an additional £94,546,660 through the issue of 87,305,962 Ordinary Shares.

Investment Objective and Policy

The Company's investment objective is to generate attractive risk adjusted returns principally through income distributions. The Company's investment policy is to invest in a diversified portfolio of UK and European Asset Backed Securities.

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

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

Efficient portfolio management techniques are employed by the Company, such as currency hedging, interest rate hedging and the use of derivatives such as credit default swaps to mitigate market volatility.

Discount/Premium to Net Asset Value

The Board monitors and manages the level of the share price discount/premium to Net Asset Value ("NAV"). In managing this, the Company operates a share buyback facility whereby it may purchase, subject to various terms as set out in its Articles and in accordance with the Companies (Guernsey) Law, 2008, up to 14.99% of the Company's Ordinary Redeemable Shares in issue immediately following Admission for trading in the London Stock Exchange. The Company also offers investors a realisation opportunity whereby they may 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 Reorganisation being not less than £50 million.

Shareholder Information

The Administrator is responsible for calculating the NAV per Share of the Company. The unaudited NAV per Ordinary Share will be calculated as at the close of business on the last Business Day of every week and the last Business Day of every month by the Administrator and will be announced by a Regulatory Information Service the following Business Day.

Going Concern

The Directors believe that it is appropriate to adopt the going concern basis in preparing the Financial Statements in view of its holding in cash and cash equivalents and investments and the income deriving from those investments, meaning the Company has adequate financial resources to meet its liabilities as they fall due.

TwentyFour Income Fund Limited

DIRECTORS' REPORT Continued

Going Concern (continued)

The Company also achieved its dividend target of 5% of the issue price for the period ended 31 March 2014, meaning that as per the Company's Articles, no Continuation Vote is required.

Results

The results for the period are set out in the Statement of Comprehensive Income on page 27. The Directors proposed income distributions of £15,413,350 for the period ended 31 March 2014, breakdown of which can be found in note 18 on page 53.

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.

Investment Manager

The investment management fee payable to the Investment Manager, TwentyFour Asset Management LLP, monthly in arrears at a rate of 0.75% per annum of the lower of Net Asset Value, which is calculated as of the last business day of each month, or market capitalisation of each class of shares.

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

Directors

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

Directors' and Other Interests

As at 31 March 2014, Directors of the Company held the following numbers of Redeemable Participating Preference Shares beneficially:

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

Corporate Governance

To comply with the UK Listing Rules, the Company must comply with the requirements of the UK Corporate Governance Code. The Company is also required to comply with the Code of Corporate Governance issued by the Guernsey Financial Services Commission.

The Company is a member of the Association of Investment Companies (the "AIC") and by complying with the AIC Code of Corporate Governance ("AIC Code") is deemed to comply with both the UK and Guernsey Codes of Corporate Governance.

DIRECTORS' REPORT Continued

Corporate Governance (continued)

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

The Company has complied with the recommendations of the AIC Code throughout the accounting period and thus the relevant provisions of the UK Corporate Governance Code, except as set out below.

The UK Corporate Governance Code includes, amongst others, provisions relating to:

- the role of the chief executive
- executive directors' remuneration
- the need for an internal audit function
- the whistle blowing policy

For the reasons set out in the AIC Guide, and as explained in the UK Corporate Governance Code, the Board considers these provisions are not relevant to the position of the Company as it is an externally managed investment company. The Company has therefore not reported further in respect of these provisions. The Directors are non-executive and the Company does not have employees, hence no whistle-blowing policy is required. Details of compliance are noted in the succeeding pages. There have been no instances of non-compliance, other than those noted above.

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

Composition and Independence of the Board

The Board currently consists of four non-executive Directors, all of whom are independent of the Investment Manager. The Chairman of the Board is Trevor Ash. Biographies for all the Directors can be found on page 9. In considering the independence of the Chairman, the Board has taken note of the provisions of the AIC Code relating to independence and has determined that Mr Ash is an Independent Director.

The Company has no employees and therefore there is no requirement for a chief executive.

The Board is responsible for the appointment and monitoring of all service providers to the Company. Between formal meetings there is regular contact with the Investment Manager and the Corporate Broker.

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

TwentyFour Income Fund Limited

DIRECTORS' REPORT Continued

Composition and Independence of the Board (continued)

The Directors also have access to the Secretary and, where necessary in the furtherance of their duties, to independent professional advice at the expense of the Company.

The Board holds quarterly Board meetings and the Audit Committee meets at least twice a year*. In addition, ad hoc meetings of the Board to review specific items between the regular scheduled quarterly meetings can be arranged.

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

	Board Meetings		Audit Committee Meetings	
	Held	Attended	Held	Attended
Trevor Ash	4	4	1	1
Ian Burns	4	4	1	1
Richard Burwood	4	4	1	1
Jeannette Etherden	4	4	1	1

* The second Audit Committee meeting was held on 6 June 2014.

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

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

The Board has also given careful consideration to the recommendations of the Davies Report 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 Report as part of its succession planning over future years.

Board Performance

As the Company is in its first period of operation, the Board has not yet carried out a review of its effectiveness. The Board intends to carry out its first annual review of its effectiveness in the next financial period to consider the balance of skills, experience, independence and knowledge of the Company on the Board, its diversity and how the Board works together as a unit as well as other factors relevant to its effectiveness.

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 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.

DIRECTORS' REPORT Continued

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 Investment Manager and other service providers and the preparation of the Committee's annual opinion as to the Investment Manager's services. The first Management Engagement Committee meeting is due to be held on 25 September 2014.

The Management Engagement Committee intends to carry out its first review of the performance and capabilities of the Investment Manager at its first meeting to confirm that the continued appointment of TwentyFour Asset Management LLP as Investment Manager is in the interest of shareholders.

Nomination Committee

The Board as a whole fulfils the function of a Nomination Committee. Whilst the independent 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.

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 of the audit and reviewing the Company's compliance with the AIC Code.

Further details on the Audit Committee can be found in the Audit Committee Report on page 23.

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 Audit Committee make all representations to the Board regarding Directors' remuneration. The Board as a whole fulfils the functions of the Remuneration Committee, although the Board has included a separate Directors' Remuneration Report on page 22 of these Financial Statements.

Inter-Governmental Agreements

The States of Guernsey signed an intergovernmental agreement with the UK ("UK-Guernsey IGA") on 22 October 2013, under which mandatory disclosure requirements will be required in respect of shareholders who have a UK connection. The UK-Guernsey IGA has been ratified by Guernsey's States of Deliberation and the relevant legislation introduced. The impacts of the UK-Guernsey IGA on the Company and the Company's reporting responsibilities pursuant to the UK-Guernsey IGA are not currently in final form. The Board is monitoring implementation of the UK-Guernsey IGA with the assistance of its legal advisers as detailed on page 2.

Foreign Account Tax Compliance Act

The Foreign Account Tax Compliance Act ("FATCA") became effective on 1 January 2013. The legislation is aimed at determining the ownership of US assets in foreign accounts and improving US tax compliance with respect to those assets. On 13 December 2013, the States of Guernsey entered into an intergovernmental agreement ("IGA") with the US Treasury in order to facilitate the requirements under FATCA and is currently in negotiations with regards to how this is to be implemented, and as a result, the impact this will have on the Company remains unknown. The implementation of FATCA has been delayed to June 2014. The Board is monitoring developments with the assistance of its professional advisers.

DIRECTORS' REPORT continued

Alternative Investment Fund Managers Directive

The AIFM Directive is likely to increase management costs, including regulatory and compliance costs, of impacted investment managers and investment funds. The Company does not expect to be required to comply with the AIFM Directive except to the extent that it may be required to satisfy certain provisions of the AIFM Directive in order to permit the marketing of the Company's shares in EEA Member States. In this circumstance the relevant regime remains the national private placement arrangements in the relevant EEA Member State into which the Company is marketed which will trigger appropriate authorisation, changes to the governance structure of the Company including the appointment of Northern Trust (Guernsey) Limited as the Depositary, effective 30 May 2014, the appointment of Phoenix Fund Services (UK) Limited as Alternative Investment Fund Manager, effective 30 May 2014 and additional disclosure in the Financial Statements. The Company will seek to minimise this impact where possible.

Internal Controls

The Board is ultimately responsible for the Company's system of internal control and for reviewing its effectiveness. 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 period under review and up to the date of approval of this Annual Report and Audited Financial Statements and is reviewed by the Board and accords with the AIC Code. The AIC Code requires Directors to conduct at least annually a review of the Company's system of internal 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 risk matrix 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 as the Company is an investment company and has no employees. The internal control systems are designed to meet the Company's particular needs and the risks to which it is exposed. Accordingly, the internal control systems are designed to manage rather than 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.

The Board has delegated the day to day responsibilities for the management of the Company's investment portfolio, the provision of custody 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, Custodian and Investment Manager. The Board also receives confirmation from the Administrator of its accreditation under the SOC1 report.

Principal Risks and Uncertainties

Limited Operating History

The Company is a recently established investment company and this Annual Report and Audited Financial Statements presents the performance of the Company and its investments for the period since incorporation to 31 March 2014.

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, economic uncertainty, changes in regulation. While the Company, through its investments in Asset Backed Securities, intends to hold a diversified Portfolio of assets, any of these factors including specific market events, such as the global financial crisis and levels of sovereign debt, may be materially detrimental to the performance of the Company's investments.

Liquidity Risk

Investments made by the Company may be relatively illiquid and this may limit the ability of the Company to realise its investments. Substantially all of the assets of the Company are invested in Asset Backed Securities. There may be no active market in the Company's interests in Asset Backed Securities. The Company does not have redemption rights in relation to any of its investments. As a consequence, the value of the Company's investments may be materially adversely affected.

Credit risk

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

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

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.

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 accounts 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.

TwentyFour Income Fund Limited

DIRECTORS' REPORT continued

Principal risks and uncertainties (continued)

Operational Risks

The Company is exposed to the risk arising from any failures of systems and controls in the operations of the Investment Manager, Administrator and the Custodian. The Board and its Audit Committee regularly review reports from the Investment Manager and the Administrator on their internal controls.

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 Investment Manager. The Administrator, Broker and Investment Manager provide regular updates to the Board on compliance with the Admission document and changes in regulation.

Income Recognition Risk

The Board considers income recognition to be a principal risk and uncertainty of the Company as the Investment Manager estimates the remaining 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 page 23. As a result of the work undertaken by the Audit Committee, the Board is satisfied that income was correctly stated in the Financial Statements.

Relations with Shareholders

The Investment Manager maintains a regular dialogue with institutional shareholders, the feedback from which is reported to the Board. In addition, Board members will be available to respond to shareholders' questions at the Annual General Meeting.

Significant Shareholdings

Shareholders with holdings of more than 3.0% of the Ordinary Shares of the Company at 31 March 2014 were as follows:

	Number of shares	Percentage of issued share capital
Investec Wealth & Investment Limited	34,428,016	12.90%
Sarasin & Partners	26,633,914	9.98%
Architas Multi Manager	22,392,896	8.39%
F&C Asset Management	20,709,659	7.76%
Baillie Gifford	18,131,820	6.79%
Brewin Dolphin	12,678,751	4.75%
East Riding of Yorkshire	12,500,000	4.68%
Fidelity Worldwide Investment	11,794,127	4.42%
Premier Fund Managers Limited	9,694,179	3.63%
Coutts & Co	9,107,468	3.41%

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.

TwentyFour Income Fund Limited

DIRECTORS' REPORT Continued

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 Annual General Meeting.

Signed on behalf of the Board of Directors on 9 June 2014 by:

Trevor Ash
Chairman

Richard Burwood
Director

TwentyFour Income Fund Limited

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Directors' 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 maintenance and integrity of the TwentyFour Asset Management website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

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

Directors' Responsibility Statement

The Directors confirm that to the best of their knowledge

(a) The Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and give a true and fair view of the financial position and profit of the Company as at and for the period ended 31 March 2014.

(b) The Annual Financial Report includes information detailed in the Chairman's Report, Investment Manager's Report, Directors' Report, Directors' Remuneration Report, Audit Committee Report and Notes to the Financial Statements which provides a fair review of the information required by:

(i) DTR 4.1.8 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

Directors' Responsibility Statement (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
9 June 2014

Richard Burwood
Director

TwentyFour Income Fund Limited

DIRECTORS' REMUNERATION REPORT

The Directors' remuneration report has been prepared on behalf of the Directors in accordance with the UK Corporate Governance Code ("the Code") as issued by the UK Listing Authority.

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 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 separately and is approved by the Board as a whole.

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

The Directors are currently subject to the following annual remuneration in the form of Directors' fees:

Trevor Ash (Chairman of the Board)	£30,000
Ian Burns (Audit Committee Chairman)	£27,500
Richard Burwood	£25,000
Jeannette Etherden	<u>£25,000</u>
Total	£107,500

The remuneration policy set out above is the one applied for the period ended 31 March 2014 and is not expected to change in the foreseeable future.

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, that he/she must resign in writing and all records remain the property of the Company. The Directors' appointments can be terminated in accordance with the Articles and without compensation. There is no notice period specified in the Articles for the removal of Directors. The Articles provide that the office of director shall be terminated by, among other things: (a) written resignation; (b) unauthorised absences from board meetings for six months or more; (c) unanimous written request of the other directors; and (d) an ordinary resolution of the Company.

Under the terms of their appointment, each Director is required to retire by rotation and be subject to re-election at least every three years. 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 13 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 9 June 2014 by:

Trevor Ash
Chairman

Richard Burwood
Director

AUDIT COMMITTEE REPORT

On the following pages, we present the Audit Committee's Report for 2014, setting out the responsibilities of the Audit Committee and its key activities in the period from 11 January 2013 to 31 March 2014.

The Audit Committee has scrutinised 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 controls and processes have been properly established, documented and implemented.

During the course of the period, 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 is very supportive of the latest UK Corporate Governance Code recommendations. We support the aims of the Code and the best practice recommendations of other corporate governance organisations such as the Association of Investment Companies ("AIC"), and believe that the revised 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 before publication.

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

The ultimate responsibility for reviewing and approving the Annual and other 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, including the Audit Committee members, 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 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 Investment Manager, along with those from the Administrator and external auditor.

AUDIT COMMITTEE REPORT Continued

Fraud, Bribery and Corruption

The Audit Committee continues to monitor the fraud, bribery and corruption policies of the Company and receives a confirmation from all service providers that there have been no instances of fraud or bribery.

Financial Reporting and Significant Financial Issues

The Audit Committee assesses whether suitable accounting policies have been adopted and whether the Investment Manager has made appropriate estimates and judgements. The Audit Committee reviews accounting papers prepared by the Investment 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 £306,156,109 as at 31 March 2014 and represent a substantial portion of net assets of the Company. As such this is the largest factor in relation to the accuracy of the Financial Statements. These investments are valued in accordance with the Accounting Policies set out in note 3 to the Financial Statements. The Audit Committee considered the valuation of the investments held by the Company as at 31 March 2014 to be reasonable from discussions with the Investment Manager, Custodian and Administrator on their processes for the valuation of these investments.

(ii) Income Recognition:

The Audit Committee considered the calculation of income from investments recorded in the Financial Statements as at 31 March 2014. As disclosed in note 3(iii)(c) of the Notes to the Financial Statements on page 38, the estimated life of Asset Backed Securities is determined by the Investment 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 Investment 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 Investment Manager. The Audit Committee was therefore satisfied that income was correctly stated in the Financial Statements.

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.

Following a review of the presentations and reports from the Investment 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 Audit Committee is satisfied that the judgements made by the Investment Manager and Administrator are reasonable, and that appropriate disclosures have been included in the accounts.

TwentyFour Income Fund Limited

AUDIT COMMITTEE REPORT Continued

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 period 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 Investment Manager 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 are in the nature of audit, 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 table summarises the remuneration paid to PwC and to other PwC member firms for audit and non-audit services during the period ended 31 March 2014.

	For the period from 11.01.13 (date of incorporation) to 31.03.14
PricewaterhouseCoopers CI LLP	£
- Annual audit	48,000
- Interim review	31,640
- Listing & Financial Reporting Procedures	50,000
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 Annual General Meeting to respond to such questions.

The Audit Committee Report was approved on 9 June 2014 and signed on behalf by:

Ian Burns
Chairman, Audit Committee

TwentyFour Income Fund Limited

INDEPENDENT AUDITOR'S 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 2014 and the Statement of Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flows for the period 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 2014, and of its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the requirements of The Companies (Guernsey) Law, 2008.

Report on other Legal and Regulatory Requirements

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

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

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

TwentyFour Income Fund Limited

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 as set out on page 11 in relation to going concern;
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine 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 Accountant and Recognised Auditor

Guernsey, Channel Islands

10 June 2014

TwentyFour Income Fund Limited

STATEMENT OF COMPREHENSIVE INCOME

for the period from 11 January 2013 (date of incorporation) to 31 March 2014

		For the period from 11.01.13 (date of incorporation) to 31.03.14 £
	Note	
Income		
Interest income		16,565,442
Net foreign currency gains	7	7,603,269
Net gains on financial assets at fair value through profit or loss	8	29,496,520
Total income		<u>53,665,231</u>
 Management fee	13	(1,832,776)
Directors' fees	13	(129,640)
Administration fees	14	(162,565)
Audit fee		(43,118)
Custodian fees	14	(26,938)
Broker fees		(53,425)
Other expenses		(91,331)
Total expenses		<u>(2,339,793)</u>
 Total comprehensive income for the period		<u>51,325,438</u>
Earnings per Ordinary Redeemable Share - Basic & Diluted	4	<u>0.244</u>

All items in the above statement derive from continuing operations.

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

The notes on pages 32 to 54 form an integral part of the Financial Statements.

TwentyFour Income Fund Limited

STATEMENT OF FINANCIAL POSITION

as at 31 March 2014

		31.03.2014 £
Assets	Note	
Current assets		
Investments	8	306,156,109
Other receivables	9	1,899,476
Cash and cash equivalents	2	6,732,352
Total current assets		314,787,937
Liabilities		
Current liabilities		
Other payables	10	327,060
Derivative liabilities	15	412,012
Total liabilities		739,072
Net current assets		314,048,865
Equity		
Share capital account	11	271,117,078
Retained earnings		42,931,787
Total equity		314,048,865
Ordinary Redeemable Shares in issue	11	266,908,712
Net Asset Value per Ordinary Redeemable Share	5	117.66

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

The Financial Statements on pages 28 to 54 were approved by the Board of Directors on 9 June 2014 and signed on its behalf by:

Trevor Ash
Chairman

Richard Burwood
Director

The notes on pages 32 to 54 form an integral part of the Financial Statements.

TwentyFour Income Fund Limited

STATEMENT OF CHANGES IN EQUITY

for the period from 11 January 2013 (date of incorporation) to 31 March 2014

	Share Capital Account	Retained Earnings	Total
	£	£	£
Balances at 11 January 2013	-	-	-
Issue of shares	275,546,660	-	275,546,660
Share issue costs	(4,429,582)	-	(4,429,582)
Distributions paid	-	(8,393,651)	(8,393,651)
Total comprehensive income for the period	-	51,325,438	51,325,438
Balance at 31 March 2014	271,117,078	42,931,787	314,048,865

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

The notes on pages 32 to 54 form an integral part of the Financial Statements.

TwentyFour Income Fund Limited

STATEMENT OF CASH FLOWS

for the period from 11 January 2013 (date of incorporation) to 31 March 2014

	Note	For the period from 11.01.13 (date of incorporation) to 31.03.14 £
Cash flows used in operating activities		
Total comprehensive income for the period		51,325,438
Adjustments for:		
Net gains on investments	8	(29,496,520)
Adjustment for amortisation of investment cost		(9,456,377)
Increase in receivables		(1,899,476)
Increase in payables		327,060
Decrease in open forward currency contracts		412,012
Purchase of investments		(338,781,923)
Sale of investments		71,578,711
Net cash used in operating activities		(255,991,075)
Cash flows from financing activities		
Proceeds from issue of Ordinary Redeemable Shares		275,546,660
Share issue costs		(4,429,582)
Dividend distribution		(8,393,651)
Net cash inflow from financing activities		262,723,427
Increase in cash and cash equivalents		6,732,352
Cash and cash equivalents at beginning of period		-
Cash and cash equivalents at end of period		6,732,352

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

The notes on pages 32 to 54 form an integral part of the Financial Statements.

TwentyFour Income Fund Limited

NOTES TO THE FINANCIAL STATEMENTS

for the period from 11 January 2013 (date of incorporation) to 31 March 2014

1. General Information

TwentyFour Income Fund Limited (the “Company”) was incorporated with limited liability in Guernsey, as a closed-ended investment company on 11 January 2013. The Company’s Shares were listed with a Premium Listing on the Official List of the UK Listing Authority and admitted to trading on the Main Market of the London Stock Exchange on 6 March 2013.

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

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

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

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

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

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

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

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

2. Principal Accounting Policies

a) Statement of compliance

The Financial Statements for the period from 11 January 2013 to 31 March 2014 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.

NOTES TO THE FINANCIAL STATEMENTS Continued

for the period from 11 January 2013 (date of incorporation) to 31 March 2014

2. Principal Accounting Policies (continued)

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

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

IFRS 9, 'Financial Instruments' effective for annual periods beginning on or after 1 January 2018, requires that the effects of changes in credit risk of liabilities designated as at fair value through profit or loss are presented in other comprehensive income unless such treatment would create or enlarge an accounting mismatch in profit or loss, in which case all gains or losses on that liability are presented in profit or loss. Other requirements of IFRS 9 relating to classification and measurement of financial liabilities are unchanged from IAS 39. The requirements of IFRS 9 relating to derecognition are unchanged from IAS 39.

d) Financial assets at fair value through profit or loss

Classification

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

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

(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.

NOTES TO THE FINANCIAL STATEMENTS Continued

for the period from 11 January 2013 (date of incorporation) to 31 March 2014

2. Principal Accounting Policies (continued)

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

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

Recognition, derecognition and measurement

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

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

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

The interest income arising on these securities is recognised within income in the Statement of Comprehensive Income.

Fair value estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investments in Asset Backed Securities are fair valued in accordance with either i) or ii) below and the change in fair value, if any, is recorded as net gains/(losses) on financial assets/(liabilities) at fair value through profit or loss in the Statement of Comprehensive Income.

i) Asset Backed Securities traded or dealt on an active market or exchange.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS Continued

for the period from 11 January 2013 (date of incorporation) to 31 March 2014

2. Principal Accounting Policies (continued)

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

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

Forward foreign currency contracts

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

Impairment

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

e) Offsetting financial instruments

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

f) Amounts due from and due to brokers

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

g) Income

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

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)(c)), 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.

TwentyFour Income Fund Limited

NOTES TO THE FINANCIAL STATEMENTS Continued

for the period from 11 January 2013 (date of incorporation) to 31 March 2014

2. Principal Accounting Policies (continued)

h) Cash and cash equivalents

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

i) Share capital

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

j) Foreign currency translation

Functional and presentation currency

Items included in the financial statements are measured using Sterling, the currency of the primary economic environment in which the 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 17.

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.

TwentyFour Income Fund Limited

NOTES TO THE FINANCIAL STATEMENTS Continued

for the period from 11 January 2013 (date of incorporation) to 31 March 2014

2. Principal Accounting Policies (continued)

o) Other payables

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

p) Dividend distribution

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

3. Significant accounting judgements, estimates and assumptions

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

(i) Judgements:

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

Functional currency

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

(ii) Estimates and assumptions

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

(a) Fair value of derivative financial instruments

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

TwentyFour Income Fund Limited

NOTES TO THE FINANCIAL STATEMENTS Continued

for the period from 11 January 2013 (date of incorporation) to 31 March 2014

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

(ii) Estimates and assumptions (continued)

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

The Company carries its investments in Asset Backed Securities at fair value, with changes in value being recognised in the Statement of Comprehensive Income. In cases where prices of Asset Backed Securities are not quoted in an active market, the Investment Manager will obtain prices determined at the close of business on the reporting date from an independent price vendor. The Investment 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 Investment Manager determines that the provided price is not an accurate representation of the fair value of the Asset Backed Security, the Investment Manager will source prices from third party broker or dealer quotes for the relevant security. Where no third party price is available, or where the Investment Manager determines that the third party quote is not an accurate representation of the fair value, the Investment Manager will determine the valuation based on the Investment Manager's valuation policy. This may include the use of a comparable arm's length transaction, reference to other securities that are substantially the same, discounted cash flow analysis and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity-specific inputs.

(c) *Estimated life of Asset Backed Securities*

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

(d) *Determination of observable inputs*

In note 16, Fair Value Measurement, when determining the levels of investments within the fair value hierarchy, the determination of what constitutes 'observable' requires significant judgement by the Company. The Company considers observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

4. Earnings per Ordinary Redeemable Share - Basic & Diluted

The earnings per Ordinary Redeemable Share - Basic and Diluted has been calculated based on the weighted average number of Ordinary Redeemable Shares of 210,705,200 and a net gain of £51,325,438.

In order to ensure there were no dilutive elements, earnings have been calculated in respect of accrued income at the time of purchase.

5. Net Asset Value per Ordinary Redeemable Share

The net asset value of each Share of £1.18 is determined by dividing the net assets of the Company attributed to the Shares of £314,048,865 by the number of Shares in issue at 31 March 2014 of 266,908,712.

6. Taxation

The Company has been granted Exempt Status under the terms of The Income Tax (Exempt Bodies) (Guernsey) Ordinance, 1989 to income tax in Guernsey. Its liability for Guernsey taxation is limited to an annual fee of £600.

TwentyFour Income Fund Limited

NOTES TO THE FINANCIAL STATEMENTS Continued

for the period from 11 January 2013 (date of incorporation) to 31 March 2014

7. Net foreign currency gains

	For the period from 11.01.13 (date of incorporation) to 31.03.14 £
Unrealised loss on forward currency contracts	(412,012)
Realised gain on forward currency contracts	8,033,508
Unrealised income exchange loss	(18,227)
	<u>7,603,269</u>

8. Investments

	For the period from 11.01.13 (date of incorporation) to 31.03.14 £
Financial assets at fair value through profit and loss:	
Unlisted Investments:	
Opening book cost	-
Purchases at cost	338,781,923
Proceeds on sale/principal repayment	(71,578,711)
Amortisation of discount on purchase	9,456,377
Realised gain on sale/principal repayment	8,204,076
Closing book cost	284,863,665
Unrealised gain on investments	21,292,444
Fair value	<u>306,156,109</u>
Realised gains on sales/principal repayment	8,204,076
Increase in unrealised gain	21,292,444
Net gains on financial assets at fair value through profit or loss	<u>29,496,520</u>

TwentyFour Income Fund Limited

NOTES TO THE FINANCIAL STATEMENTS Continued

for the period from 11 January 2013 (date of incorporation) to 31 March 2014

9. Other receivables

	As at 31.03.14
	£
Coupon interest receivable	1,856,133
Prepaid expenses	43,343
	<u>1,899,476</u>

10. Other payables

	As at 31.03.14
	£
Management fees payable	199,041
Custody fee payable	26,318
Administration fee payable	43,963
Directors' fee payable	26,728
Audit fee payable	11,003
General expenses payable	20,007
	<u>327,060</u>

11. Share Capital

Authorised Share Capital

Unlimited number of Ordinary Redeemable Shares at no par value.

Issued Share Capital

	As at 31.03.14
	£
Ordinary Redeemable Shares	
Share Capital at the beginning of the period	-
Issued Share Capital	275,546,660
Share issue costs	(4,429,582)
Total Share Capital at the end of the period	<u>271,117,078</u>

TwentyFour Income Fund Limited

NOTES TO THE FINANCIAL STATEMENTS Continued

for the period from 11 January 2013 (date of incorporation) to 31 March 2014

11. Share Capital (continued)

	As at 31.03.14
Ordinary Shares	Shares
Shares at the beginning of the period	-
Issue of Shares	266,908,712
Total Shares in issue at the end of the period	266,908,712

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 2014, one share class has been issued, being the Ordinary Redeemable Shares of the Company.

The Ordinary Redeemable Shares carry the following rights:

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

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

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

TwentyFour Income Fund Limited

NOTES TO THE FINANCIAL STATEMENTS Continued

for the period from 11 January 2013 (date of incorporation) to 31 March 2014

12. Analysis of Financial Assets and Liabilities by Measurement Basis

	Assets at fair value through profit and loss £	Loans and receivables £	Total £
31 March 2014			
Financial Assets as per Statement of Financial Position			
Investments at fair value through profit or loss:			
-Asset backed securities	306,156,109	-	306,156,109
Cash and cash equivalents	-	6,732,352	6,732,352
Other receivables	-	1,899,476	1,899,476
	<u>306,156,109</u>	<u>8,631,828</u>	<u>314,787,937</u>
	Liabilities at fair value through profit and loss £	Other financial liabilities £	Total £
Financial Liabilities as per Statement of Financial Position			
Other payables	-	327,060	327,060
Derivative liabilities	412,012	-	412,012
	<u>412,012</u>	<u>327,060</u>	<u>739,072</u>

13. Related Parties

a) Directors' Remuneration & Expenses

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

The annual Directors' fees comprise £30,000 payable to Mr Ash, the Chairman, £27,500 to Mr Burns as Chairman of the Audit Committee and £25,000 to Mr Burwood and Ms Etherden. During the period ended 31 March 2014, Directors fees of £129,640 were charged to the Company, of which £26,728 remained payable at the end of the period.

b) Shares held by related parties

As at 31 March 2014, Directors of the Company held the following shares beneficially:-

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

TwentyFour Income Fund Limited

NOTES TO THE FINANCIAL STATEMENTS Continued

for the period from 11 January 2013 (date of incorporation) to 31 March 2014

13. Related Parties (continued)

b) Shares held by Related Parties (continued)

As at 31 March 2014, the Investment Manager held 400,000 Shares, which is 0.15% of the Issued Share Capital, and partners and employees of the Investment Manager held 771,000 Shares, which is 0.29% of the Issued Share Capital.

c) Investment Manager

The investment management fee is payable to the Investment Manager, TwentyFour Asset Management LLP, monthly in arrears at a rate of 0.75% per annum of the lower of Net Asset Value, which is calculated weekly on each valuation day, or market capitalisation of each class of shares. Total investment management fees for the period amounted to £1,832,776 of which £199,041 is due and payable at the period end. The Investment Management Agreement dated 18 February 2013 remains in force until determined by the Company or the Investment Manager giving the other party not less than twelve months' notice in writing. Under certain circumstances, the Company or the Investment Manager are entitled to immediately terminate the agreement in writing.

The Investment Manager is also entitled to a commission of 0.15% of the aggregate gross offering proceeds plus any applicable VAT in relation to any issue of new Shares, following admission, in consideration of marketing services that it provides to the Company. During the period the Investment Manager received £413,319 in commission.

14. Material Agreements

a) Placing Agent

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

The Placing Agent is also entitled to receive commission of 1% on all tap issues. During the period the Placing Agent received £1,160,033 in commission.

b) Administrator and Secretary

Administration fees are payable to Northern Trust International Fund Administration Services (Guernsey) Limited monthly in arrears at a rate of 0.06% of the Net Asset Value of the Company below £100 million, 0.05% on Net Assets between £100 million and £200 million and 0.04% on Net Assets in excess of £200 million as at the last business day of the month subject to a minimum £65,000 in the first year of admission and £75,000 for each year thereafter. In addition, an annual fee of £25,000 will be charged for corporate governance and company secretarial services. Total administration and secretarial fees for the period amounted to £162,565 of which £43,963 is due and payable at the period end.

c) Custodian

The custodian's fees and charges are payable to The Northern Trust Company monthly in arrears. Custody fees are a minimum of £8,500 per annum plus transaction fees. Total custody fees and charges for the period amounted to £26,938 of which £26,318 is due and payable at the period end.

NOTES TO THE FINANCIAL STATEMENTS Continued

for the period from 11 January 2013 (date of incorporation) to 31 March 2014

15. Financial Risk Management

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

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

Market risk

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

(i) Price risk

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

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

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

(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.

TwentyFour Income Fund Limited

NOTES TO THE FINANCIAL STATEMENTS Continued

for the period from 11 January 2013 (date of incorporation) to 31 March 2014

15. Financial Risk Management (continued)

Price sensitivity analysis

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

At 31 March 2014, 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 £15,307,805. 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 table below summarises the Company's exposure to interest rate risk:

	Floating rate	Fixed rate	Non-interest bearing	Total
As at 31 March 2014	£	£	£	£
Financial assets at fair value through profit or loss	306,156,109	-	-	306,156,109
Receivables	-	-	1,899,476	1,899,476
Cash and cash equivalents	6,732,352	-	-	6,732,352
Unrealised loss on derivative liabilities	-	-	(412,012)	(412,012)
Other payables	-	-	(327,060)	(327,060)
Net current assets	312,888,461	-	1,160,404	314,048,865

The Company only holds floating rate financial instruments which have little exposure to fair value interest rate risk as, when the short-term interest rates increase, the interest rate on a floating rate note will increase. The maximum time to re-fix interest rates is six months and therefore the Company has minimal interest rate risk. The value of asset backed securities may be affected by interest rate movements. Interest receivable on bank deposits or payable on bank overdraft positions will be affected by fluctuations in interest rates, however the underlying cash positions will not be affected.

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

Credit risk

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

TwentyFour Income Fund Limited

NOTES TO THE FINANCIAL STATEMENTS Continued

for the period from 11 January 2013 (date of incorporation) to 31 March 2014

15. Financial Risk Management (continued)

Credit risk (continued)

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

The Company's policy to manage this risk is to invest at least 50% of the portfolio value in assets with at least one investment grade rating from an internationally recognised credit agency. The Company also manages this credit risk by investing no more than 5% of the portfolio value in any single Asset Backed Security or issuer of Asset Backed Securities.

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

	31.03.14
AA-	3.56%
A+	1.39%
A	1.36%
A-	8.59%
BBB+	2.15%
BBB	13.51%
BBB-	8.51%
BB+	4.16%
BB	8.28%
BB-	3.37%
B+	7.98%
B	6.77%
B-	10.08%
CCC+	5.73%
CCC	0.00%
CCC-	1.18%
NR	13.38%
	100.00%

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

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

TwentyFour Income Fund Limited

NOTES TO THE FINANCIAL STATEMENTS Continued

for the period from 11 January 2013 (date of incorporation) to 31 March 2014

15. Financial Risk Management (continued)

Credit risk (continued)

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

	As at 31.03.2014 £
Investments	306,156,109
Cash and cash equivalents	6,732,352
Other receivables	1,899,476
	<u>314,787,937</u>

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

Liquidity risk

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

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

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

Shareholders have no right to have their shares redeemed or repurchased by the Company, except as detailed under note 11 c) and the Capital Risk Management section of this note. Shareholders wishing to release their investment in the Company are therefore required to dispose of their shares on the market. Therefore there is no risk that the Company will not be able to fund redemption requests.

TwentyFour Income Fund Limited

NOTES TO THE FINANCIAL STATEMENTS Continued

for the period from 11 January 2013 (date of incorporation) to 31 March 2014

15. Financial Risk Management (continued)

Liquidity risk (continued)

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

As at 31 March 2014

	Up to 1 month	1-6 months	6-12 months	Total
	£	£	£	£
Financial liabilities				
Unrealised loss on derivative assets	(412,012)	-	-	(412,012)
Other payables	(316,057)	(11,003)	-	(327,060)
Total	(728,069)	(11,003)	-	(739,072)

Foreign Currency Risk

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

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

	Contract values	Outstanding contracts	Mark to market	Unrealised losses
	31.03.2014	31.03.2014	31.03.2014	31.03.2014
	€	£	£	£
Five Sterling forward foreign currency contracts totalling:	336,670,490	277,983,605	278,337,969	(354,364)
Settlement date 10 April 2014				
Three Euro forward foreign currency contracts totalling:	(7,268,478)	(6,066,768)	(6,009,120)	(57,648)
Settlement date 10 April 2014				
				(412,012)

TwentyFour Income Fund Limited

NOTES TO THE FINANCIAL STATEMENTS Continued

for the period from 11 January 2013 (date of incorporation) to 31 March 2014

15. Financial Risk Management (continued)

Foreign Currency Risk (continued)

As at 31 March 2014 the Company held the following assets and liabilities denominated in Euro:

	As at 31.03.2014 £
Assets:	
Investments	281,167,638
Cash and cash equivalents	1,473,166
Other receivables	1,710,381
Less: Open forward currency contracts	(272,328,849)
	<u>12,022,336</u>

The table below summarises the sensitivity of the Company's assets and liabilities to changes in foreign exchange movements between Euro and Sterling at 31 March 2014. The analysis is based on the assumption that the relevant foreign exchange rate increased/decreased by the percentage disclosed in the table, with all other variables held constant. This represents management's best estimate of a reasonable possible shift in the foreign exchange rates, having regard to historical volatility of those rates.

	As at 31.03.2014 £
Impact on Statement of Comprehensive Income and Equity in response to a:	
- 10% increase	<u>(1,085,043)</u>
- 10% decrease	<u>1,346,360</u>
Impact on Statement of Changes in Equity in response to a:	
- 10% increase	<u>(1,085,043)</u>
- 10% decrease	<u>1,346,360</u>

Capital risk management

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

NOTES TO THE FINANCIAL STATEMENTS Continued

for the period from 11 January 2013 (date of incorporation) to 31 March 2014

15. Financial Risk Management (continued)

Capital risk management (continued)

(i) Share buybacks

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

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

(ii) Realisation opportunity

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

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

(iii) Continuation votes

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

16. Fair Value Measurement

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

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

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

TwentyFour Income Fund Limited

NOTES TO THE FINANCIAL STATEMENTS Continued

for the period from 11 January 2013 (date of incorporation) to 31 March 2014

16. Fair Value Measurement (continued)

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

The following table analyses within the fair value hierarchy the Company's financial assets and liabilities (by class) measured at fair value for the period ended 31 March 2014.

	Level 1	Level 2	Level 3	Total
	£	£	£	£
Assets				
Financial assets at fair value through profit and loss:				
Asset Backed Securities:				
ABS CDO	-	1,471,544	-	1,471,544
CMBS	-	15,502,169	-	15,502,169
Leases	-	-	17,955,491	17,955,491
Leveraged Loan CLO	-	7,878,548	94,416,997	102,295,545
Non-Conforming RMBS	-	1,490,233	37,253,470	38,743,703
Peripheral Consumer	-	1,083,321	5,094,770	6,178,091
Peripheral RMBS	-	47,817,391	21,006,698	68,824,089
Peripheral SME	-	11,647,305	-	11,647,305
Prime RMBS	-	17,597,121	22,510,204	40,107,325
SME	-	-	3,430,847	3,430,847
Total assets as at 31 March 2014	-	104,487,632	201,668,477	306,156,109
Liabilities				
Derivative liabilities	-	412,012	-	412,012
Total liabilities as at 31 March 2014	-	412,012	-	412,012

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

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

TwentyFour Income Fund Limited

NOTES TO THE FINANCIAL STATEMENTS Continued

for the period from 11 January 2013 (date of incorporation) to 31 March 2014

16. 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 Investment Manager determines that the provided price is not an accurate representation of the fair value are classified in level 3. The Investment Manager will determine the valuation of these Asset Backed Securities based on the Investment Manager's valuation policy, which may include the use of a comparable arm's length transaction, reference to other securities that are substantially the same, discounted cash flow analysis and other valuation techniques. Where the Investment Manager sources prices from a third party broker or dealer quotes and these prices are indicative rather than tradable, the Asset Backed Security is classified in level 3. All Asset Backed Securities classified as level 3 at 31 March 2014 were priced from third party broker or dealer quotes.

The following table presents the movement in level 3 instruments for the period ended 31 March 2014 by class of financial instrument.

			Non-					
	Leases	Leveraged Loan CLO	Conforming RMBS	Peripheral Consumer	Peripheral RMBS	Prime RMBS	SME	Total
			£	£	£	£	£	£
Opening balance	-	-	-	-	-	-	-	-
Purchases	16,975,719	90,733,139	33,584,234	5,192,613	19,402,434	19,143,851	3,539,926	188,571,916
Net unrealised gain/(loss) for the period included in the Statement of Comprehensive Income for level 3 Investments held at								
31 March 2014	979,772	3,683,859	3,669,235	(97,843)	1,604,264	3,366,353	(109,079)	13,096,561
Closing balance	17,955,491	94,416,998	37,253,469	5,094,770	21,006,698	22,510,204	3,430,847	201,668,477

There were no transfers between levels during the period.

The following table analyses within the fair value hierarchy the Company's assets and liabilities not measured at fair value at 31 March 2014 but for which fair value is disclosed.

	Level 1	Level 2	Level 3	Total
	£	£	£	£
Assets				
Cash and cash equivalents	6,732,352	-	-	6,732,352
Other receivables	-	1,899,476	-	1,899,476
Total	6,732,352	1,899,476	-	8,631,828
Liabilities				
Other payables	-	327,060	-	327,060
Total	-	327,060	-	327,060

TwentyFour Income Fund Limited

NOTES TO THE FINANCIAL STATEMENTS Continued

for the period from 11 January 2013 (date of incorporation) to 31 March 2014

16. Fair Value Measurement (continued)

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

Cash and cash equivalents include cash in hand and deposits held with banks.

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

17. Segmental Reporting

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

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

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

18. Dividend Policy

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

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.

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 for the period from 11 January 2013 to 31 March 2014:

Period to	Dividend rate per Share	Net dividend payable (£)	Record date	Ex-dividend date	Pay date
	(pence)				
30 June 2013	0.0125	2,347,072	19 July 2013	17 July 2013	31 July 2013
30 September 2013	0.0125	2,710,220	11 October 2013	9 October 2013	25 October 2013
31 December 2013	0.0125	3,336,359	17 January 2014	15 January 2014	31 January 2014
31 March 2014	0.0263	7,019,699	22 April 2014	16 April 2014	30 April 2014

TwentyFour Income Fund Limited

NOTES TO THE FINANCIAL STATEMENTS Continued

for the period from 11 January 2013 (date of incorporation) to 31 March 2014

18. Dividend Policy (continued)

Under Guernsey law, companies can pay dividends in excess of accounting profit provided they satisfy the solvency test prescribed by the Companies (Guernsey) Law, 2008. The solvency test considers whether a company is able to pay its debts when they fall due, and whether the value of a company's assets is greater than its liabilities. The Company passed the solvency test for each dividend paid.

19. Ultimate Controlling Party

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

20. Subsequent Events

These Financial Statements were approved for issuance by the Board on 6 June 2014. Subsequent events have been evaluated until this date.

On 30 April 2014, the Company paid a dividend as detailed above.

On 30 May 2014, the Company appointed Northern Trust (Guernsey) Limited as Depositary (the "Depositary"). The Depositary Agreement will replace the existing custody agreement between the Company and its Custodian, The Northern Trust Company (the "Custodian"), which will be terminated once the Company's assets have transferred from the accounts of the Custodian to the accounts of the Depositary. Also on 30 May 2014, TwentyFour Asset Management LLP resigned as Investment Manager and the Company appointed Phoenix Fund Services (UK) Limited as its Alternative Investment Fund Manager (the "Manager"). TwentyFour Asset Management LLP were then appointed as Portfolio Manager effective 30 May 2014.

From 30 May 2014, depositary fees are payable to the depositary, 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 £15,000 in the first year and £25,000 for each year thereafter. The Depositary is also entitled to the greater of annual global custody fee of £8,500 or transaction fees per the Depositary Agreement.

From 30 May 2014, management fees are payable to the Manager, quarterly, 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 subject to a minimum annual fee of £20,000.



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