ACENCIA DEBT STRATEGIES LIMITED

ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS 2014

ACENCIA DEBT STRATEGIES LIMITED
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ACENCIA DEBT STRATEGIES LIMITED
INVESTMENT HIGHLIGHTS

	31 December 2014	31 December 2013
Share price at year end	**104.38p**	**100.30p**
Dividend paid during year	**3.91p**	**3.68p**
Total Shareholder return for year	**+8.0%**	**+20.9%**
Net asset value per share at year end	**111.18p**	**109.75p**
Net asset value increase in year (dividend reinvested)	**+4.9%**	**+9.7%**

ACENCIA DEBT STRATEGIES LIMITED
SUMMARY INFORMATION

Principal Activity
AcenciA Debt Strategies Limited ("the Company" or "AcenciA") is an authorised closed-ended investment scheme domiciled in Guernsey. The Company is premium listed and traded on the main market of the London Stock Exchange.

Investment Objective and Policy
The Company's investment objective is to produce annual returns in excess of 3-month Sterling LIBOR plus 5% over a rolling 3-year period, with annual standard deviation of under 5%. On 23 April 2015, the Board approved an amendment to the above investment objective to make reference to the US Dollar LIBOR instead of Sterling LIBOR. For further details see Note 2.

Following the Extraordinary General Meeting ("EGM") on 25 September 2014, the Company's investment policy is to invest in an actively managed portfolio of multi-strategy credit and event driven hedge funds. While the exact number of funds and strategies in which the Company invests may vary over time the Sub-Manager expects that the Company will be invested in a portfolio of between eight and twelve underlying hedge funds. The Investment Adviser intends to achieve the Company's desired exposure to the underlying hedge funds through a combination of direct investments in individual hedge funds and investments in fund of hedge fund or managed account vehicles which the Investment Adviser manages, which in turn invest in individual hedge funds. By doing so, the Company plans to run a more high-conviction and concentrated portfolio.

The Company will no longer use currency hedging so as to avoid the cash drag and costs which that has historically entailed. The future of the Company is discussed below.

Prior to 25 September 2014, the Company's investment policy was to invest in an actively managed portfolio of predominantly debt-oriented hedge funds. Following the Extraordinary General Meeting on 20 September 2011 the Company was to place such redemption notices as necessary ahead of a possible wind up date of 31 December 2014, and would not, in the interim, make any new investments in funds which had lock-up or capital commitment periods beyond this date.

Dividend Policy
The Company's dividend policy is to pay an annualised dividend equivalent to 3.5% of net assets by means of interim dividend payments. During the year to 31 December 2014, the Company paid a dividend of £4,511,278 (31 December 2013: £4,308,834).

Future of the Company
As per the resolution passed at the Extraordinary General Meeting on 25 September 2014 and in accordance with the amended Article 36.1 of the Company's Articles of Incorporation, the Directors shall call a general meeting of Shareholders in September 2017 at which an ordinary resolution shall be proposed to approve the voluntary winding up of the Company (the "2017 Winding-up Resolution") with effect from 31 December 2017. For further details of the 2017 Winding-up Resolution see page 11.

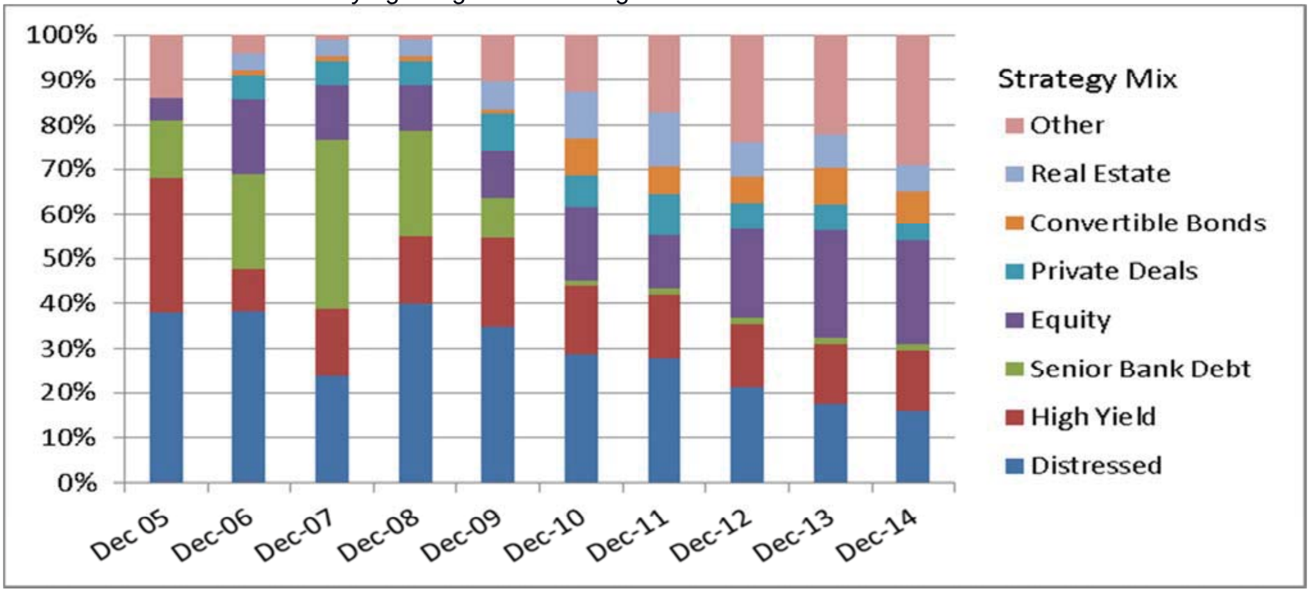
The Company has considerable financial resources and after making enquiries the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly the Directors continue to adopt the going concern basis in preparing these Financial Statements.

ACENCIA DEBT STRATEGIES LIMITED

SUMMARY INFORMATION, continued

Asset Allocation by Hedge Fund Strategy

The Company's investment portfolio consists primarily of fund of funds investment entities. These fund of funds entities, in turn invest in a diverse range of underlying hedge fund strategies that are principally debt related. The estimated allocation to underlying hedge fund strategies as at 31 December 2014 was as follows:



** Estimate by Saltus Partners LLP based on interviews with a sample of underlying managers.*

Analysis of Significant Investments

The significant direct holdings of the Company as at 31 December 2014 are set out in the first table below. Of these, 4 are fund of fund vehicles managed by Sandalwood Securities, Inc. ("Sandalwood"), the Company's Investment Adviser. The significant holdings on a look-through basis (i.e. showing the effective exposure to underlying single manager hedge funds, ignoring the fund of fund vehicles) are set out in the second table below.

The Company's Significant Direct Holdings

Name of investment	Strategy	Fair Value £	% of Portfolio Value
Fund of Funds Managed by Sandalwood			
Bodleian Partners Class A Limited Partnership	Fund of Funds	24,227,667	40.27
Sandalwood Debt Fund A Limited Partnership	Fund of Funds	21,706,039	36.08
Sandalwood Debt Fund B Limited Partnership	Fund of Funds	7,178,640	11.93
Sandalwood SPV Debt A	Fund of Funds	1,516,264	2.52
Sub Total		**54,628,610**	**90.80**
Single Manager Funds			
Elliott International Fund	Multi-strategy credit	5,538,036	9.20
Sub Total		**5,538,036**	**9.20**
Total		**60,166,646**	**100.00**

The Company's investment portfolio on a Look-through Basis comprised the following principal holdings:

Name of investment*	Strategy	Fair Value £	% of Portfolio Value
Elliott Associates, LP	Multi-strategy credit	8,107,736	13.48
Third Point Partners (QP), LP	Event Driven	7,653,059	12.72
Canyon Balanced Fund, L.P.	Multi-strategy credit	7,604,846	12.64
Redwood Domestic Fund, LP	Multi-strategy credit	7,539,079	12.53
York Credit Opportunities Fund, LP	Multi-strategy credit	7,330,741	12.18
Anchorage Capital Partners, LP	Multi-strategy credit	6,295,784	10.46
Centerbridge Credit Partners, LP	Distressed securities	5,956,402	9.90
Jet Capital Concentrated Fund, LP	Multi-strategy credit	4,554,306	7.57
Scoggin WorldWide Investors, LLC	Distressed securities	3,089,809	5.14
Total		**58,131,762**	**96.62**

ACENCIA DEBT STRATEGIES LIMITED
CHAIRMAN'S STATEMENT

I present below my report to Shareholders in respect of the financial year ended 31 December 2014.

Performance Review
During 2014, the net asset value per share increased by 4.9% to 111.18p (taking account of dividends paid). Total Shareholder returns were up 8.0% comprising a share price increase of 4.08p to 104.38p and total dividends of 3.91p paid during the year.

Investment Review
2014 was another good year of positive returns for the Company. The last twelve months have proven to be a difficult period for most investors, so it was pleasing for the Company to realise strong risk-adjusted gains over the year. These results lay testament to the value of AcenciA's investment strategy of holding a concentrated portfolio which focuses on established investment partnerships with superior hedge fund managers tasked with finding a multitude of event-driven and multi-strategy credit opportunities.

The Sub-manager's report goes into further detail on the investment performance of the Company, as well as the outlook, but your Board believes that the opportunity set remains compelling. One of the major events of the year was the slump in the price of oil, which has formed a substantial dislocation in the energy sector and is creating very interesting opportunities for our underlying fund managers, in addition to event-driven equity, European distressed, and structured products.

A detailed review of our fund managers' holdings shows that our low risk portfolio resembles no investable index. Our fund managers' own contrarian, out-of-favour, deep value securities consist of both corporate debt and equity. Going forward, the portfolio remains positioned to take advantage of an evolving global opportunity set.

Company News
As you will be aware, AcenciA held a continuation vote in September 2014 and also offered shareholders the opportunity to redeem their shareholding at net asset value less costs via a tender offer. We were delighted to report that the continuation was overwhelmingly supported and the tender was undersubscribed. The effective date of the redemption was 31 December 2014.

In parallel with this tender process we made some changes to the investment strategy, reflecting the changing appetite for hedge fund strategies; with a more focused portfolio of some of the most impressive distressed and event driven managers. Furthermore, the Company has removed its sterling hedge, which had been increasingly difficult to manage and a drag on returns as it forced us to hold cash and liquid investments which we would otherwise not have held.

We believe that these changes both to the structure and the portfolio will give us better opportunities to produce superior risk-adjusted returns over the next three years.

The current year has started well and the Company's net asset value is up 1.5% in USD to the end of February. Over the same period, the share price has risen 0.4% and the discount is at -6.4%.

Dividend
The Board was pleased to declare an interim dividend of 1.95p per Ordinary Share, representing 1.75% of the NAV per share on 31 December 2014. This represents an annualised yield of 3.5% based on the closing share price of the Company on 22 April 2015 of 112.50p. It will be paid on 28 May 2015. The record date will be 1 May 2015 and the shares will go ex-dividend on 30 April 2015.

Board changes
This will be my last statement for the Company as I have decided, after more than nine years' of service, to step down from my position as Chairman of the Board following the annual general meeting on 27 May 2015 ('2015 AGM') and not to seek re-election as a Director. The Board has decided to appoint Bill Scott, who is well known to Shareholders as a long serving non-executive Director, to succeed me as Chairman. The Board has appointed William Simpson, a Guernsey Advocate, to be an additional Director. His years of experience in the fund of hedge funds area will be a substantial resource to the Company. I wish them and the Company every success in the future.

J Le Pelley
Chairman
Date: 28 April 2015

ACENCIA DEBT STRATEGIES LIMITED
SUB-MANAGER'S REPORT

Performance Summary

For the year ended 31 December 2014, the Company's NAV per share increased 4.9% in total return terms, with dividends totalling 3.91p having been paid and a closing NAV of 111.18p. The share price increased from 100.30p to 104.38p meaning total returns to Shareholders were 8.0% when taking account of total dividends of 3.91p. The discount narrowed from -8.6% to -6.1%.

	Share price and Discount		Performance	
	31 December 2014	**31 December 2013**	**From:**	**1 year**
NAV	111.18	109.75	NAV (TR)*	4.9%
Price	104.38	100.30	Price (TR)*	8.0%
Discount	*-6.1%*	*-8.6%*		*+2.5%*

*includes dividends

For the same period the S&P 500 index was up 13.7%, leverage loans increased 2.1% and high yield rose 1.9%. AcenciA continued to exhibit both low volatility and a material lack of correlation to equity markets.

Source: Bloomberg

It was pleasing to note that the Company's performance for the year was driven by a reasonably broad set of investments many of which displayed a material lack of correlation to one another. We believe that this remains an attractive quality of the portfolio as many of our underlying managers continue to favour complex, catalyst-driven investments over beta-orientated or macro investments.

The Company's investment portfolio consists primarily of fund of funds investment entities. These entities, in turn invest in a diverse range of underlying hedge fund strategies that are principally debt-orientated. Below we review the year by strategy, whilst highlighting the major themes within the underlying portfolio and current positioning of managers. Whilst the presentational currency of the financial statements is Sterling, non-GBP denominated figures are used below as this best reflects either the underlying strategies pursued or currencies in which the transactions took place.

Distressed

Last year default rates remained below their historical average as continued low interest rates kept refinancing markets open and investors willing to accept the risk of lower quality credits. Despite these dynamics, there were a variety of attractive situations available for our fund managers. As we have advanced through the credit cycle, our fund managers have benefitted from strong equity and credit markets to realize investments, many of which were made in the depths of the recent financial crisis.

Across our underlying fund managers' portfolios, Lehman Brothers continues to be a significant position and has continued to exceed return expectations as the global economic recovery boosted the value of Lehman Estate's assets, resulting in solid recoveries for the creditors (our fund managers). The most attractive segment of the Lehman's liquidation is one of its European entities. While one of our fund managers is leading the process, the determination of how creditors will be paid remains a slow, methodical negotiation in court. The manager expects there to be at least three court dates in 2015, the latest of which is scheduled for October.

Another noteworthy position is in the debt of Argentina. One of our fund managers purchased distressed, dollar-denominated Argentine sovereign bonds, which were governed by U.S. law, following the country's $82 billion default in 2002. The fund manager realised that an event-driven opportunity could emerge through a legal process that would enforce bondholder rights. Therefore, they declined to participate in the Argentine bond restructurings, in 2005 and 2010, as these deals only offered bond holders between 25%-35% of face value. Through the legal process, the manager was granted the right to pursue the discovery and seizure of Argentine assets worldwide. This led most notably to the fund manager's finding and holding of the *Libertad* frigate in Ghana in 2012. Aside from the legal avenue, the underlying fund manager has also attempted to engage in negotiations with Argentina for a more acceptable recovery value. These efforts have been consistently rejected by Agentina thus far. However, Presidential elections later this year may result in a new administration that recognises the economic value of solving their debt default and allowing the country to re-enter the global capital markets. As this fund manager constitutes one of AcenciA's largest underlying holdings, a new, more accommodating administration could represent a significant contribution to the Company's future performance.

In addition to positions in Argentina, some of our underlying fund managers purchased debt securities of the now bankrupt Indiana Toll Road Concession Company (ITRCC), the entity which operates the Indiana Finance Authority's Indiana East-West Toll Road. The Indiana Toll Road is a 158 mile highway that is a critical part of the transcontinental route that moves freight to and from major U.S. distribution hubs. The company filed for bankruptcy on 30th June and is now in negotiations with the creditors. The company has hired Lazard to conduct an auction process of their infrastructure assets. The initial indications suggest a very positive outcome for the creditors, several of whom are our underlying managers.

There have been several new distressed situations emerge towards the end of 2014, including bankruptcy of Caesars Entertainment Corporation ('Caesars'). Caesars demonstrates the significant complexity of bankruptcy proceedings in which our fund managers invest. According to one of the fund managers, "the Caesars bankruptcy, features a debtor, management and owners who stand accused of, among other things, corporate looting and abuse in a number of publicly filed suits brought by creditors ranging from the top to the bottom of the company's capital structure, and has the potential to be the most hotly contested major U.S. proceeding in years. The nature of the alleged conduct by the company's sponsors and management is perhaps unprecedented for an issuer of this size and profile. Among other allegations was the repeated conveyance of billions of dollars of assets from an entity likely viewed by the market as insolvent, with much of the proceeds used to prepay junior obligations owed to affiliates and insiders, and in nearly all cases without any apparent review by either independent directors (allegedly there were none) or financial advisors to the selling entity." We expect these complex bankruptcy proceedings to carry on for some time, and to continue contributing to AcenciA's performance figures.

Another fund manager believes that compelling investment opportunities exist within the Puerto Rican municipal bond structure. The bonds have been trading at low levels due to both poor budgetary performance and the market's reaction to the development of a new law regarding the restructuring of public corporations. Their focus has been primarily on the Puerto Rico Sales Tax Financing Corporation (COFINA), which is an independent, government-owned entity that was created specifically to pay or refinance certain debt obligations of the Commonwealth of Puerto Rico. Under Puerto Rican law, the bonds issued by COFINA are secured by a portion of Puerto Rico's sales tax receipts. The investment is the long dated senior COFINA bonds that are trading at approximately $70 and yielding 7.5%. Additionally, these senior bonds are covered 3x by sales tax receipts. The manager has confidence that this structure will remain in place, and the Puerto Rican government also appears committed to keeping it in place. However, if the government were to decide to retain some of the sales tax receipts for other purposes, the investment would still be covered as the government would be able to claw back 60-70% of the receipts before the senior bonds would be impacted.

Despite significant tightening of sovereign yields in Europe, AcenciA's fund managers continue to maintain a very constructive viewpoint on the European opportunity set. While attractive event-driven opportunities continue to emerge in core European countries such as the U.K., Germany and France, managers are beginning to assess potential investments in peripheral European countries, particularly in Italy and Greece, where financial institutions need to raise capital and de-leverage their balance sheets in order to comply with a more stringent regulatory environment. Within the European distressed strategy, bonds in the German cable operator, Orion Cable GmbH, rallied amid speculation of further consolidation within the German cable market. Additionally, Tier 1 bonds (which are a measure of a bank's financial strength) in Banca Monte dei Paschi di Siena SpA, an Italian lender, rallied as the company completed a €5 billion rights issue, which helped stabilize the bank's solvency.

Residential / Commercial Mortgage-Backed Securities (RMBS/CMBS) and Structured Credit

This segment of our fund managers' portfolios, a stalwart for the last several years, has provided a significant cushion for the Company in volatile times. 2014 was no exception, as the first half of the year saw a rally in credit markets and interest rates, which provided a favourable tailwind for our structured credit and RMBS/CMBS exposure. Moreover, throughout the year underlying assets continued to appreciate in value, making investors more comfortable buying mezzanine and junior tranches. Gains were seen across these asset classes as they benefitted from a continued healing in both the consumer and housing markets. CMBS benefitted from the broader economic recovery and open credit markets.

One area which continues to offer strong risk-adjusted returns is commercial real estate collateralized debt obligation exposure, where tranches are floating rate, offering protection should interest rates rise, but also priced at 80c (eventually heading to par), thereby providing strong upside potential. In the collateralised loan obligation (CLO) market, managers are seeing favourable trading opportunities as the increased volume of strong new issuance has led to mispricing versus earlier vintages.

As has so often been the case since the 2008/2009 financial crisis, regulation is beginning to impact certain segments of the structured credit universe, particularly the CLO market. This space has seen a massive wave of issuance in the last several years as investors sought both yield and protection from rising interest rates. In Q4, the underlying assets in CLOs were impacted by the sell-off in energy and non-investment grade bonds. Issuance of CLOs, one of the primary buyers of leveraged loans, was effectively halted as unexpected regulations were unleashed. As one manager points out, "as part of the Dodd-Frank Act, the government finalized a rule which requires CLO managers to retain 5% of the securities from each CLO issuance. While the rule's effective date is two years away, the market was surprised to discover that refinancing of existing CLOs, which were supposedly grandfathered, may also trigger the risk retention requirements. The market is now searching for a new equilibrium and is unusually volatile." This type of policy-induced uncertainty creates uneconomic selling and results in opportunities for our fund managers that are able to distinguish panicked selling prices from intrinsic value. Our fund managers continue to see structured credit as a strong area of opportunity for returns with low correlation to the broad markets.

Energy

In the third quarter letter, we wrote, "we also believe that the energy revolution in the United States will provide opportunities as the disruptive power of fracking and the growth of natural gas displaces former powerhouses of coal. Furthermore, the unevenness of the recovery, particularly the slowing emerging markets, is putting significant pressure on both commodity-orientated business as well as tangential businesses such as shipping, mining, iron ore and steel. The disruption in this sector may provide numerous distressed opportunities for our fund managers, where some have already initiated positions." We wrote this when oil (West Texas Intermediate Crude) was trading north of $90/barrel.

Our underlying managers' existing energy exposure at year end varied from non-U.S. distressed energy-related positions to both our long and short positions on specific credit and equities. The speed and magnitude of oil's fall left few unscathed but the significant dislocation in the commodity price and subsequent re-pricing of energy equity and credit is creating one of the most interesting industry-wide opportunities in many years. While this may take several years to play out, we are already seeing managers develop frameworks through which they can identify opportunities and appropriately size them in our portfolios. Critical to their underwriting is that fundamental mispricing of corporate credit risk, not commodity price risk, is the primary driver of returns.

One of our fund manager's frameworks isolates four current types of investment opportunities: 1) Capturing outsized yield and total return through long investments in debt of Exploration & Production (E&P) and service companies with low marginal production costs and which are positioned to survive prolonged period of low commodity prices; 2) Short opportunities in debt of E&P and service companies with high cost structures which are unlikely to survive in today's low commodity price environment; 3) Distressed opportunities in secured debt trading at steep discounts of companies with high quality assets at historically low valuations; and 4) Long debt investments in mid-sized capital structures where our manager can provide incremental capital for necessary capital expenditures and liability management exercises.

Event-Driven Equity

Both the Company and its underlying managers believe that event-driven equity offers an excellent opportunity set at this point in the credit cycle, as corporations seek growth through M&A and look to rationalize and simplify business through spinoffs. 2014 saw the highest level of M&A activity since 2007.

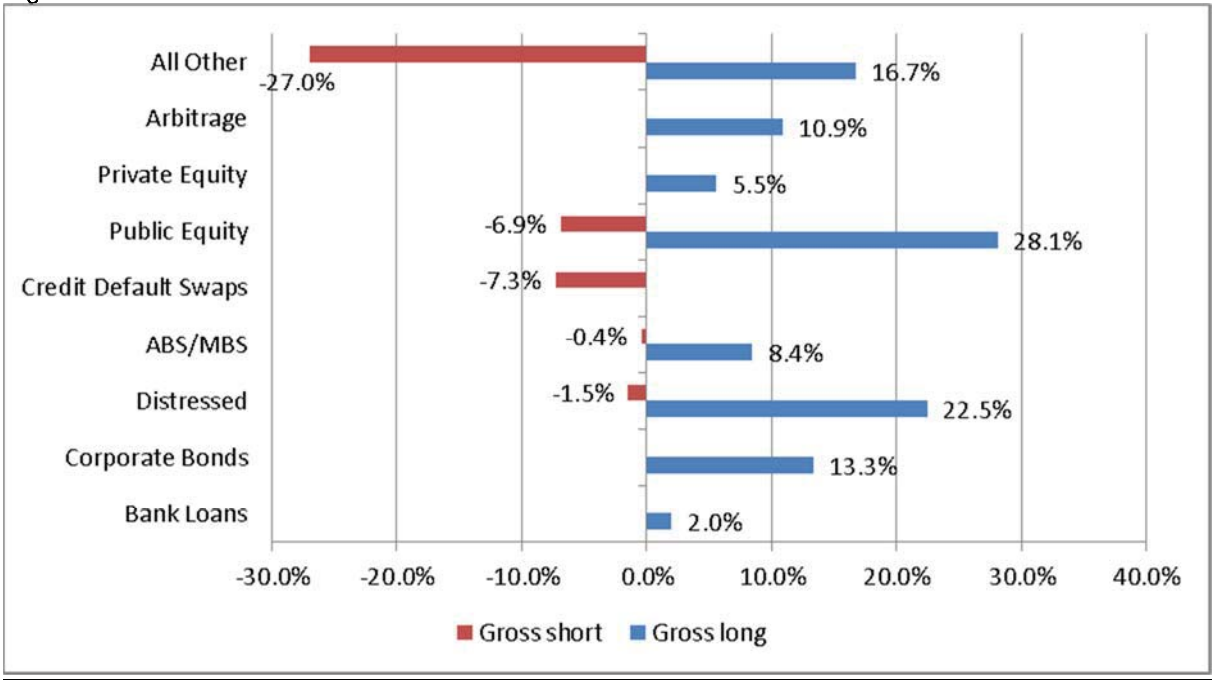
A significant M&A winner across event-driven portfolios was the combination of Allergan/Actavis. The investment thesis was the belief that Allergan's stock would benefit as Valeant would be forced to significantly increase its proposed price or another bidder might emerge. Actavis, a company with a history of acquisitive behaviour and successful transaction integration, was viewed as a suitor. Actavis could also be a potential takeout candidate itself, particularly by Pfizer, following their failed transaction with AstraZeneca. On November 17th, Actavis announced an agreement to acquire Allergan in a friendly deal causing the shares of both companies to trade higher. During the final quarter of 2014, Allergan's stock price rose by 19% and Actavis' price appreciated 7%.

Another indication of the fervour in the M&A market was the rally in shares of Hillshire brands, which appreciated amid a bidding war between Tyson Foods and Pilgrim's Pride, who were competing to acquire Hillshire. Hillshire had initially attempted to merge with Pinnacle Foods, however their bid triggered unsolicited bids for Hillshire by other companies, as higher costs of commodities increased competition between the larger players in the meat processing industry. Ultimately, Tyson won the bid for Hillshire, but not before raising their offer price three times and increasing their initial bid from $45 to over $60 per share.

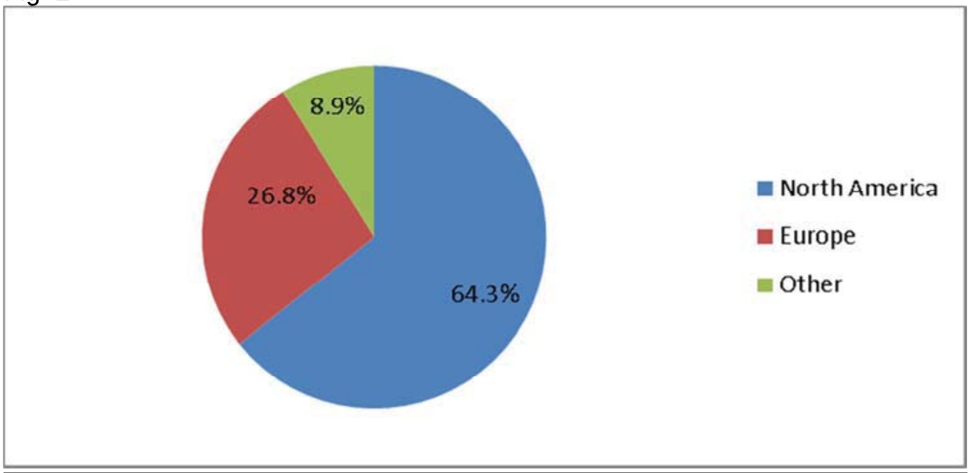
Last year Acencia's fund managers were able to find further opportunities in areas where they could capture returns from short-term dislocations. An excellent example of this type of event-driven situation is one of our manager's investments in Hypo Alpe-Adria-Bank (HAA) in the first quarter. HAA is a bank that the Austrian government had nationalized a number of years ago and in the process guaranteed their senior debt. The senior bonds were trading at approximately €103 prior to a Q1 2014 episode in which some politicians were considering whether or not there was a way to avoid having to pay senior debt holders. These comments brought the price of the paper down to circa €80, at which level our manager, having carefully researched the situation, invested. In their experience, there had been no haircuts of senior debt of European banks in recent years. This was a successful trade and happened much more quickly than the manager would have expected.

The Company's investment portfolio consists primarily of fund of funds investment entities. These fund of funds entities, in turn invest in a diverse range of underlying hedge fund strategies that are principally debt related. The charts below show the Company's exposure by investment type and Geographical exposure from the underlying hedge fund strategies as at 31 December 2014.

Exposure by investment type
Fig.1



Geographical exposure
Fig. 2



Outlook

We continue to follow the value strategy which has served us well over the years. This begins with our focused credit and event-driven investment strategy, which is guided by our bias towards fundamental value investors who seek catalyst-driven investments and exceptional risk/reward opportunities across the capital structure. Our manager selection process focuses on highly pedigreed fund managers with a long history of managing capital across varying market cycles. We seek managers whose interests are aligned with our shareholders by having significant personal capital invested in their funds. Our concentrated portfolio construction and low turnover rate of our fund managers reflects our view that we are not in business to make "market calls", but to find superior fund managers whose mandate it is to bring highly sophisticated investment analysis to complex situations, and not to "trade" fund managers in an attempt to adjust our "exposures" to exploit a changing macro view. This approach reflects our method of allowing the underlying managers to choose which segments of the markets contain the best opportunities at any given time.

We remain extremely impressed with the money management organisations our fund managers have built, as they continue to both add and nurture the intellectual talent in all aspects of the business. Our search for great fund managers continues, and we constantly seek to secure additional capacity with our closed fund managers as capacity with them becomes available from time to time.

Saltus Partners LLP
Date: 28 April 2015

ACENCIA DEBT STRATEGIES LIMITED
BOARD OF DIRECTORS

The Directors of the Company, all of whom are non-executive and independent, are listed as follows:

Jim Le Pelley (Chairman), born 1949, was called to the Bar in England in 1971 and Guernsey in 1972 and was a partner of Le Pelley & Tostevin from 1972 until 1999, becoming senior partner in 1977. He is Chairman of Threadneedle UK Select Trust Limited, where he has been a director since 1983. He was formerly a non-executive director of International Energy Group Limited (1982 to 2005) and Bristol & West International Limited. He has served on the Board of the Company since its flotation in November 2005.

Richard Battey (Chairman of the Audit Committee), born 1952, is a non-executive director of a number of closed-ended investment funds. He is a Chartered Accountant having qualified with Baker Sutton & Co. in London in 1977. Mr Battey was formerly Chief Financial Officer of CanArgo Energy Corporation from May 2005 to July 2006. Prior to that role he spent 27 years with the Schroder Group. Mr Battey was a director of Schroders (C.I.) Limited in Guernsey from April 1994 to December 2004 where he served as Finance Director and Chief Operating Officer. He was a director of a number of Schroder Group companies involved in banking, investment management, insurance, trusts and private equity, retiring from his last Schroder Group company directorship in December 2008. Mr Battey is currently a non-executive director of the following listed investment companies: Better Capital PCC Limited, Juridica Investments Limited, Princess Private Equity Holdings Limited, Prospect Japan Fund Limited, NB Global Floating Rate Income Fund Limited and Pershing Square Holdings Limited. He has served on the Board of the Company since June 2007.

William Scott, born 1960, was from 2003 to 2004 Senior Vice President with Financial Risk Management (“FRM”), a leading specialist manager of funds of hedge funds and now a division of Man Group PLC. From 1989 to 2002 he worked at Rea Brothers (subsequently Close Brothers) in investment management and latterly private banking, specialising in fixed income portfolio management. He holds a number of other non-executive directorships including Pershing Square Holdings Limited, Invista European Real Estate Trust SICAF and various funds managed by Cinven, Man Group and Aberdeen Asset Management. He is a Chartered Fellow of the Chartered Institute for Securities & Investment, a Chartered Wealth Manager and is a Chartered Accountant. He has served on the Board of the Company since its flotation in November 2005.

William Simpson, born 1956, is a Partner in Ogier, one of Guernsey’s premier law firms providing legal services for the corporate and finance sectors. Mr Simpson qualified as an English Barrister in 1980 and became a Guernsey Advocate in 1996. Mr Simpson is head of Ogier Guernsey’s investment funds team. Mr Simpson is a former director of Ingenious Media Active Limited, Absolute Alpha Fund PCC Limited, Principia Diversified Ltd, FRM Diversified II Fund SPC and FRM Diversified III Fund PCC Limited and currently holds a number of non-executive directorships including Ingenious Asset Management International Limited and Investec Premier Funds PCC Limited.

DIRECTORS' REPORT

The Directors of AcenciA Debt Strategies Limited ("the Company" or "AcenciA") are pleased to submit their Annual Report and the Audited Financial Statements (the "Financial Statements") for the year ended 31 December 2014.

The Company

The Company was incorporated as a company with limited liability in Guernsey on 13 October 2005 and is an authorised closed-ended investment scheme domiciled in Guernsey governed by the provisions of the Companies (Guernsey) Law, 2008 and subject to the Authorised Closed-Ended Investment Scheme Rules 2008. The Ordinary Shares are premium listed on the main market of the London Stock Exchange.

Principal Activity and Investment Objective

The Company's primary investment objective is to provide annual returns in excess of 3-month Sterling LIBOR plus 5 per cent over a rolling 3 year period, and annual standard deviation of under 5 per cent. On 23 April 2015, the Board approved an amendment to the above investment objective to make reference to the US Dollar LIBOR instead of Sterling LIBOR. Following the EGM on 25 September 2014, the Company's principal activity is to invest in an actively managed portfolio of multi-strategy credit and event driven hedge funds. The Company plans to run a more high-conviction and concentrated portfolio. While the exact number of funds and strategies in which the Company invests may vary over time the Sub-Manager expects that the Company will be invested in a portfolio of between eight and twelve underlying hedge funds. The Investment Adviser intends to achieve the Company's desired exposure to the underlying hedge funds through a combination of direct investments in individual hedge funds and investments in fund of hedge fund or managed account vehicles which the Investment Adviser manages, which in turn invest in individual hedge funds.

The Company will no longer use currency hedging so as to avoid the cash drag and costs which that has historically entailed. The future of the Company is discussed below.

Future of the Company and going concern

At the EGM on 25 September 2014, Shareholders voted in favour of Continuation Proposals for the Company, in place of voluntary winding up the Company with effect from 31 December 2014, as per the resolution passed at the EGM on 20 September 2011. See Note 2 for further details on the outcome of the Continuation Proposals.

As per the resolution passed at the EGM on 25 September 2014 and in accordance with the amended Article 36.1 of the Company's Articles of Incorporation, the Directors shall call a general meeting of Shareholders in September 2017 at which an ordinary resolution shall be proposed to approve the voluntary winding up of the Company (the "2017 Winding-up Resolution") with effect from 31 December 2017. The votes on the resolution shall be decided by way of a poll and the Shareholders agree that they shall not demand by request, or resolution, or otherwise that the 2017 Winding-up Resolution be decided on a show of hands. In calculating the poll vote, the voting is weighted such that if 25% or more of the votes are cast in favour of the winding-up, the resolution will be carried, and if it is not carried (i.e. less than 25% of Shareholders vote in favour of winding-up) to hold a tender for up to 25% of the Shares, favouring Shareholders who voted for a winding-up.

The Company has considerable financial resources and after making enquiries the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly the Directors continue to adopt the going concern basis in preparing these Financial Statements.

Business Review

A review of the business and prospects is contained in detail in the Sub-Manager's Report on pages 5 to 9.

The Company analyses its performance against the S&P 500 index, as detailed further in the Sub-Manager's report on page 5.

Principal risks and uncertainties for the next financial year

The Board reviews risks each quarter and monitors the existing risk control activity designed to mitigate these risks.

The principal risks associated with the Company are:

- **Operational risk.** The Board is ultimately responsible for all operational facets of performance including cash management, asset management, regulatory and listing obligations. The Company has no employees and so enters into a series of contracts/legal agreements with a series of service providers to ensure that both operational performance and regulatory obligations are met. The Board performs on-going internal monitoring of operational processes and controls and receives regular reports from the administrators of the Company on operational breaches and errors, adherence to policies and procedures and compliance reporting to reduce the risk of fraud and bribery. The Board is aware of the UK Bribery Act 2010 and has adopted an anti-bribery policy relevant to the nature of the Company and its business activities

Principal risks and uncertainties for the next financial year, continued

- **Investment risk.** Although the Board is ultimately responsible for the investment objective and policy, the day-to-day investment strategy is delegated by the Investment Manager, to the Sub-Manager and Investment Adviser. The success of the Company depends on the diligence and skill of the Sub-Manager and Investment Adviser. There is a risk that any underperformance of funds in which the Company's capital is invested would lead to a reduction of the Company's Net Asset Value or of the share price. The Board formally monitors the investment performance each quarter, when the Sub-Manager reports on the performance of the Company's portfolio at the quarterly Board meetings. The Sub-Manager and Investment Adviser carry out extensive due diligence on the underlying invested funds and monitor performance regularly. The investment guidelines and restrictions, as detailed in the prospectus of the Company, ensure adequate diversification and are regularly monitored by the Sub-Manager.

- **Share price discount risk.** The Company has a Discount Target mechanism which was designed to mitigate this risk. The share price is continually monitored and, if appropriate, the Company Enhanced Share Buy-back Program is utilised to help control share price discount levels. Furthermore, the Board also considers whether any additional control measures need to be taken. On 29 January 2014, the Company announced a narrowing of the Discount Target from 10% to 7.5% and in June 2014 this was further reduced to 2.5%. At the EGM on 25 September 2014, a resolution was passed to adopt a maximum discount target of 5% with effect from 1 January 2015.

- **Regulatory risk.** The Company is required to comply with the UK Listing Authority rules and the FCA's disclosure and transparency rules. Any failure to comply could lead to criminal or civil proceedings. The Sub-Manager and Administrator monitor compliance with regulatory requirements and the Administrator reports at quarterly Board meetings.

Results and Distributions
The results for the year are shown in the Statement of Comprehensive Income on page 26.

The Board has declared an interim dividend of 1.95p per Ordinary Share, representing 1.75% of the NAV per share on 31 December 2014. It will be paid on 28 May 2015. The record date will be 1 May 2015 and the shares will go ex-dividend on 30 April 2015.

During the year ended 31 December 2014, two interims dividends were paid for the total amount of 3.91p (31 December 2013: 3.79p).

Independent Auditor
A resolution to re-appoint BDO Limited as auditor will be proposed at the next Annual General Meeting.

Annual General Meeting
The notice for the Annual General Meeting of the Company, which is to be held on 27 May 2015 at 10am, is set out at the end of this document. Enclosed with this document is a Form of Proxy for use at the meeting.

Members of the Board, including the Chairman, the Audit Committee Chairman and the Sub-Manager will be in attendance at the AGM and will be available to answer Shareholder questions.

Ordinary Business
The ordinary business of the meeting includes resolutions to adopt the Financial Statements of the Company for the year ended 31 December 2014, to re-elect Mr Richard Battey, Mr William Scott and Mr William Simpson who will retire and stand for re-election to the Board, to approve the re-appointment of BDO Limited as auditor of the Company and to authorise the Directors to fix their remuneration.

Special Business
The special business of the meeting comprises a special resolution to renew the disapplication of pre-emption rights until the closure of the 2016 AGM. The Board intends to seek a renewal of such authority at subsequent annual general meetings.

An ordinary resolution authorising the Company to purchase its own Ordinary Shares in the market (up to a maximum of 14.99% of the issued share capital of the Company) to be held either in treasury by the Company or subject to cancellation at a minimum price of one penny per share and a maximum price per share of 105% of the average of the middle market quotations (as derived from the London Stock Exchange Daily Official List) for the Ordinary Shares for the five business days immediately preceding the date of purchase. If approved, the authority to purchase Ordinary Shares will continue until the Annual General Meeting in 2016. The Board intends to seek a renewal of such authority at subsequent annual general meetings.

Annual General Meeting, continued

Special Business, continued

An ordinary resolution to approve the conditional waiver granted by the Panel on Takeovers and Mergers ("Panel Waiver Resolution") of any obligation which would otherwise be imposed on the Saltus Concert Parties, either individually or collectively, to make a general offer to all Shareholders under Rule 9 of the Takeover Code, as a result of market purchases made pursuant to the Share Purchase Authority.

An ordinary resolution to change the denomination of the issued share capital of the Company from Sterling, to US dollars ("Share Denomination Resolution").

Further details of the Panel Waiver Resolution and the Share Denomination Resolution are set out in the Appendix to the Notice of the AGM.

You will find enclosed with this document a Form of Proxy for use by Shareholders at the Annual General Meeting. Whether or not you propose to attend the Annual General Meeting in person, you are requested to complete and sign the Form of Proxy in accordance with the instructions printed thereon and return it to Capita Registrars, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU or by fax to +44 (0) 208 639 2180, as soon as possible but, in any event, so as to arrive no later than 10am on 25 May 2015.

The completion and return of a Form of Proxy will not preclude you from attending the Annual General Meeting and voting in person if you wish to do so.

Investment Manager, Sub-Manager and Investment Adviser

The Directors are responsible for the determination of the Company's investment policy and have overall responsibility for the Company's activities. The Company has, however, entered into an Investment Management Agreement with Saltus (Channel Islands) Limited under which Saltus (Channel Islands) Limited has been appointed with overall responsibility for the day to day management of the Company's portfolio and the provision of various other management services to the Company, subject to the overriding supervision of the Directors.

Saltus (Channel Islands) Limited, with consent of the Company, entered into a Sub-Management Agreement with Saltus Partners LLP to manage the assets of the Company in accordance with the Company's investment policy.

The Investment Manager, Saltus (Channel Islands) Limited, and Sub-Manager, Saltus Partners LLP, have appointed Sandalwood Securities, Inc. to act as the Investment Adviser in relation to some of the investments of the Company's portfolio, pursuant to the Investment Advisory Agreement.

The Directors have reviewed the performance and terms of appointment of the Investment Manager, the Sub-Manager and the Investment Adviser and consider that it is in the best interests of all Shareholders for the Company to continue with their appointment on their existing terms of appointment. A summary of these terms, including the management fee, performance fee and notice of termination period, is set out in note 10 of the Financial Statements.

Administrator

Praxis Fund Services Limited was appointed as Administrator and Secretary to the Company pursuant to an Administration and Secretarial Agreement dated 1 October 2010 (the "Administration Agreement). The Administrator receives a monthly fee of 0.125% per annum of the net asset value of the Company up to £50 million and 0.10% per annum of the net asset value of the Company exceeding £50 million.

The Administrator is responsible for certain administrative duties and has been appointed to act as Secretary of the Company in accordance with the Administration Agreement. The Administration Agreement is terminable by either side on 3 months' notice.

Custody Arrangements

The Company's assets are held in custody by Bank Julius Baer & Co Limited (the "Custodian") pursuant to an agreement dated 5 November 2005. The Custodian receives a quarterly fee of 0.05% per annum of the net asset value of the Company. The agreement may be terminated by giving not less than three months' written notice or otherwise where either party goes into liquidation.

The Company's assets are registered in the name of the Custodian in each case within a separate account designation but may not be appropriated by the Custodian for its own account.

Both the Administrator and Sub-Manager reconcile the assets held in custody on a monthly basis to statements received from underlying managers or their administrators.

Custody Arrangements, continued

The Board conducts an annual review of the custody arrangements as part of its general internal control review and is pleased to confirm that the Company's custody arrangements continue to operate satisfactorily. The Board also monitors the credit rating of the Custodian, to ensure the financial stability of the Custodian is being maintained to acceptable levels. The current Moody's credit rating of the Custodian is A1, which is deemed an acceptable level.

Authorised and Issued Share Capital

The Company has the power to issue an unlimited number of Ordinary Shares of no par value which may be denominated in Sterling, Euro, US Dollars or any other currency. The Company only has Sterling Ordinary Shares in issue at the date of this report.

Buy Back of Ordinary Shares and Authority to Buy Back Ordinary Shares

By way of a special resolution at the Extraordinary General Meeting held on 30 May 2014, Shareholders approved the authority to make market purchases of fully paid Ordinary Shares, provided that the maximum number of Ordinary Shares authorised to be purchased shall be 14.99% of the issued Share Capital of the Company. Such authority will expire at the Annual General Meeting of the Company in 2015 unless such authority is varied, revoked or renewed prior to such date by a special resolution of the Company in general meeting. The Board intends to seek a renewal of such authority at the Annual General Meeting of the Company in 2015, notice of which is attached to the Financial Statements.

The minimum price which may be paid for a Share pursuant to such authority is one oence. The maximum price which may be paid for a Share shall be 105% of the average of the middle market quotations (as derived from the London Stock Exchange Daily Official List) for the Ordinary Shares for the five business days immediately preceding the date of purchase.

The Company acquired and cancelled 3,025,928 Ordinary Shares during the year (31 December 2013: Nil) at an average price of 106.64p per Ordinary Share. Further details are given in Note 18 of the Financial Statements.

Directors

The Directors, all of whom are independent non-executives, are listed on page 10.

None of the Directors has a service contract with the Company and no such contracts are proposed. During the current and prior years the basic fee paid to each independent non-executive director was £22,500 per annum, except for the Chairman who received £32,500 per annum and Mr R Battey who receives an additional £5,000 per annum for being Chairman of the Audit Committee. The additional fees received by the Chairman and Audit Committee Chairman are paid as a result of the extra responsibilities these roles demand. No other fees were paid to the Directors.

The shareholdings of the Directors and Directors' families in the Company at 31 December 2014 were as follows:

	31 December 2014		31 December 2013	
Name	**No. of Ordinary Shares**	**Percentage**	**No. of Ordinary Shares**	**Percentage**
J Le Pelley (Chairman)	898,740	1.61%	898,740	0.77%
W Scott	5,173	0.01%	5,173	0.00%

There have been no changes to the Directors shareholdings since 31 December 2014.

Substantial Shareholdings

As of 9 March 2015, being the date of latest shareholder analysis prior to the publication of these Financial Statements, the Company has been notified of the following shareholdings in excess of 5% of the issued Share Capital:

Name	No. of Ordinary Shares	Percentage
Saltus Partners	9,944,926	17.87%
Waverton Investment Management	8,697,258	15.62%
Sandalwood Securities	5,448,519	9.79%
BNP arbitrage account	4,961,260	8.91%
Rathbones	4,398,584	7.90%

All percentages given are based on the share register as at 9 March 2015.

Related Parties
Details of transactions with related parties are disclosed in note 26 to these Financial Statements.

Directors' Responsibilities Statement
The Directors are responsible for preparing the Financial Statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and the Companies (Guernsey) Law, 2008 for each financial period which give a true and fair view of the state of affairs of the Company and its profit or loss for that period. International Accounting Standard 1 requires that Financial Statements present fairly for each financial period the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's "Framework for the preparation and presentation of financial statements". In virtually all circumstances a fair presentation will be achieved by compliance with all applicable International Financial Reporting Standards.

In preparing Financial Statements the Directors are required to:

- Select suitable accounting policies and apply them consistently;
- Present information including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Make judgements and estimates that are reasonable and prudent; 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 are also responsible for the keeping of 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 comply with the Companies (Guernsey) Law, 2008 and the Listing Rules of the London Stock Exchange. They are also responsible for the system of internal controls, safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

The Directors are also responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom and Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

So far as the Directors are aware, there is no relevant audit information of which the Company's auditor is unaware, having taken all the steps the Directors ought to have taken to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Responsibility Statement
Each of the Directors, whose names and functions are listed on page 10, confirms to the best of each person's knowledge and belief:

- the Financial Statements, prepared in accordance with the International Financial Reporting Standards ("IFRS") as adopted by the European Union and in accordance with the requirements of the London Stock Exchange, give a true and fair view of the assets, liabilities, financial position and profit of the Company;

- the Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for Shareholders to assess the Company's performance, business model and strategy; and

- the Financial Statements including information detailed in the Sub-Manager's report, Chairman's Statement and notes to the Financial Statements, provides a fair view of the information required by:

  a) DTR 4.1.8 of the Disclosure and Transparency Rules, being a fair review of the Company Business together with a description of the principal risks and uncertainties facing the Company; and

  b) 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.

Listing Requirements
Throughout the year and since being admitted to the London Stock Exchange, maintained by the Financial Conduct Authority, the Company has complied with the Listing Rules of the UK Listing Authority (the "Listing Rules").

Corporate Governance
Under The UK Listing Regime the Company is a premium listed entity. The UK Listing Authority requires all overseas companies with a premium listing (such as the Company), to comply with the provisions of the UK Corporate Governance Code. The UK Corporate Governance Code (the "Code") is available on the Financial Reporting Council website, www.frc.org.uk.

The Board places a high degree of importance on maintaining high standards of corporate governance and has also considered the principles and recommendations of the AIC Code of Corporate Governance ("AIC Code") by reference to the AIC Corporate Governance Guide for investment companies ("AIC Guide"). The AIC Code, as explained in the AIC Guide, addresses all the principles set out in the Code. The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the Code), will provide better information to Shareholders. The AIC code is available on the AIC website, www.theaic.co.uk.

The Company has complied with the recommendations of the AIC Code and the relevant provisions of the Code, except as set out below.

The Code includes provisions relating to:
- the role of the chief executive
- executive directors' remuneration
- the need for an internal audit function
- whistle-blowing policy

For the reasons set out in the AIC Guide, and as explained in the Code, the Board considers that these provisions are not relevant to the position of the Company, being an authorised closed-ended investment scheme in Guernsey. In particular, all of the Company's day-to-day management and administrative functions are outsourced to third parties. As a result, the Company has no executive directors, employees or internal operations. The Company has therefore not reported further in respect of these provisions. Furthermore, the Board has also taken note of the Code of Corporate Governance issued by the Guernsey Financial Services Commission ("GFSC") ("Guernsey Code") which became effective on 1 January 2012. The Guernsey Code provides a governance framework for GFSC licensed entities, authorised and registered collective investment schemes. Companies reporting against the Code or the AIC Code are deemed to satisfy the provisions of the Guernsey Code.

The Financial Reporting Council ("FRC") issued a revised Corporate Governance Code in September 2012, for reporting periods beginning on or after 1 October 2012. In February 2013, the AIC updated its Code of Corporate Governance (including the Guernsey edition) and its Guide to Corporate Governance to reflect the relevant changes to the FRC document. The updates published by the AIC are consistent with the Corporate Governance Code issued by the Financial Reporting Council. Changes to the AIC Code are effective for reporting periods beginning on or after 1 October 2012.

As at 31 December 2014, the Company complied substantially with the relevant provisions of the AIC Code and it is the intention of the Board that the Company will comply with those provisions throughout the year ending 31 December 2015, with exception of the provisions listed below:

- *The appointment of a Senior Independent Director:* Given the size and composition of the Board it is not felt necessary to separate the roles of Chairman and Senior Independent Director. The Board considers that all the independent Directors have different qualities and areas of expertise on which they may lead where issues arise and to whom concerns can be conveyed.
- *Establishment of a Nomination Committee:* The Board comprises three non-executive Directors, therefore the Board does not consider it necessary to establish a Nomination Committee. The Board as a whole monitors performance and plans for succession of the Board, through Board meetings. The Board has due regard for the benefits of greater diversity, including gender, and will consider prospective candidates based on merit and against objective criteria in the context of the skills and experience the Board as a whole requires in order to be effective.
- *Establishment of a Management Engagement Committee:* The Board has not deemed it necessary to appoint a management engagement committee as a result of being comprised wholly of non-executive Directors. The Board is responsible for the review of the performance of the Investment Manager, Sub-Manager and Investment Adviser in relation to the performance of the investment portfolio against agreed benchmarks and other key performance indicators.
- *Establishment of a Remuneration Committee:* Since all of the Directors are non-executive, the Board does not consider it necessary to establish a remuneration committee.

The Board
As at 31 December 2014, the Board of Directors comprised three non-executive Directors. Mr W Simpson was appointed as a Director of the Company on 13 April 2015. The Company has no executive Directors nor any employees. The biographies of the Board are disclosed on page 10.

Mr J Le Pelley is the Chairman of the Board.

Mr R Battey is the Chairman of the Audit Committee.

Under the Company's Articles of Association it is required that all non-executive Directors are appointed for a fixed term lasting no more than three years after an individual Director's election or re-election by Shareholders at a general meeting. Any Director who was elected or last re-elected at or before the Annual General Meeting ("AGM") held in the third year before the current year shall retire by rotation. Therefore, up to one-third of the number of Directors in office shall retire by rotation at each AGM. In the event that their number is not a multiple of three, the number nearest to but not exceeding one-third shall retire from office. In addition, any Director who is also a director or Partner of the Investment Manager or the Sub-Manager, will be subject to annual re-election. Notwithstanding these provisions, at a Board Meeting held on 12 December 2014, the Board resolved that each Director will retire and stand for re-election annually, commencing at 2015 AGM. At the 2015 AGM, Mr Battey, Mr Scott and Mr Simpson will retire and stand for re-election. Mr Le Pelley will retire and he will not stand for re-election.

In appointing replacement directors, the Board is mindful and supportive of the principle of broadening the diversity of its composition. It is also committed to appointing the most appropriate available candidate(s) taking into account the skills and attributes of both existing members and potential new recruits and thereby the balance of skills, experience and approach of the Board as a whole which will lead to optimal Board effectiveness. In appointing Mr Simpson, the Board took into account his extensive legal experience and qualifications both in Guernsey and other jurisdictions and his many years of relevant experience in the fund industry and in particular the fund of hedge funds sector.

The Board has determined that no Director shall be considered non-independent as a consequence of his length of tenure, as long as there are no other issues which would impact his independent status.

Although Mr Scott has served on the Board for more than nine years he is considered an independent Director as he does not have any contract for services or any other connection, paid or otherwise, with any related party of the Company.

Although no formal training is given to Directors by the Company, the Directors are kept up to date on various matters such as Corporate Governance issues through bulletins and training materials provided from time to time by the Company Secretary, the AIC and other professional firms.

The Board receives monthly reports and meets at least quarterly to review the overall business of the Company and to consider matters specifically reserved for its disposal. At these meetings the Board monitors the investment performance of the Company. The Directors also review the Company's activities every quarter to ensure that it adheres to the Company's investment policy. Additional ad hoc reports are received as required and Directors have access at all times to the advice and services of the Company Secretary, who has delegated responsibility for ensuring that the Board procedures are followed and that applicable rules and regulations are complied with.

The Board monitors the level of the share price discount to determine what action is desirable (if any) to reduce it. In accordance with the resolution passed at the EGM on 25 September 2014, with effect from 1 January 2015, the Company has adopted a maximum discount target of 5%. The Board have committed to keep this target under review and may reduce it further during the course of 2015, market conditions permitting.

A procedure has been adopted for the Directors, in the furtherance of their duties, to take independent professional advice at the expense of the Company.

The Board and relevant personnel of the Investment Manager, Sub-Manager and Investment Adviser acknowledge and adhere to the Model Code of Directors Dealings contained in the Listing Rules.

Directors' Performance Evaluation
The Board has established an informal system for the evaluation of its own performance and that of the Company's individual Directors. It considers this to be appropriate having regard to the non-executive role of the Directors and the significant outsourcing of services by the Company to external providers.

Directors' Performance Evaluation, continued

The Directors undertake, on an annual basis, a verbal assessment of the effectiveness of the Board particularly in relation to its oversight and monitoring of the performance of the Investment Manager and other key service providers. Evaluation considers the balance of skills experience, independence and knowledge of the Company. The Board also evaluates the effectiveness of each of the Directors. The Directors absent themselves from those parts of the meeting that dealt respectively with their own performance or re-election. The Board is pleased to confirm that each Director continues to perform effectively and demonstrates commitment to his role.

Directors' Remuneration

No Director has a service contract with the Company and details of the Directors' fees are shown on page 48.

Directors' and Officers' Liability Insurance

The Company maintains insurance in respect of directors' and officers' liability in relation to their acts on behalf of the Company. Suitable insurance is in place, having been renewed on 18 November 2014.

Relations with Shareholders

The Company reports to Shareholders twice a year by way of the Interim Report and the Annual Report and Audited Financial Statements. In addition, net asset values are published monthly and the Sub-Manager publishes monthly fact sheets and quarterly newsletters and portfolio transparency reports on the website www.acencia.co.uk.

The Board receives quarterly reports on the Shareholder profile of the Company and regular contact with major Shareholders is undertaken by the Company's corporate brokers and the executives of the Investment Manager. Any issues raised by major Shareholders are reported to the Board on a regular basis.

The Chairman and individual Directors are willing to meet Shareholders to discuss any particular items of concern regarding the performance of the Company. Members of the Board, including the Chairman and the Audit Committee Chairman, and the Sub-Manager are also available to answer any questions which may be raised by any Shareholder at the Company's Annual General Meeting.

Audit Committee

The Audit Committee was originally formed in December 2006 and comprises all Board members, and meets at least twice a year. Mr R Battey is Chairman of the Audit Committee. As all Directors are non-executive whilst also taking into account the size and composition of the Board, it was deemed appropriate that all Board members are also members of the Audit Committee.

The key objectives of the Audit Committee include a review of the Company's Financial Statements to ensure they are prepared to a high standard and comply with all relevant legislation and guidelines, where appropriate, and to maintain an effective relationship with the external auditor. With respect to the external auditor, the Audit Committee's role will include the assessment of their independence, review of auditor's engagement letter, remuneration and any non-audit services provided by the auditor. For the principal duties and report of the Audit Committee please refer to the Report of the Audit Committee on page 20.

Directors' Attendance

The table below shows the attendance at Board and Audit Committee meetings during the year. There were six formal Board meetings and three Audit Committee meetings held.

Name	Board	Audit Committee
J Le Pelley (Chairman)	5	3
R Battey (Audit Committee Chairman)	6	3
W Scott	5	3

Internal Control Review and risk management system

The Board of Directors is responsible for putting in place a system of internal controls relevant to the Company and for reviewing the effectiveness of those systems. The review of internal controls is an on going process for identifying and evaluating the risks faced by the Company, and which are designed to manage risks rather than eliminate the risk of failure to achieve the Company's objectives.

Internal Control Review and risk management system, continued

It is the responsibility of the Board to undertake risk assessment and review of the internal controls in the context of the Company's objectives that cover business strategy, operational, compliance and financial risks facing the Company. These internal controls are implemented by the Company's three main service providers, the Investment Manager, the Administrator and the Custodian. The Board receives periodic updates from these main service providers at the quarterly Board meetings of the Company. The Board is satisfied that each service provider has effective controls in place to control the risks associated with the services that they are contracted to provide to the Company and are therefore satisfied with the internal controls of the Company.

The Board of Directors considers the arrangements for the provision of Investment Management, Administration and Custody services to the Company on an on-going basis and a formal review is conducted annually. As part of this review the Board considered the quality and continuity of the personnel assigned to handle the Company's affairs, the investment process and the results achieved to date.

Social, ethical and environmental concerns have been considered by the Board. Whilst the Board does not consider it appropriate to put social, ethical and environmental policies in place within an investment company investing in financial instruments, they do confirm that the Company does not have any investments that are illegal or immoral.

Anti-bribery and Corruption

The Board acknowledges that the Company's international operations may give rise to possible claims of bribery and corruption. In consideration of the recently enacted UK Bribery Act, at the date of this report the Board had conducted an assessment of the perceived risks to the Company arising from bribery and corruption to identify aspects of business which may be improved to mitigate such risks. The Board has adopted a zero tolerance policy towards bribery and has reiterated its commitment to carry out business fairly, honestly and openly.

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 assets of US persons in foreign accounts and improving US tax compliance with respect to those assets. The States of Guernsey has recently entered into an intergovernmental agreement ("IGA") with the US Treasury in order to facilitate the requirements under FATCA. The States of Guernsey has also recently entered into an intergovernmental agreement ("UK IGA") with HM Revenue & Customs. During 2014 the Company registered with the Inland Revenue Service ("IRS") in the US as a reporting foreign financial institution and received a Global Intermediary Identification Number.

Alternative Investment Fund Managers Directive

The Alternative Investment Fund Managers Directive ("AIFMD") took effect during 2014. The AIFMD seeks to regulate managers of alternative investment funds ("AIFs"), such as the Company. It imposes obligations on managers who manage AIFs in a member state of the European Economic Area ("EEA state"), or who market shares in AIFs to investors who are domiciled, or with a registered office, in an EEA state. Under the AIFMD, an Alternative Investment Fund Manager ("AIFM") must be appointed and must comply with various organisational, operational and transparency requirements.

On 2 July 2014, the Company appointed the Investment Manager, Saltus (Channel Islands) Limited, to act as AIFM on behalf of the Company. Saltus (Channel Islands) Limited is therefore responsible for fulfilling the role of the AIFM and ensuring the Company complies with the AIFMD requirements.

By order of the Board

J Le Pelley	R Battey
Chairman	Director

Date: 28 April 2015

ACENCIA DEBT STRATEGIES LIMITED
REPORT OF THE AUDIT COMMITTEE

The Company has established an Audit Committee with formally delegated duties and responsibilities within written terms of reference (which are available on the Company website www.acencia.co.uk). The Audit Committee has been in operation throughout the year under review.

Chairman and Membership
The Audit Committee is chaired by Mr Richard Battey. He and its other members, Mr William Scott, Mr Jim Le Pelley and Mr William Simpson, are all independent directors. Only independent directors serve on the Audit Committee and members of the Audit Committee have no links with the Company's external auditor and are independent of the Sub-Manager and Investment Adviser. The membership of the Audit Committee and its terms of reference are kept under review. The Chairman of the Audit Committee is a non-UK tax resident. The relevant qualifications and experience of each member of the Audit Committee are detailed on page 10 of these Financial Statements. The Audit Committee meets no less than twice in a year in Guernsey, and meets the external auditor at least twice a year also in Guernsey. The Audit Committee met three times in the year to 31 December 2014.

Duties
The Audit Committee's main role and responsibilities are to provide advice to the Board on whether the Annual Report and Audited Financial Statement and Interim Report and Unaudited Financial Statements, taken as a whole, are fair, balanced, and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy. The Audit Committee gives full consideration and recommendation to the Board for the approval of the contents of the half yearly and annual Financial Statements of the Company, which includes reviewing the external auditor's report.

The other principal duties, amongst others, are to consider the appointment of the external auditor, to discuss and agree with the external auditor the nature and scope of the audit, to keep under review the scope, results and effectiveness of the audit and the independence and objectivity of the auditor, to review the external auditor's letter of engagement, the auditor's planning report for the following financial year and management letter, and to analyse the key procedures adopted by the Company's service providers.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of the Company's internal control and risk management systems. The Audit Committee also focuses particularly on compliance with legal requirements, accounting standards and the relevant Listing Rules and ensuring that an effective system of internal financial and non-financial controls is maintained.

The Audit Committee also reviews, considers and, if thought appropriate, recommends for the purposes of the Company's Financial Statements valuations prepared by the Sub-Manager and Investment Adviser. These valuations are the most critical element in the Company's Financial Statements and the Audit Committee questions them carefully.

Financial Statements
The Audit Committee has an active involvement and oversight in the preparation of both the half yearly and annual Financial Statements and in doing so is responsible for the identification and monitoring of the principal risks associated with the preparation of the Financial Statements. The principal risk identified in the preparation of these Financial Statements is as follows:

- Valuation of the Investments – The Audit Committee considers the net asset values reported by the underlying fund managers / administrators to best represent the fair value of the investments held by the Company. The Audit Committee discusses the fair value of the investments with the Sub-Manager, Administrator and Auditor, and considers any appropriate discounts to the net asset values of the funds reported by the fund managers / administrator. In particular, in these discussions the Audit Committee assesses the fair value of any illiquid investments, directly or indirectly held by the Company.

Further details of these risks are disclosed and discussed further within the Directors' Report and Note 6 of these Financial Statements.

Auditor
The Audit Committee is responsible for overseeing the Company's relationship with the external auditor, including making recommendations to the Board on their appointment of the external auditor and their remuneration. BDO Limited has been the Company's external auditor since the Company's inception. The lead audit director, Mr Justin Hallett was initially appointed for the year end 31 December 2012 audit in accordance with normal audit director rotation arrangements. The Board has noted the revisions to the AIC Code issued in February 2013, in particular the recommendation to put the external audit out to tender at least every ten years. The Audit Committee has assessed the performance of the current auditor, as detailed below, and is satisfied with its effectiveness and as such no change in auditor is proposed.

To assess the effectiveness of the external auditor, the Audit Committee reviewed:

- The external auditor's fulfilment of the agreed audit plan and variations from it;
- The Audit Committee Report from the auditor highlighting the major issues that arose during the course of the audit; and
- Feedback from the Sub-Manager and Administrator evaluating the performance of the audit team.

Where non-audit services are to be provided to the Company by the auditor, full consideration of the financial and other implications on the independence of the auditor arising from any such engagement will be considered before proceeding. All non-audit services are pre-approved by the Audit Committee after it is satisfied that relevant safeguards are in place to protect the auditor's objectivity and independence. No non-audit services were provided to the Company by the auditor during the year ended 31 December 2014.

To fulfil its responsibility regarding the independence of the external auditor, the Audit Committee considered:

- changes in audit personnel in the audit plan for the current year;
- a report from the external auditor describing its arrangements to identify, report and manage any conflicts of interest; and
- the extent of non-audit services provided by the external auditor.

For the year ended 31 December 2014, the Audit Committee were satisfied that there were no factors which had any bearing on the independence of the external auditor during the course of the audit or the year under review.

Internal Controls
The Sub-Manager, Administrator and Custodian together maintain a system of internal control on which they report to the Board. The Board has reviewed the need for an internal audit function and has decided that the systems and procedures employed by the Sub-Manager, Administrator and Custodian, provide sufficient assurance that a sound system of risk management and internal control, which safeguards Shareholders' investment and the Company's assets, is maintained. An internal audit function specific to the Company is therefore considered unnecessary.

The Audit Committee is responsible for reviewing and monitoring the effectiveness of the internal financial control systems and risk management systems on which the Company is reliant. These systems are designed to ensure proper accounting records are maintained, that the financial information on which the business decisions are made and which is issued for publication is reliable, and that the assets of the Company are safeguarded. Such a system of internal financial controls can only provide reasonable and not absolute assurance against misstatement or loss.

In accordance with the guidance published in the Turnbull Report by the Financial Reporting Council (the "FRC"), the Audit Committee has reviewed the Company's internal control procedures. These internal controls are implemented by the Company's two main service providers, the Sub-Manager and the Administrator. The Audit Committee has performed reviews of the internal financial control systems and risk management systems during the year. The Audit Committee is satisfied with the internal financial control systems of the Company.

On behalf of the Audit Committee

R Battey
Audit Committee Chairman
28 April 2015

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ACENCIA DEBT STRATEGIES LIMITED

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2014 and of its profit for the year then ended;

- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and

- have been properly prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

This opinion is to be read in the context of what we say below**.**

What we have audited

We have audited the financial statements of AcenciA Debt Strategies Limited for the year ended 31 December 2014 which comprise the Statement of Comprehensive Income, the Statement of Changes in Shareholders' Equity, the Statement of Financial Position, the Statement of Cashflows and the related notes 1 to 27. The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

Respective responsibilities of the directors and auditor

As explained more fully in the Directors' Responsibilities Statement within the Directors' Report, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

This report is made solely to the company's members, as a body, in accordance with Section 262 of the Companies (Guernsey) Law, 2008. Our audit work is undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. For planning, we consider materiality to be the level by which misstatement individually or in aggregate, including omissions, could influence the economic decisions of the relevant users.

Based on our professional judgment, we determined materiality for the financial statements as a whole to be £1,600,000 which is based on a level of 1.25% of total assets. On the basis of our risk assessment, together with our assessment of the company's control environment.

International Standards on Auditing (UK and Ireland) also allow the auditor to set a lower materiality for particular classes of transaction, balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. In this context, we set a lower level of materiality to apply to investment income and related party expenses. We determined materiality for these areas to be £48,000.

INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF ACENCIA DEBT STRATEGIES LIMITED, continued

Scope of the audit of the financial statements, continued

Our application of materiality, continued
We agreed with the Audit Committee that we would report all audit differences in excess of £48,000, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

Overview of the scope of our audit

The Company is an authorised closed ended investment scheme. The investments are managed by an independent investment manager, Saltus Channel Islands Limited (the “Investment Manager”). The financial statements, which remain the responsibility of the Directors, are prepared on their behalf by the Company Administrator, Praxis Fund Services Limited.

In establishing our overall audit approach we assessed the risk of material misstatement. This assessment takes into account the likelihood, nature and potential magnitude of any misstatement. As part of this risk assessment we considered the Company’s interaction with the Investment Manager, the Company Administrator and Custodian. We assessed the control environment in place at the Investment Manager and the Company Administrator to the extent that it was relevant to our audit. Following this assessment, we applied professional judgement to determine the extent of testing required over each balance in the financial statements.

Our assessment of risks of material misstatement and our audit approach to these risks

In arriving at our audit opinion below on the financial statements, the risks of material misstatement that had the greatest effect on our audit were the valuation and existence of investments.

These risks are disclosed further on page 20 of the audit committee report.

Risk Area	Reason	Audit response
Investments	We focused on this area because investments represent the principal element of the financial statements and consist of fund of funds. As the investment portfolio is unlisted, the availability of external evidence regarding pricing and valuation is limited. This is a key accounting estimate where there is an inherent risk of management override arising from the investment valuations being prepared by the Investment Manager, who is remunerated based on the net asset value of the funds, derived using those valuations.	Our procedures included:- • Testing the existence of the investment portfolio by agreeing the holdings to the independent custodian confirmation. • Agreeing the investment valuations to the net asset value statements issued by the respective underlying fund administrators. • Obtaining the latest audited financial statements of the principal underlying funds and reviewing for utilisation of applicable fair value policies, implications contained within the audit report and consistency of the audited financial statement net asset value to the net asset value provided by the Company Administrator in relation to that period end. • Considering the redemption notice periods of the underlying funds to ascertain, verify and consider the impact of redemption periods on the directors’ assessment of fair value of the investments. • Discussing with management, and considering the responses and supporting information, as to whether realisation at net asset value is achievable.

Risk Area, continued	Reason, continued	Audit response, continued
		• Considering post year end sales and sale negotiations and their impact on the carrying value of the investments at the year end. • Considering whether the net asset values represent fair value in the light of knowledge gained during the audit and whether any adjustments were required to these. • For the Sandalwood fund of funds, which represents the largest proportion of the investment portfolio and are managed by the company's sub-manager, in addition to the above we also:- o Agreed a sample of the underlying investment valuations to the net asset value statements issued by the underlying fund administrator. o Considered the control environment of the Sandalwood fund administrator. o Discussed with the sub-manager, and considering the responses and supporting information, as to whether realisation at net asset value is achievable.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:-

Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the company acquired during the course of performing our audit; or
- is otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report to be fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the audit committee which we consider should have been disclosed.

The Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

- proper accounting records have not been kept by the company; or
- the financial statements are not in agreement with the accounting records; or

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ACENCIA DEBT STRATEGIES LIMITED, continued

Matters on which we are required to report by exception, continued

- we have failed to obtain all the information and explanations, which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to the company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Justin Marc Hallett FCA

For and on behalf of BDO Limited
Chartered Accountants and Recognised Auditor
Place du Pré
Rue du Pré
St Peter Port
Guernsey

Date: 28 April 2015

ACENCIA DEBT STRATEGIES LIMITED
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2014

	Notes	31 December 2014 £	31 December 2013 £
Net gains on investments at fair value through profit or loss	14	10,001,652	13,346,072
Other (losses)/gains	8	(2,490,736)	155,522
		7,510,916	13,501,594
Income			
Interest receivable	9	9,304	4,014
Expenses			
Net management fees	10	318,293	307,648
Performance fees	10	(675,944)	(1,307,490)
Administration fees	10	(144,288)	(146,152)
Directors' fees	10	(82,500)	(82,500)
Custodian fees	10	(64,013)	(63,650)
Other expenses	10	(770,817)	(320,040)
		(1,419,269)	(1,612,184)
Net expenses		(1,409,965)	(1,608,170)
Operating profit		**6,100,951**	**11,893,424**
Finance costs	11	(125,000)	(126,018)
Profit for the financial year		**5,975,951**	**11,767,406**
Total comprehensive income		**5,975,951**	**11,767,406**
Basic and Diluted Earnings per Ordinary Share	13	**5.17p**	**10.05p**
Weighted Average Number of Ordinary Shares outstanding	13	115,527,321	117,087,877

The Company has no components of "Other Comprehensive Income".

All items in the above statement derive from continuing operations.

All income is attributable to the Ordinary Shares of the Company.

The accompanying notes on pages 30 to 55 form an integral part of the Financial Statements.

ACENCIA DEBT STRATEGIES LIMITED
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the year ended 31 December 2014

	Notes	Share Capital £	Share Premium £	Distributable Reserve £	Accumulated losses £	Total Equity £
Year to 31 December 2014						
At 31 December 2013		-	-	**148,056,129**	**(19,548,352)**	**128,507,777**
Total comprehensive income for the year		-	-	-	5,975,951	5,975,951
Transactions with owners:						
Ordinary Shares acquired and cancelled during the year		-	(68,082,112)	-	-	(68,082,112)
Transfer to Share Premium	19 (b)	-	3,226,861	(3,226,861)	-	-
Tender offer shares		-	64,855,251	(64,855,251)	-	-
Dividends paid	5	-	-	-	(4,511,279)	(4,511,279)
Total transactions with owners		-	-	(68,082,112)	(4,511,279)	(72,593,391)
At 31 December 2014		-	-	**79,974,017**	**(18,083,680)**	**61,890,337**

	Notes	Share Capital £	Share Premium £	Distributable Reserve £	Accumulated losses £	Total Equity £
Year to 31 December 2013						
At 31 December 2012		-	-	**148,056,129**	**(27,006,924)**	**121,049,205**
Total comprehensive income for the year		-	-	-	11,767,406	11,767,406
Transactions with owners:						
Dividends paid	5	-	-	-	(4,308,834)	(4,308,834)
Total transactions with owners		-	-	-	(4,308,834)	(4,308,834)
At 31 December 2013		-	-	**148,056,129**	**(19,548,352)**	**128,507,777**

The accompanying notes on pages 30 to 55 form an integral part of the Financial Statements.

ACENCIA DEBT STRATEGIES LIMITED
STATEMENT OF FINANCIAL POSITION
At 31 December 2014

	Notes	31 December 2014 £	31 December 2013 £
Non-current assets			
Investments at fair value through profit or loss	14	60,166,646	115,731,211
Current assets			
Derivatives	24	-	1,831,294
Investment sales proceeds receivable	14	25,351,061	742,960
Prepayments		49,233	78,977
Other receivables		283,725	128,292
Cash and cash equivalents	15	41,595,988	10,557,819
Total current assets		67,280,007	13,339,342
Current liabilities			
Tender offer share dealing payable	2	64,855,251	-
Other payables	17	701,065	562,776
Total current liabilities		65,556,316	562,776
Net current assets		1,723,691	12,776,566
Net assets		**61,890,337**	**128,507,777**
Equity			
Share capital	18	-	-
Share premium	19 (a)	-	-
Distributable reserve	19 (b)	79,974,017	148,056,129
Accumulated losses	19 (c)	(18,083,680)	(19,548,352)
Total equity		**61,890,337**	**128,507,777**
Net asset value per Ordinary Share	20	**111.18p**	**109.75p**
Number of Ordinary Shares	18	**55,665,360**	**117,087,877**

The Financial Statements on pages 26 to 55 were approved by the Board of Directors and authorised for issue on 28 April 2015. They were signed on its behalf by:-

J Le Pelley
Director

R Battey
Director

The accompanying notes on pages 30 to 55 form an integral part of the Financial Statements.

ACENCIA DEBT STRATEGIES LIMITED
STATEMENT OF CASH FLOWS
For the year ended 31 December 2014

	Notes	31 December 2014 £	31 December 2013 £
Cash inflows from operating activities			
Operating profit for the year		6,100,951	11,893,424
Adjustment for:			
Movement in unrealised losses/(gains) on investments	14	15,454,975	(5,918,565)
Realised gains on investments	14	(25,329,837)	(7,255,372)
Movement in unrealised losses/(gains) on forward foreign exchange contracts	8 & 24	1,831,294	(323,357)
(Increase)/decrease in prepayments and other receivables		(125,691)	54,991
Increase/(decrease) in other payables		138,290	(36,019)
		(1,930,018)	(1,584,898)
Purchase of investments	14 & 21	(10,099)	(3,363,625)
Sales of investments	14 & 21	40,841,426	14,969,521
		40,831,327	11,605,896
Net cash inflow from operating activities		**38,901,309**	**10,020,998**
Cash outflows from financing activities			
Ordinary Shares acquired and cancelled	19	(3,226,861)	-
Dividends paid	5	(4,511,279)	(4,308,834)
Facility fee paid	23	(125,000)	(125,000)
Bank interest paid		-	(1,018)
Net cash outflow from financing activities		**(7,863,140)**	**(4,434,852)**
Net increase in cash and cash equivalents		**31,038,169**	**5,586,146**
Cash and cash equivalents at beginning of year		**10,557,819**	**4,971,673**
Cash and cash equivalents at end of year	15 & 21	**41,595,988**	**10,557,819**

The accompanying notes on pages 30 to 55 form an integral part of the Financial Statements.

1. GENERAL INFORMATION

The Company was incorporated as a company with limited liability in Guernsey on 13 October 2005 and is an authorised closed-ended investment scheme domiciled in Guernsey. The Ordinary Shares are premium listed on the London Stock Exchange.

The Company invests in a portfolio consisting primarily of multi strategy credit and event driven hedge funds. The Company's investment strategy is to provide annual returns in excess of 3-month Sterling LIBOR plus 5% over a rolling 3 year period, and annual standard deviation of under 5%. See Note 2 for details on the updates to the investment objective in the post year end period.

2. COMPANY RESTRUCTURING AND TENDER OFFER

At the EGM on 25 September 2014, Shareholders voted in favour of Continuation Proposals for the Company. The salient points of the terms of the continuation proposals which were passed are as follows:

- The Company's articles would be amended to remove the requirement for a winding-up vote to be held in 2014 and instead a provision is included that a winding-up vote be held in September 2017 for the Company to be wound up with effect from 31 December 2017.
- The Company would amend its investment policy and strategy to allow the Sub-Manager to run a more high-conviction and concentrated portfolio, and remove the currency hedging which was employed over the life of the Company.
- The continuing Company would have an amended fee structure in relation to Performance fees paid to the Investment Manager, with effect from 1 January 2015. See below Investment Manager fee arrangements section for further details.
- The Company would implement a new discount control policy, adopting a maximum discount target of 5%, undertaking share buybacks to support this target and putting forward a continuation vote at each annual general meeting.
- The Shareholders not wishing to maintain their full investment in the ongoing vehicle were able to tender all or some of their shares for repurchase pursuant to a tender offer which the Company undertook in February 2015.

Tender Offer

The Continuation Proposals which were passed at the EGM included proposals for a Tender Offer. As a result, 58,396,589 Ordinary Shares ("Tender Shares"), representing 51.20%, of the Company's issued share capital were tendered by Qualifying Shareholders for repurchase pursuant to the Tender Offer.

As announced on 6 February 2015, the price for the Company's repurchase of these Tender Shares was 111.06p and the return of capital to Qualifying Shareholders took place on 12 February 2015.

Due to the Tender Offer resolution being passed at the EGM in September 2014 and the subsequent 58,396,589 Ordinary Shares being tendered, the Company was obligated to pay at that date the tender offer share price and accordingly, the Company has recognised the resulting liability of £64,855,251 within these financial statements.

Following the acquisition and cancellation by the Company of these Tender Shares, the total number of voting rights in the Company is 55,665,360. For further details on Ordinary Shares see Note 18.

Investment Manager fee arrangements

With effect from 1 January 2015, in accordance with the continuation proposals and a Supplemental Investment Management Agreement dated 26 March 2015, the performance fee will be calculated as follows:

i. On the basis of a US Dollar Net Asset Value per Share rather then a Sterling Net Asset Value per Share;
ii. By reference to the lower of the Net Asset Value at a calculation point or the mid-market price of a Share at the close of trading on that date, adjusted upwards to take account of any Performance fee paid or accrued in the previous calculation period and downwards to take account of any distributions paid in the previous calculation period (the "Adjusted NAV"), and;
iii. by reference to a five per cent compounding hurdle (rather than the current hurdle of three per cent over the immediately preceding accounting period).

2. COMPANY RESTRUCTURING AND TENDER OFFER, continued

Investment objective amendments

On 23 April 2015, the Board approved an amendment to the Company's investment objective to make reference to the US Dollar LIBOR instead of Sterling LIBOR, this realignment will better reflect the recent change in investment policy as detailed further above. The investment objective of the Company, therefore, has been amended as follows:

- To produce annual returns in excess of 3-month US Dollar LIBOR plus 5% over a rolling 3-year period, with annual standard deviation of under 5%.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as endorsed by the European Union, which comprise standards and interpretations approved by the International Accounting Standards Board ("IASB") and International Accounting Standards ("IAS") that remain in effect, together with applicable legal and regulatory requirements of Guernsey law and the Listing Rules of the London Stock Exchange.

Accounting Convention

The Financial Statements have been prepared under the historical cost or amortised cost basis, except for the revaluation of certain financial instruments. The preparation of Financial Statements in conformity with International Financial Reporting Standards requires the Directors to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the Financial Statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates and judgements are discussed in note 4. The principal accounting policies adopted are set out below.

The Directors believe that the annual report contains all of the information required to enable Shareholders and potential investors to make an informed appraisal of the investment activities and profits and losses of the Company for the year to which it relates and does not omit any matter or development of significance.

New Accounting Standards, interpretations and amendments adopted

There are no new accounting standards, interpretations and amendments that have been adopted in the current year which have had a material impact in these financial statements.

Similarly, at the date of approval of these financial statements, there were no standards or interpretations, in issue but not yet effective, that are expected to have a material impact on the Financial Statements of the Company.

The Directors believe that the Financial Statements contain all of the information required to enable Shareholders and potential investors to make an informed appraisal of the investment activities and profits and losses of the Company for the period to which they relate and not omit any matter or development of significance.

Foreign Currencies

Functional and presentation currency

Foreign currency assets and liabilities are translated into Sterling at the rate of exchange ruling at the reporting date (31 December 2014: £1: US$ 1.5577; 31 December 2013: £1: US$ 1.6557). Transactions in foreign currencies are translated at the rate of exchange ruling on the transaction date. Differences arising are dealt with in the Statement of Comprehensive Income.

The Board of Directors considers Sterling as the currency in which the Company measures its performance and reports its results, as well as the currency in which capital is raised, dividends are declared and paid, capital returned and ultimately the currency that would be returned if the Company was wound up. The books and records of the Company are maintained in Sterling and for the purpose of the financial statements the results and financial position of the Company are presented in Sterling, which is also the presentation currency of the Company. For further details, in relation to the functional and presentational currency of the Company and the post year end amendments, see Note 4.

3. SIGNIFICANT ACCOUNTING POLICIES, continued

Foreign Currencies, continued

Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

Non-monetary items measured at historical cost are translated using the exchange rates at the date of the transaction (not retranslated). Non-monetary items measured at fair value are translated using the exchange rates at the date when fair value was determined.

Financial Instruments
Financial assets and financial liabilities are recognised in the Company's Statement of Financial Position when the Company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are only offset and the net amount reported in the Statement of Financial Position and Statement of Comprehensive Income when there is a currently enforceable legal right to offset the recognised amounts and the Company intends to settle on a net basis or realise the asset and liability simultaneously.

Financial Assets
The classification of financial assets at initial recognition depends on the purpose for which the financial asset was acquired and its characteristics.

The Company's financial assets comprise:

- Investments at fair value through profit or loss
- Derivatives
- Investment sales proceeds receivable
- Other receivables
- Cash and cash equivalents

A financial asset (in whole or in part) is derecognised:

- when the Company has transferred substantially all the risk and rewards of ownership; or
- when it has not retained substantially all the risk and rewards and when it no longer has control over the asset or a portion of the asset; or
- when the contractual right to receive cash flow has expired.

Investments at Fair Value Through Profit or Loss
Investments are classified by the Directors as at fair value through profit or loss. As the Company's business is investing in financial assets with a view to profiting from their total return in the form of interest, dividends or increases in fair value, listed equities and fixed income securities are designated as at fair value through profit or loss on initial recognition. The Company manages and evaluates the performance of these investments on a fair value basis in accordance with its investment strategy, and information about the Company is provided internally on this basis to the Company's key management personnel.

Investments are recognised and derecognised on the trade date where a purchase or sale is under a contract whose terms require delivery within the timeframe established by the market concerned, and are initially measured at fair value.

The Directors value all investments in funds at the net asset values of those funds as at the relevant valuation date, as determined in accordance with the terms of the funds and as notified to the Company by the relevant fund manager or the relevant administrator where they consider it represents fair value. When the Directors consider this not to represent fair value certain adjustments have been made. Such adjustments have been based on sale negotiations and externally available evidence.

The valuation date of each fund may not always be coterminous with the valuation date of the Company and in such cases the valuation of the fund at the last valuation date is used with an estimation of movement since that date. This is permitted by the Company's prospectus for striking the Company's monthly Net Asset Value. Please see note 4 for further details on the usage of estimates.

3. SIGNIFICANT ACCOUNTING POLICIES, continued

Investments at Fair Value Through Profit or Loss, continued
The net asset values reported by the relevant fund managers and/or fund administrators and used by the Directors as at 31 December 2014 may be unaudited as at that date and may differ from the amounts which would have been realised from a redemption of the investment in the relevant fund as at 31 December 2014.

Gains and losses arising from changes in the fair value of investments classified as at fair value through profit or loss are recognised in the Statement of Comprehensive Income.

Derivatives
The Company's activities expose it primarily to the financial risk of changes in foreign exchange rates. During the year, the Company used forward foreign exchange contracts to hedge these exposures. The Company does not use derivative financial instruments for speculative purposes.

The use of financial derivatives is governed by the Company's policies approved by the Board of Directors, which provide written principles on the use of financial derivatives. The Company did not use hedge accounting and all gains or losses on forward foreign exchange contracts are taken to the Statement of Comprehensive Income.

A forward currency contract obligated the Company to receive or deliver a fixed quantity of foreign currency at a specified price on an agreed future date. These contracts were accounted for when any contract becomes binding and are valued in the Statement of Financial Position at the period end present value of the quoted forward price. Realised and unrealised gains and losses were included in the Statement of Comprehensive Income.

Investment sales proceeds receivable
These represent receivables for securities sold that have been contracted for but not yet settled. These are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment.

Other Receivables
Other receivables do not carry any interest and are short-term in nature and are accordingly stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Cash and Cash Equivalents
Cash includes amounts held in interest bearing overnight accounts. Cash and cash equivalents comprise bank balances and cash held by the Company including short-term bank deposits with an original maturity of three months or less. The carrying value of these assets approximates their fair value.

Financial liabilities
The classification of financial liabilities at initial recognition depends on the purpose for which the financial liability was issued and its characteristics.

All financial liabilities are initially recognised at fair value net of transaction costs incurred. All purchases of financial liabilities are recorded on the trade date, being the date on which the Company becomes party to the contractual requirements of the financial liability. Unless otherwise indicated, the carrying amounts of the Company's financial liabilities approximate to their fair values.

The Company's financial liabilities comprise derivatives (see derivative accounting policy detailed above) and other payables.

A financial liability (in whole or in part) is derecognised when the Company has extinguished its contractual obligations, it expires or is cancelled. Any gain or loss on derecognition is taken to the Statement of Comprehensive Income.

Other Payables
Other payables are not interest-bearing and are stated at their nominal value.

3. SIGNIFICANT ACCOUNTING POLICIES, continued

Fair Value Measurement Hierarchy
IFRS requires certain disclosures which require the classification of financial assets and financial liabilities measured at fair value using a fair value hierarchy that reflects the significance of the inputs used in making the fair value measurement (see note 6). The fair value hierarchy has the following levels:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The level in the fair value hierarchy within which the financial asset or financial liability is categorised is determined on the basis of the lowest level input that is significant to the fair value measurement. Financial assets and financial liabilities are classified in their entirety into only one of the three levels.

Equity
An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity is recorded at the proceeds received, net of issue costs.

Income
Dividend income from investments is recognised when the shareholders' rights to receive payment has been established, normally the ex-dividend date.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the asset's net carrying amount.

Expenses
All expenses are accounted for on an accruals basis and are presented as revenue items except for expenses that are incidental to the disposal of an investment which are deducted from the disposal proceeds and are consequently recognised within 'Net gains on investments at fair value through profit or loss'.

Finance Costs
Finance costs are accounted for on an accruals basis and relate to bank interest resulting from the Company drawing down on its facility with Bank Julius Baer & Co Limited. All finance costs are expensed through the Statement of Comprehensive Income as incurred.

Operating Segments
The Directors are of the opinion that the Company is engaged in a single segment of business of investing in predominantly multi strategy credit and event driven hedge funds.

4. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

In the application of the Company's accounting policies, which are described in note 3 to the Financial Statements, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from their sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate was revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

4. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES, continued

Critical judgements in applying accounting policies:

a) Functional currency and presentation currency
The Board of Directors considers Sterling as the currency in which the Company measures its performance and reports its results, as well as the currency in which capital is raised, dividends are declared and paid, capital returned and ultimately the currency that would be returned if the Company was wound up. The Directors have also considered the currency to which the underlying investments are exposed, the majority of which are based in US Dollars. During the year, the Company hedged, although not fully, against US dollar exchange rate movements. The Directors believe Sterling best represents the functional currency of the Company for the year ended 31 December 2014. Therefore the books and records of the Company are maintained in Sterling and for the purpose of the financial statements the results and financial position of the Company are presented in Sterling, which is also the presentational currency of the Company.

Subsequent to the reporting date, the Directors have reassessed the Company's functional currency and have concluded that, on the basis of the below, the functional currency has changed from Sterling to US Dollar with effect from 6 February 2015:

- the cancellation of the Sterling USD hedge in 2014,
- the sale of the last of the Sterling investments by 31 December 2014, and
- the payment of £64,855,251 in relation to the Tender Offer on 6 February 2015 out of cash that accumulated prior to the cancellation of the Sterling USD hedge.

In light of this, it is also the Directors' intention to align the Company's presentational currency by changing it from Sterling to USD with effect from 6 February 2015.

Key sources of estimation uncertainty
The following are the key assumptions 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.

a) Fair value of Investments at fair value through profit or loss
The Company invests in multi strategy credit and event driven hedge funds. The investments are valued at the net asset value of that fund as at the relevant valuation date in accordance with the terms of the funds and as notified by the relevant fund manager / administrator. However, the valuation date may be non-coterminous with the valuation date of the Company and hence in such cases the latest valuation as adjusted for estimates provided by the manager is used (estimated NAVs are based on estimated movements since the last published NAV taking into account capital introductions, distributions, dividends and estimated performance). As at 31 December 2014, 100% (31 December 2013: 98%) of the fair value attributed to the Company's investment portfolio was based on final unaudited net asset values of the underlying investments. The Directors consider these net asset values reported to best represent the fair value of investments as the underlying fund managers / administrators adopt fair value accounting for their underlying investments when generating their net asset values.

When the Directors consider the net asset value of those funds not to represent fair value, certain adjustments have been made. The Directors are able to adjust the net asset values reported by the underlying fund managers / administrators with a view to establish the fair value and such adjustments have been applied with care and in good faith by the Directors in consultation with the Sub-Manager. Such adjustments may include sale negotiations that the Company is currently undertaking and other externally available evidence.

The determination of what constitutes 'observable' requires significant judgment by the Directors. The Board considers observable data to be that 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.

5. DIVIDENDS

The Company's dividend policy is to pay annual dividends totalling 3.5% of the Company's year end net asset value per Ordinary Share by means of interim payments. For the years ended 31 December 2014 and 31 December 2013, the Company achieved its dividend policy.

The Directors declared an interim dividend of 1.92p per share in relation to the six months ended 31 December 2013 which was paid on 2 May 2014, at a total cost of £2,241,445.

The Directors declared an interim dividend of 1.99p per share in relation to the six months ended 30 June 2014 which was paid on 26 September 2014, at a total cost of £2,269,834.

The Directors have declared an interim dividend in relation to the year ended 31 December 2014 of 1.95p per share which will be paid on 28 May2015 to Shareholders on the register at 1 May 2015. The ex-dividend date will be 30 April 2015. In accordance with IAS 10, this dividend has not been included as a liability within the Financial Statements.

6. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Strategy in using financial instruments

The Company invests primarily in the equity of fund of hedge fund investment entities. These fund of hedge fund entities, in turn invest in a diverse range of underlying hedge fund strategies that are principally debt related. The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and equity price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

Categories of financial instruments	**31 December 2014** £	**31 December 2013** £
Financial assets		
Investments at fair value through profit or loss ("FVTPL")		
- Designated as FVTPL (level 2)	60,166,646	115,731,211
Held for trading		
- Derivatives	-	1,831,294
Investment sales proceeds receivable	25,351,061	742,960
Other receivables	283,725	128,292
Cash and cash equivalents	41,595,988	10,557,819
Total assets	**127,397,420**	**128,991,576**
Financial liabilities		
Other payables	701,065	562,776
Tender offer share dealing payable	64,855,251	-
Total liabilities	**65,556,316**	**562,776**

At 31 December 2014, the Company's financial instruments are affected by the following risks in actual market prices: interest rates, credit exposure, liquidity and foreign currency movements. Interest rate and foreign currency movements are covered separately within this note.

Capital Risk Management

The Company's primary investment objective is to produce annual returns in excess of 3-month Sterling LIBOR plus 5% over a rolling 3-year period, with annual standard deviation of under 5%. Following the EGM on 25 September 2014, the Company's investment policy is to invest in an actively managed portfolio of multi-strategy credit and event driven hedge funds. The Company plans to run a more high-conviction and concentrated portfolio. While the exact number of funds and strategies in which the Company invests may vary over time the Sub-Manager expects that the Company will be invested in a portfolio of between eight and twelve underlying hedge funds. The Investment Adviser intends to achieve the Company's desired exposure to the underlying hedge funds through a combination of direct investments in individual hedge funds and investments in fund of hedge funds or managed account vehicles which the Investment Adviser manages, which in turn invest in individual hedge funds.

6. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS, continued

Capital Risk Management, continued

The Company will no longer use currency hedging so as to avoid the cash drag and costs that this has historically entailed.

The capital structure of the Company consists of debt, which during the year included a borrowing facility disclosed in note 23, and equity attributable to equity holders, comprising issued capital, share premium and distributable reserve and accumulated losses as disclosed in notes 18 and 19. The Company does not have any externally imposed capital requirements.

The Company manages its capital to endeavour to ensure that its primary investment objective is met. It does this by investing available cash and drawing down on its bank facility whilst maintaining sufficient liquidity to meet on-going expenses. During the year, the Company did not utilise the bank facility and as the Company no longer uses currency hedging, the primary reason for maintaining a bank facility, the facility has not been renewed for 2015.

The Sub-Manager ensures not more than 15% of the Company's total assets are invested in any one underlying individual hedge fund and not more than 20% of the Company's total assets are invested in aggregate in funds managed by any single underlying hedge fund manager, in each case at the point of investment. These limitations do not apply to fund of hedge fund vehicles managed or advised by the Investment Adviser.

The Investment Adviser makes its best endeavours to provide monthly redemptions in Sandalwood funds in which the Company has invested to procure liquidity for the Company, and to waive any lock-in, redemption or penalty payments which Sandalwood vehicles may have. To the extent that the Investment Adviser can only redeem by means of incurring early redemption penalty payments, these payments are netted off from the proceeds raised by the redemption.

Market risk

Market risk is the risk of changes in market prices, such as foreign exchange rates, interest rates and equity prices, affecting the Company's income and/or the value of its holdings in financial instruments.

Equity price risk

All securities investments present a risk of loss of capital. As at 31 December 2014, the total exposure to market risk was £60,166,646 (31 December 2013: £115,731,211), which was 100% of the value of the Company's investments at fair value through profit or loss. The Investment Manager and Sub-Manager moderate this risk through a careful selection of fund investments within specified limits in line with the Company's stated investment policy as disclosed in the Capital Risk Management section of this note.

The Company invests in a portfolio consisting primarily of multi strategy credit and event driven hedge funds, which are held to obtain long term gains. Due to the inherent nature of investing in such funds, the Company does not seek to manage the risk that it is indirectly exposed to in the underlying hedge funds or investments, such as equity price risk, stock specific risk or the credit risk of the ultimate underlying debt instruments in which those funds invest and which in aggregate contribute to the Net Asset Value of the Company other than by the continual re-evaluation of whether and to what extent the Company should remain invested in each such fund.

The Company's equity price risk covers a very broad range of both performing and non-performing credit instruments, spread globally. In addition, the Company has exposure to indirect equity price risk from both quoted and unquoted equities. An unaudited analysis of the exposure to these asset types is set out in Fig 1 on Page 8, and the geographical split is set out in Fig 2 on Page 8 of the Sub-Manager Report. In addition, within this spread of asset classes and geographies, the Company is exposed to equity price risk across a very broad range of industrial sectors. This exposure fluctuates over time, depending on the assessment by the underlying hedge funds of where the opportunity set is most attractive. Whilst the Investment Adviser and the Sub-Manager use reasonable endeavours to monitor this market price exposure, they are dependent on the underlying hedge fund managers to provide them with accurate and timely information. By its nature this information is backward-looking and cannot always be verified at first hand. The Investment Adviser and the Sub-Manager place reliance on the exposure analyses produced by the managers of the underlying hedge funds, and therefore the accuracy and integrity of their data capture and reporting processes forms a key part of the manager due diligence process undertaken by the Investment Adviser. This data is monitored by the Investment Adviser and the Sub-Manager in order to aid the provision of any relevant and useful information to the Directors and Shareholders of the Company and to ensure the managers of the underlying hedge funds do not move away from their stated investment strategies. Should the Investment Adviser and Sub-Manager feel the latter is the case with the underlying managers they consider divestment out of these investments.

6. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS, continued

Equity price risk, continued

The Company's overall market positions are monitored on a monthly basis by the Company's Investment Manager and Sub-Manager and are reviewed on a quarterly basis by the Board of Directors. The Sub-Manager also actively monitors the performance of the underlying hedge funds, this includes actively monitoring the hedge funds which are managed, and reported to the Sub-Manager, by the Investment Adviser. The Sub-Manager in turn regularly reports to the Board. The Company retains the ability to diversify its investment portfolio further should it be deemed necessary.

The Company's stock, fund and manager specific price risk is managed through diversification of the investment portfolio ratio exposures. Refer to the Sub-Manager's Report for this information.

The following details the Company's sensitivity to a 5% increase and decrease in the market prices of the underlying hedge fund prices, with 5% being the sensitivity rate used when reporting equity price risk to the Board and represents the Board's assessment of the possible change in market prices.

If the market prices at 31 December 2014 had increased by 5%, net of all performance fees, with all other variables held constant, this would have increased net assets attributable to holders of Ordinary Shares in the Company by approximately £3.01 million (31 December 2013: £5.79 million). Conversely, if the market prices had decreased by 5%, net of all performance fees, this would have decreased net assets attributable to holders of Ordinary Shares in the Company by approximately £3.01 million (31 December 2013: £5.79 million).

The tables below summarise the Company's exposure to equity price risk in terms of concentrations of its investments:

31 December 2014

Name of investment	Strategy	Fair Value £	% of Portfolio Value
Fund of Funds Managed by Sandalwood			
Bodleian Partners Class A Limited Partnership	Fund of Funds	24,227,667	40.27%
Sandalwood Debt Fund A Limited Partnership	Fund of Funds	21,706,039	36.08%
Sandalwood Debt Fund B Limited Partnership	Fund of Funds	7,178,640	11.93%
Sandalwood SPV Debt A	Fund of Funds	1,516,264	2.52%
Sub Total		**54,628,610**	**90.80%**
Single Manager Funds			
Elliott International Fund	Multi-strategy credit	5,538,036	9.20%
Sub Total		**5,538,036**	**9.20%**
Total		**60,166,646**	**100.00%**

31 December 2013

Name of investment	Strategy	Fair Value £	% of Portfolio Value
Fund of Funds Managed by Sandalwood			
Bodleian Partners Class A Limited Partnership	Fund of Funds	31,254,198	27.01%
Sandalwood Debt Fund A Limited Partnership	Fund of Funds	25,282,433	21.85%
Sandalwood Overseas Fund SPC Class L	Fund of Funds	23,339,206	20.17%
Sandalwood Double S	Fund of Funds	13,847,963	11.97%
Sandalwood Debt Fund B Limited Partnership	Fund of Funds	6,572,256	5.68%
Sandalwood Opportunity Fund	Fund of Funds	3,243,341	2.80%
Sandalwood SPV Debt A	Fund of Funds	1,447,434	1.25%
Sub Total		**104,986,831**	**90.73%**
Single Manager Funds			
Elliott International Fund	Multi-strategy credit	4,877,777	4.21%
Cerberus Institutional Partner	Distressed securities	4,358,596	3.76%
Sub Total		**9,236,373**	**7.97%**
Total		**114,223,204**	**98.70%**

6. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS, continued

Equity price risk, continued

Of the Company's significant direct holdings it has a concentration of 90.80% (31 December 2013: 90.73%) of the portfolio within Fund of Fund investments managed by Sandalwood ("Sandalwood funds"). The concentration risk of Sandalwood funds is deemed to be an acceptable risk by the Board as it is in line with the stated investment strategy of the Company to utilise the fund of hedge fund holding vehicles which are managed by the Investment Adviser and those fund of hedge fund holding vehicles are themselves diversified.

The following details the Company's sensitivity to a 5% increase and decrease in the market prices of the underlying hedge fund prices, with 5% being the sensitivity rate used when reporting equity price risk to the Board and represents the Board's assessment of the possible change in equity prices.

If the underlying hedge fund prices of the Sandalwood funds at 31 December 2014 in isolation had increased by 5%, net of all performance fees, with all other variables held constant, this would have increased net assets attributable to holders of Ordinary Shares in the Company by approximately £3.01 million (31 December 2013: £5.25.million) Conversely, if the underlying hedge fund prices of the Sandalwood Funds in isolation had decreased by 5%, net of all performance fees, this would have decreased net assets attributable to holders of Ordinary Shares in the Company by approximately £3.01 million (31 December 2013: £5.25 million).

The Company's significant holdings on a Look-through Basis

31 December 2014

Name of investment	Strategy	Fair Value £	% of Portfolio Value
Elliott Associates, LP	Multi-strategy credit	8,107,736	13.48
Third Point Partners (QP), LP	Event Driven	7,653,059	12.72
Canyon Balanced Fund, L.P.	Multi-strategy credit	7,604,846	12.64
Redwood Domestic Fund, LP	Multi-strategy credit	7,539,079	12.53
York Credit Opportunities Fund, LP	Multi-strategy credit	7,330,741	12.18
Anchorage Capital Partners, LP	Multi-strategy credit	6,295,784	10.46
Centerbridge Credit Partners, LP	Distressed securities	5,956,402	9.90
Jet Capital Concentrated Fund, LP	Multi-strategy credit	4,554,306	7.57
Scoggin WorldWide Investors, LLC	Distressed securities	3,089,809	5.14
Total		**58,131,762**	**96.62**

31 December 2013

Name of investment	Strategy	Fair Value £	% of Portfolio Value
Redwood Domestic Fund, LP	Multi-strategy credit	17,195,149	14.86%
Elliott Associates, LP	Multi-strategy credit	16,368,365	14.14%
Third Point Partners (QP), LP	Event Driven	9,765,145	8.44%
Cerberus SPV, LLC	Distressed securities	9,254,532	8.00%
Centerbridge Credit Partners	Distressed securities	8,891,974	7.68%
York Credit Opportunities Fund	Multi-strategy credit	8,155,707	7.05%
Jet Capital Concentrated Fund	Multi-strategy credit	7,445,804	6.43%
Canyon Balanced Fund, L.P.	Multi-strategy credit	6,460,762	5.58%
Scoggin Worldwide Investors, LP	Distressed securities	4,639,192	4.02%
Appaloosa Investment. LP	Distressed securities	4,622,511	3.99%
Total		**92,799,141**	**80.19%**

Following the restructure of the Company as detailed further in Note 2, it is the intention that the Sub-Manager will run a more high-conviction and concentrated portfolio. While the exact number of funds and strategies in which the Company invests may vary over time the Sub-Manager expects that the Company will be invested in a portfolio of between eight and twelve underlying hedge funds. Where the number of investments reduces or the percentage ownership of the total portfolio in any one investment increases, this will lead to increased equity price risk. This increase in equity price risk is a natural consequence of the Company focusing on a higher-conviction and concentrated investment portfolio.

6. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS, continued

Interest rate risk

The majority of the Company's financial assets and liabilities are non-interest bearing. As a result, the Company is not directly subject to significant risk due to fluctuations in the prevailing levels of market interest rates. Any excess of cash or cash equivalents is invested at short-term interest rates.

The Company's interest bearing financial assets and liabilities expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows.

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

31 December 2014	**Floating rate**	**Non-interest bearing**	**Total**
	£	**£**	**£**
Financial assets			
Investments at fair value through profit or loss	-	60,166,646	60,166,646
Investment sales proceeds receivable	-	25,351,061	25,351,061
Other receivables	-	283,725	283,725
Cash and cash equivalents	41,595,988	-	41,595,988
Total financial assets	**41,595,988**	**85,801,432**	**127,397,420**
Financial liabilities			
Other payables	-	(701,065)	(701,065)
Tender offer share dealing payable	-	(64,855,251)	(64,855,251)
Total financial liabilities	**-**	**(65,556,316)**	**(65,556,316)**
Total interest sensitivity gap	**41,595,988**	**20,245,116**	**61,841,104**

31 December 2013	**Floating rate**	**Non-interest bearing**	**Total**
	£	**£**	**£**
Financial assets			
Investments at fair value through profit or loss	-	115,731,211	115,731,211
Derivatives	-	1,831,294	1,831,294
Investment sales proceeds receivable	-	742,960	742,960
Other receivables	-	128,292	128,292
Cash and cash equivalents	10,557,819	-	10,557,819
Total financial assets	**10,557,819**	**118,433,757**	**128,991,576**
Financial liabilities			
Other payables	-	(562,776)	(562,776)
Total financial liabilities	**-**	**(562,776)**	**(562,776)**
Total interest sensitivity gap	**10,557,819**	**117,870,981**	**128,428,800**

The following details the Company's sensitivity to a 10 basis point increase and decrease in interest rates on interest bearing assets, with 10 basis points being the Sub-Manager's assessment of the possible change in interest rates during the period.

At 31 December 2014, should interest rates have lowered by 10 basis points with all other variables remaining constant, the decrease in net assets attributable to holders of Ordinary Shares for the year would amount to approximately £41,596 (31 December 2013: decrease of £10,558). If interest rates had risen by 10 basis points, the increase in net assets attributable to holders of Ordinary Shares would amount to £41,596 (31 December 2013: increase of £10,558).

6. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS, continued

Interest rate risk, continued

Cash and cash equivalents constituted an increased percentage of the net asset value of the Company at 31 December 2014 compared with the prior year end, due to the preparation for the settlement of the Tender Offer in February 2015. As a consequence, at the year end and up to the settlement of the Tender Offer, the Company had a greater exposure to interest rate risk which had not occurred during the prior period nor is expected to reoccur post period end, Upon settlement of the Tender Offer shares, the impact of interest rate risk returned to levels which are comparable to prior periods.

The Investment Manager monitors the Company's overall interest sensitivity on a regular basis by reference to prevailing interest rates and the level of the Company's cash balances or debt.

Currency risk

The majority of the net assets of the Company are denominated in US Dollar rather than Sterling, its functional currency, with the effect that the Statement of Financial Position and Statement of Comprehensive Income can be significantly affected by currency movements.

31 December 2014	**Cash £**	**Investments £**	**Forward contracts £**	**Other Net Assets £**	**Net Exposure £**
US Dollar	31,636,498	60,166,646	-	1,383,380	93,186,524

31 December 2013	**Cash £**	**Investments £**	**Forward contracts £**	**Other Net Assets £**	**Net Exposure £**
US Dollar	5,295	92,392,005	(82,552,300)	871,251	10,716,251

At 31 December 2014, the Company's investment portfolio comprises entirely of US Dollar denominated investments. In accordance with the resolutions passed at the EGM on 25 September 2014, the Company no longer engages in currency hedging to mitigate the impact on the Company of currency fluctuations and the volatility of returns which may result from such currency exposure.

At 31 December 2013, the Company engaged in currency hedging in an attempt to reduce the impact on the Company of currency fluctuations and the volatility of returns which may result from such currency exposure. The Company sought to obtain foreign exchange lines from institutions which were rated A1 or above by Moody's or an equivalent rating agency.

The following details the Company's sensitivity to a 5% increase and decrease in the exchange rates between Sterling and US Dollar, with 5% with representing the Board's assessment of the possible change in exchanges rates during the period under review.

At 31 December 2014, had the exchange rate between Sterling and the US Dollar increased or decreased compared to US Dollar by 5% with all other variables held constant, the increase or decrease respectively in net assets attributable to holders of Ordinary Shares would amount to approximately £4.66 million (31 December 2013: £0. 54 million).

The Investment Manager monitors the Company's currency position on a daily basis, and the Board of Directors reviews it on a quarterly basis.

6. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS, continued

Credit risk
The Company takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Impairment provisions are provided for losses that have been incurred by the reporting date, if any. At 31 December 2014, there were no assets held by the Company that were past due or impaired.

The following table shows the maximum exposure to credit risk:

	31 December 2014 £	31 December 2013 £
Investments at fair value through profit or loss	60,166,646	115,731,211
Derivatives	-	1,831,294
Investment sales proceeds receivable	25,351,061	742,960
Other receivables	283,725	128,292
Cash and cash equivalents	41,595,988	10,557,819
Total	**127,397,420**	**128,991,576**

Amounts in the above table are based on the carrying value of all financial assets.

The Company does not issue its own debt instruments, nor does it have any direct investment in such instruments. All investments are made through funds or fund of funds. Any underlying credit risk exposures in those funds' investments are reflected within the fair values of those funds or fund of funds investments held by the Company. Please see equity price risk disclosures within these Financial Statements for further details on the Company's exposure to equity price risk.

The Company's investments predominantly consist of holdings of redeemable interests in open-ended funds. Those funds will in turn make underlying investments. Such underlying investments may include debt and other instruments. The funds invested into by the Company do not have credit ratings and do not in general make available information in respect of the credit quality of their portfolio investments. It is therefore not possible for the Board to ascribe or to impute credit ratings and credit quality information to the investments to which the Company is exposed either directly or indirectly, individually or in aggregate.

Investments only become a direct credit risk to the Company once redemption requests are made and the underlying fund has yet to settle. Once the redemption proceeds become receivable, the Investment Manager and Sub-Manager monitor the expected redemption proceeds to ensure that they are received on a timely basis in accordance with the terms of the underlying investment fund's offering memorandum. Once the redemption proceeds are received by the Custodian, they become part of the uninvested cash balances held on the Company's Statement of Financial Position and accordingly a liability on the balance sheet of the Custodian. This is monitored via the credit rating of the Custodian. Should the Custodian credit rating fall below what the Board of Directors deem to be an acceptable level, the Company has the ability to replace the Custodian.

The Sub-Manager's Report includes a chart of its strategies at a fund level, which gives information regarding the concentration of risk for the Company. The Investment Portfolio also includes details of the Company's principal investment holdings, including Sandalwood managed funds.

The Sub-Manager monitors the Company's credit position on a monthly basis, and the Board of Directors review it on a quarterly basis. The Investment Adviser also assesses the risk associated with investments by performing financial analysis on the issuing companies as part of its normal scrutiny of prospective investments, which includes an assessment of the principal service providers to the hedge funds including administrator, auditor and prime brokers. Receivables for redeemed investments in underlying hedge funds are typically received within two months of the redemption date though may be subject to gating, liquidation or suspension provisions imposed by the underlying fund manager.

6. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS, continued

Credit risk, continued

All cash and cash equivalents held by the Company at 31 December 2014 were with the Custodian, Bank Julius Baer & Co. Limited ("the Bank"). Bankruptcy or insolvency of the Bank may cause the Company's rights with respect to the cash and cash equivalents held to be delayed or limited. The Sub-Manager monitors this risk by monitoring the credit rating of the Bank, which had a Moody's credit rating of A1 as at 31 December 2014 (31 December 2013: A1).

During the year, the Company entered into forward foreign exchange contracts. Transactions in these forward foreign exchange contracts were not regulated by any regulatory authority nor were they guaranteed by an exchange or clearing house. The Company was subject to the risk of the inability or refusal of its counterparties to perform with respect to such contracts. Any such default would have eliminated any potential profit and compelled the Company to cover its commitments for re-sale or repurchase, if any, at the then current market price. There were no outstanding commitments in respect of forward foreign exchange contracts at the year end and following the amendment to the investment strategy at the EGM in September 2014, the Company will no longer use forward foreign exchange contracts. Following this amendment and the subsequent closing of the credit facility, detailed further in Note 23, the Company no longer had any collateral obligations against any of its financial assets.

Credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies. The Investment Manager assesses the risk associated with investments by performing financial analysis on the issuing companies as part of its normal scrutiny of prospective investments.

The carrying amount of financial assets recorded in the Financial Statements best represents the Company's maximum exposure to credit risk.

Liquidity risk

The Company takes on exposure to liquidity risk, which is the risk that the Company will encounter difficulty in realising assets or otherwise raising funds to meet financial commitments.

Some of the Company's investments may comprise securities which are traded in recognised financial markets. The Company may also invest in securities which may lack an established secondary trading market or are otherwise considered illiquid. Liquidity of a security relates to the ability to dispose of the security easily and quickly as well as the price to be obtained and does not generally relate to the credit risk or likelihood of receipt of cash at maturity.

The Investment Adviser makes its best endeavours to provide monthly redemptions in Sandalwood funds to procure liquidity for the Company, and to waive any lock-in, redemption or penalty payments which Sandalwood vehicles may have.

With one exception (number 4 below), the liquidity needs of the Company are minimal and exhibit a high degree of stability and predictability. They are:

1. Operating expenses, which are stable throughout the year and exhibit a low degree of seasonality;
2. The payment of a discretionary semi-annual dividend equivalent to 1.75% of the net asset value of the Company;
3. The payment of a quarterly performance fee, which is capped at 3% of the Company's net asset value in respect of any financial year;
4. The need to meet margin calls on the forward currency contracts which were entered into during the year in order to hedge the Company's foreign exchange exposure. The counterparty could issue margin calls if the exposure was over 10% of the collateral value of the Company's Eligible Assets/Eligible Hedge Fund Investments. If it exceeded 15%, the counterparty could have issued a close out notice. Following the continuation proposal passed at the EGM on 25 September 2014, the Company will no longer use currency hedging so as to avoid the cash drag and costs that this has historically entailed. The liquidity risk in relation to meeting margin calls on the forward currency contracts has therefore now been eliminated.

The only non-predictable and potentially large requirement for liquidity at short notice was item 4. The Sub-Manager did actively monitor this exposure during the year against available liquidity resources at all times.

6. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS, continued

Liquidity risk, continued

As stated above, during the year, the Company entered into forward foreign exchange contracts to manage the Company's foreign currency exposure. As experienced in recent years, Sterling : US Dollar exchange rates can fluctuate significantly within a short period of time, which could have led to the Company having to close out a hedging instrument at a considerable loss, requiring the Company to meet this financial obligation in the short term. For example, at the year end 31 December 2013, a 5% adverse closing rate variation compared to the contracted rate on forward foreign exchange contract held at the year end would have resulted in an additional financial liability to the Company of approximately £4 million.

To manage this risk, the Company maintained at all times, liquidity facilities via the borrowing facility (see note 23) and maintained significant cash and cash equivalent balances and liquid investments with an aggregate total value which, in the opinion of the Directors, would have allowed it to withstand any foreseeable depreciation of Sterling against the US Dollar, which would have given rise to a significant margin call. Following the EGM on 25 September 2014, it was resolved that the Company would no longer use currency hedging. As a result, the overdraft and foreign exchange credit facility as detailed above with the Bank is no longer required and has not been renewed for 2015.

In addition at the year end 31 December 2013 and during the year up to 31 December 2014, the Company held 20% of its portfolio in Sterling denominated investments as well as placing currency hedging instruments at a level below the maximum currency exposure of the Company.

These strategies enhanced the Company's ability to meet financial liabilities that may have arisen as a consequence of using foreign currency hedging instruments.

The Company had the facility to borrow in the short term to facilitate settlement. No borrowings were utilised at 31 December 2014 (31 December 2013: nil) (note 23). As stated above, the overdraft and foreign exchange credit facility was no longer required and has not been renewed for 2015.

The Investment Manager regularly monitors the Company's liquidity position, and the Board of Directors reviews it on a quarterly basis.

The tables below analyse the Company's financial assets and liabilities into relevant maturity groups based on the remaining period at the reporting date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

6. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS, continued

Liquidity risk, continued

31 December 2014	Less than 1 month £	1-3 months £	3-6 months £	6-12 months £	12 - 24 months £	In liquidation £	Total £
Financial assets							
Investments at fair value through profit or loss	4,554,306	7,604,846	8,107,736	31,731,165	6,747,741	1,420,852	60,166,646
Investment sales proceeds receivables	25,351,061	-	-	-	-	-	25,351,061
Other receivables	-	283,725	-	-	-	-	283,725
Cash and cash equivalents	41,595,988	-	-	-	-	-	41,595,988
Total financial assets	**71,501,355**	**7,888,571**	**8,107,736**	**31,731,165**	**6,747,741**	**1,420,852**	**127,397,420**
Financial liabilities							
Other payables	-	(701,065)	-	-	-	-	(701,065)
Tender share dealing payable	-	(64,855,251)	-	-	-	-	(64,855,251)
Total financial liabilities	**-**	**(65,556,316)**	**-**	**-**	**-**	**-**	**(65,556,316)**
Total liquidity gap	**71,501,355**	**(57,667,745)**	**8,107,736**	**31,731,165**	**6,747,741**	**1,420,852**	**61,841,104**

31 December 2013	Less than 1 month £	1-3 months £	3-6 months £	6-12 months £	12 - 24 months £	In liquidation £	Total £
Financial assets							
Investments at fair value through profit or loss	3,240,474	-	4,860,711	103,695,164	462,925	3,471,937	115,731,211
Derivatives receivable	-	82,552,300	-	-	-	-	82,552,300
Investment sales proceeds receivables	742,960	-	-	-	-	-	742,960
Other receivables	-	128,292	-	-	-	-	128,292
Cash and cash equivalents	10,557,819	-	-	-	-	-	10,557,819
Total financial assets	**14,541,253**	**82,680,592**	**4,860,711**	**103,695,164**	**462,925**	**3,471,937**	**209,712,582**
Financial liabilities							
Derivatives payable	-	(80,690,946)					(80,690,946)
Other payables	-	(562,776)	-	-	-	-	(562,776)
Total financial liabilities	**-**	**(81,253,722)**	**-**	**-**	**-**	**-**	**(81,253,722)**
Total liquidity gap	**14,541,253**	**1,426,870**	**4,860,711**	**103,695,164**	**462,925**	**3,471,937**	**128,458,860**

6. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS, continued

Liquidity risk, continued
Where investments are fund of funds, they are shown above on a look-through basis as if the Company had issued contractual redemption notices as at 31 December 2014. The investments may however, be liable to redemption gating, suspension or the creation of side-pockets for illiquid assets at the discretion of the underlying fund manager.

Investments with no stated maturity or liquidating in the table above are illiquid investments which are in run-off and returning capital to investors over time. In the event of the Company being wound up, should the Company have remaining illiquid assets still held at the point of winding up, the Board, with advice from the Investment Manager and Sub-Manager, will consider options to attempt to sell the illiquid assets in the secondary market.

Fair value measurement
The following table presents the Company's financial assets and liabilities at fair value through profit or loss by level within the fair value hierarchy:

31 December 2014	**Level 1**	**Level 2**	**Total**	**% of net assets**
	£	**£**	**£**	**%**
Fair value assets				
Designated as FVTPL	-	60,166,646	60,166,646	97.21

31 December 2013	**Level 1**	**Level 2**	**Total**	**% of net assets**
	£	**£**	**£**	**%**
Fair value assets				
Designated as FVTPL	-	115,731,211	115,731,211	90.06
Held for trading - derivatives	-	1,831,294	1,831,294	1.43

Investments in quoted investment funds in a non-active market or unlisted investment funds ("investment funds") are valued based on the reported net asset value per share as provided by the investee fund's administrator or investment manager. The Company's ability to redeem its investment with the investment fund on the reporting date at the reported net asset value per share, will determine whether the investee fund will be categorised within level 2 of the fair value hierarchy.

The valuation and classification of the investments are reviewed on a regular basis. The Board determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

During 2014, there were no investments transferred between levels of the fair value hierarchy. At 31 December 2013, an investment with a fair value of £3,243,341 was transferred between Level 1 and Level 2 fair value measurements as it was not deemed to be traded in an active market. There were no transfers into or out of Level 3 fair value measurements during the reporting period.

Valuation methodology
During the period, there have been no changes to the valuation methodologies used by the Company, these valuation methodologies are as disclosed in note 3 to these Financial Statements and have not changed from the last annual audited Financial Statements to 31 December 2013.

7. SEGMENTAL INFORMATION

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 of Directors of the Company.

For management purposes, the Company is organised into one main operating segment, which focuses on long term growth from investments. All of the Company's activities are interrelated, and each activity is dependent on the others. Accordingly, all significant operating decisions are based upon analysis of the Company as one segment. The financial results from this segment are equivalent to the Financial Statements of the Company as a whole.

In terms of the funds in which the Company invests, these are predominantly incorporated in the United States. The underlying investments in those funds however, may be in other countries.

8. OTHER LOSSES AND GAINS

	31 December 2014 £	31 December 2013 £
Held for trading: Derivatives		
- Realised (loss)/gains	(932,678)	1,259,801
- Unrealised (loss)/gains	(1,831,294)	323,357
	(2,763,972)	1,583,158
Realised foreign currency gains/(losses)	273,236	(1,427,636)
	(2,490,736)	**155,522**

9. INTEREST RECEIVABLE

	31 December 2014 £	31 December 2013 £
Bank interest	9,304	4,014
	9,304	**4,014**

Bank interest represents the only gain or loss on loans and receivables.

10. EXPENSES

	31 December 2014 £	31 December 2013 £
Management fees	1,280,256	1,260,629
Sandalwood management fee rebate	(1,598,549)	(1,568,277)
Net management fees	(318,293)	(307,648)
Performance fees	675,944	1,307,490
Accounting, secretarial and administration fees	144,288	146,152
Directors' fees	82,500	82,500
Custodian fees	64,013	63,650
Other expenses:		
Marketing expenses	139,767	95,042
Auditor's remuneration for audit services	41,300	30,060
Legal and professional fees	92,657	67,136
Restructuring/continuation expenses	281,764	-
Sundry expenses	215,329	127,802
	770,817	320,040
Total expenses	**1,419,269**	**1,612,184**

The Sandalwood Securities, Inc. ("Sandalwood") management fee rebate is the management fee levied by Sandalwood to the Sandalwood funds invested in by AcenciA. This management fee rebate is treated as a reduction to the AcenciA management fee, so as to avoid duplication in fees paid to Sandalwood. At 31 December 2014 an amount of £273,817 (31 December 2013: £128,291) was due in respect of this rebate and is included within other receivables.

With effect from 1 January 2013, the management fee charged by Sandalwood in relation to its funds is either 1.5% per annum or 1% per annum (31 December 2013: 1.5% or 1%) of the net asset value of each fund, these percentage rates are higher than the management fee charges to AcenciA, hence the management fee rebate is greater than the management fee expense of the Company.

The Company has no employees. The Directors are the only key management personnel of the Company. Their remuneration disclosed above is all in respect of short-term benefits.

10. EXPENSES, continued

Management and Performance fees
The Company is responsible for the fees of the Investment Manager in accordance with the Management Agreement between the Company and the Investment Manager dated 2 November 2005.

For the services performed under the Management Agreement, the Company pays the Investment Manager a management fee equal to 1% per annum of total assets. For the year ended 31 December 2014, management fees of £1,280,256 (31 December 2013: £1,260,629) were incurred and at 31 December 2014, an outstanding amount of £212,010 (31 December 2013: £113,115) remained payable.

The Investment Manager compensates the Investment Adviser and the Sub-Manager for their services to the Company under the terms of the Investment Advisory Agreement and Sub-Management Agreement.

During the year, in addition to the management fee, subject to satisfaction of the High Water Mark Provision and the Performance Hurdle Provision, the Investment Manager is entitled to a performance fee equivalent to 10% of the amount by which the value of the Company's Net Asset Value per share at the end of each Accounting Period exceeds the value of the Net Asset Value per share at the end of the previous Accounting Period. Under the High Water Mark Provision, the Net Asset Value per share at the end of each Accounting Period must be greater than the value of the Net Asset Value per share at the end of any previous Accounting Period after taking account of any dividend paid. Under the Performance Hurdle Provision the Company's Net Assets, must have increased by at least 3% during the relevant Accounting Period, after taking account of any dividend paid. As at 31 December 2014, the High Water Mark for the Company for the year was 109.75p (31 December 2013: 106.81p) per Ordinary Share, after taking account of the dividends paid during the year. Consequently the High Water Mark was exceeded throughout the year and a performance fee of £675,944 became payable (31 December 2013: £1,307,490). At 31 December 2014, an outstanding amount of £120,980 (31 December 2013: £383,397) remained payable.

The Investment Management Agreement may be terminated by either party giving the other not less than six months' written notice. The Sub-Management Agreement will terminate at the same time as the Investment Management Agreement terminates or otherwise on either party giving twelve months' written notice.

The Investment Advisory Agreement may be terminated on six months' written notice. In the event that the Investment Advisory Agreement is terminated, the Investment Adviser will remain entitled to a pro rata share of its fees to the extent that and for so long as the Company's assets remain invested in funds which were recommended by the Investment Adviser, including any funds managed or advised by the Investment Adviser.

Administration fees
The Company is responsible for the fees of the Administrator (Praxis Fund Services Limited) in accordance with the Agreement made between the Company and the Administrator dated 1 October 2012 (the "Administration Agreement").

In respect of the services provided under the Administration Agreement, the Company pays the Administrator a fee as stated below, subject to a monthly minimum of £6,250.

- 0.125% per annum of the net asset value of the Company up to £50 million
- 0.10% per annum of the net asset value of the Company exceeding £50 million

In addition, the Administrator is entitled to receive fees for any extraordinary duties performed to be charged on a time spent basis. The Administration Agreement is terminable by either side on 3 months' notice. For the year ended 31 December 2014, administration fees of £144,288 (31 December 2013: £146,152) were incurred and at 31 December 2014, an outstanding amount of £23,290 (31 December 2013: £14,907) remained payable.

Directors' fees
During the current and prior years, the basic fee paid to each Director was £22,500 per annum, except for the Chairman who received £32,500 per annum and Mr Battey who receives an additional £5,000 per annum for being Chairman of the Audit Committee. For the year ended 31 December 2014, Directors' fees of £82,500 (31 December 2013: £82,500) were payable and there were no Directors' fees outstanding at 31 December 2014 (31 December 2013: none outstanding).

10. EXPENSES, continued

Custodian fees
The Company is responsible for the fees of the Custodian (Bank Julius Baer & Co Limited) in accordance with the Custodian Agreement made between the Company and the Custodian dated 2 November 2005.

In respect of services provided under the Custodian Agreement, the Company pays the Custodian a quarterly fee at the rate of 0.05% per annum of the Net Asset Value of the Company subject to a minimum fee of £3,325 per quarter. The Custodian Agreement is terminable by either side on three months' notice. The Custodian does not have any decision-making discretion relating to the investment of the assets of the Company. For the year ended 31 December 2014, Custodian fees of £64,013 (31 December 2013: £63,652) were incurred and at 31 December 2014, an outstanding amount of £10,601 (31 December 2013: £10,959) remained payable.

Canaccord Adviser expenses
During the year, the Board engaged Canaccord Genuity to act as adviser to the Company in relation to the restructuring of the Company as detailed further in Note 2. The Canaccord adviser fees are included in restructuring/continuation expenses in the table on page 47. At 31 December 2014, an amount of £227,500 remained payable and is included in other payables.

11. FINANCE COSTS

	31 December 2014 £	31 December 2012 £
Finance costs arising on financial liabilities at amortised cost:		
Facility fee (note 23)	125,000	125,000
Bank interest paid	-	1,018
	125,000	**126,018**

The above finance costs arise on financial liabilities at amortised cost using the effective interest method. The bank interest resulted from the Company's debt facility with Bank Julius Baer & Co Limited to fund the purchase of investments in the short term. The Company did not draw on the debt element of the facility during the current or prior financial year.

No other losses have been recognised in respect of financial liabilities at amortised cost other than those disclosed above.

12. TAX STATUS

The Company is exempt from Guernsey income tax and is charged an annual exemption fee of £600. With effect from 1 January 2015, the fixed annual tax exempt fee payable to the States of Guernsey has increased to £1,200.

13. BASIC AND DILUTED EARNINGS PER ORDINARY SHARE

Basic and diluted earnings per Ordinary Share are calculated by dividing profit for the year available by the weighted average number of Ordinary Shares outstanding during the year.

	31 December 2014	31 December 2013
Weighted average number of Ordinary Shares	**115,527,321**	**117,087,877**
Profit for the financial year	**£5,975,951**	**£11,767,406**
Basic and diluted earnings per Ordinary Share	**5.17p**	**10.05p**

The weighted average number of Ordinary Shares as at 31 December 2014 is based on the number of Ordinary Shares in issue during the year, as detailed in note 18.

During the year, the Company acquired and cancelled 3,025,928 Ordinary Shares.

On 6 February 2015, the Company announced the results of the Tender Price being 111.06p and return of capital to Qualifying Shareholders occurred on 12 February 2015. For further details on the Tender Offer, see note 2.

There are no instruments in issue that could potentially dilute earnings per Ordinary Share in future years.

14. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2014 £	31 December 2013 £
Fair value through profit or loss investments		
Opening fair value as at beginning of year	115,731,211	113,479,061
Purchases	91,433,018	3,363,625
Sales - proceeds	(156,872,445)	(14,285,412)
- realised gains on sales	25,329,837	7,255,372
Movement in unrealised gains on investments	(15,454,975)	5,918,565
Closing fair value at end of year	**60,166,646**	**115,731,211**
Closing cost	52,012,209	92,121,799
Unrealised gains on investments	8,154,437	23,609,412
Closing fair value at end of year	**60,166,646**	**115,731,211**
Realised gains on sales	25,329,837	7,255,372
Movement in unrealised gains on investments	(15,454,975)	5,918,565
	9,874,862	13,173,937
Investment income	126,790	172,135
Total net gains on investments designated at fair value through profit or loss	**10,001,652**	**13,346,072**

Further information and analysis of the investments is included in the Summary Information and Sub-Manager's Report.

As at 31 December 2014, £25,351,061 (31 December 2013: £742,960) of investment sales proceeds were receivable.

15. CASH AND CASH EQUIVALENTS

	31 December 2014 £	31 December 2013 £
Opening cash and cash equivalents	10,557,819	4,971,673
Net movement in the year	31,038,169	5,586,146
Closing cash and cash equivalents	**41,595,988**	**10,557,819**

Cash and cash equivalents comprise bank balances and cash held by the Company including short-term bank deposits with an original maturity of three months or less. The carrying value of these assets approximates to their fair value.

Cash and cash equivalents were at an increased percentage of the net asset value of the Company at 31 December 2014, compared with the prior year end, due to the preparation for the settlement of the Tender Offer in February 2015. Upon settlement of the Tender Offer shares, cash and cash equivalents returned to levels which are comparable to prior periods.

16. CURRENT ASSETS AND LIABILITIES

The Directors consider that the carrying amount of other receivables and other payables approximates to their fair value due to their short term nature.

17. OTHER PAYABLES

	31 December 2014 £	31 December 2013 £
Management fee payable (note 10)	212,010	113,115
Performance fee payable (note 10)	120,980	383,397
Advisory fee payable (note 10)	227,500	-
Auditor's remuneration payable	28,000	24,000
Printing costs payable	6,200	10,151
Accounting, secretarial and administration fees payable (note 10)	23,290	14,907
Custodian fee payable (note 10)	10,601	10,759
Registrar fee payable	3,052	5,000
Sundry expenses payable	69,432	1,447
	701,065	**562,776**

18. SHARE CAPITAL

Authorised Capital
The Company has the power to issue an unlimited number of Ordinary Shares of no par value at a premium which may be denominated in Sterling, Euro, US Dollars or any other currency. The Company only has Sterling Ordinary Shares in issue at the date of this report.

Issued Capital	Ordinary Shares
31 December 2014	
At 1 January 2014	117,087,877
Ordinary Shares acquired and cancelled during the year	(3,025,928)
Ordinary Shares acquired and cancelled for Tender Offer	(58,396,589)
At as 31 December 2014	55,665,360
31 December 2013	
At 1 January 2013	117,087,877
Ordinary Shares acquired and cancelled during the year	-
At 31 December 2013	117,087,877

The Company acquired and cancelled a total of 61,422,517 Ordinary Shares during the year (31 December 2013: Nil). At 31 December 2014, an outstanding amount of £64,855,251 remained payable in relation to the 58,396,589 Ordinary Shares acquired and cancelled for Tender Offer.

Buy Back of Ordinary Shares and Authority to Buy Back Ordinary Shares
By way of an ordinary resolution passed by a written resolution dated 2 November 2005, the Company took authority to make market purchases of fully paid Ordinary Shares, provided that the maximum number of Ordinary Shares authorised to be purchased shall be 14.99% of the issued Share Capital of the Company issued pursuant to the Initial Public Offering ("IPO"). The minimum price which may be paid for a Share pursuant to such authority is one pence and the maximum price which may be paid for a Share shall be 105% of the average of the middle market quotations (as derived from the London Stock Exchange Daily Official List) for the Ordinary Shares for the five business days immediately preceding the date of purchase.

On 29 January 2014, the Board announced that it was narrowing the discount target from 10% to 7.5% and this was further reduced to 2.5% during June 2014, and the Company operated the enhanced buy-back programme subject to the discount being wider than this level. In addition, at the EGM on 25 September 2014, a resolution was passed to adopt a maximum discount target of 5% with effect from 1 January 2015.

By way of a special resolution at the Annual General Meeting held on 25 April 2014, Shareholders approved the renewed authority that the Company be authorised to purchase its own shares.

Such authority will expire at the Annual General Meeting of the Company in 2015 unless such authority is varied, revoked or renewed prior to such date by a special resolution of the Company in general meeting. The Board intends to seek a renewal of such authority at the Annual General Meeting of the Company in 2015.

18. SHARE CAPITAL, continued

Tender Offer
Following the Extraordinary General Meeting on 25 September 2014, proposals for a Tender Offer were passed by the Shareholders. As a result, 58,396,589 Ordinary Shares, representing 51.20%, of the Company's issued share capital were tendered by Qualifying Shareholders for repurchase pursuant to the Tender Offer. For further details on the Tender Offer see Note 2.

19. RESERVES

a) Share Premium Account

	31 December 2014 £	31 December 2013 £
As at 1 January	-	-
Ordinary Shares acquired and cancelled during the year	(68,082,112)	-
Transfer from distributable reserve	68,082,112	-
At as 31 December	-	-

There were no unsettled share transactions as at 31 December 2014 or 31 December 2013.

b) Distributable Reserve

	31 December 2014 £	31 December 2013 £
As at 1 January	148,056,129	148,056,129
Transfer to Share Premium Account	(3,226,861)	-
Transfer to Share Premium Account re Tender Offer	(64,855,251)	-
At as 31 December	79,974,017	148,056,129

The Distributable Reserve may be applied in any manner in which the Company's profits available for distribution are able to be applied, including purchase of the Company's own Shares and the payment of dividends.

c) Accumulated Losses
Total comprehensive income for each year is attributed to an Accumulated Losses reserve account.

20. NET ASSET VALUE PER ORDINARY SHARE
The net asset value per Ordinary Share of £1.1118 (31 December 2013: £1.0975) is based on the Company's net assets at the year end of £61,890,337 (31 December 2013: £128,507,777) and on 55,665,360 (31 December 2013: 117,087,877) Ordinary Shares, being the number of Ordinary Shares in issue at the year end.

21. NOTES TO THE CASH FLOW STATEMENT
Purchases and sales of investments are considered to be operating activities of the Company, given its purpose, rather than investing activities. The cash flows arising from these activities are shown in the Statement of Cash Flows.

22. RECONCILIATION OF ACCOUNTING NAV AND PUBLISHED NAV PER SHARE

31 December 2014	Net Asset Value £	Number of Ordinary Shares No.	NAV per Ordinary Share £
Published Net Asset Value	126,745,588	114,061,949	1.1112
Adjustments for Tender Offer	(64,855,251)	(58,396,589)	(1.1106)*
Financial Statements Net Asset Value	**61,890,337**	**55,665,360**	**1.1118**

**Tender Price.*

Following the approval of the Tender Offer at the EGM on 25 September 2014, the Company has committed to acquire and cancel the issued share capital which was tendered by Qualifying Shareholders for repurchase pursuant to the Tender Offer. As a result, for the Financial Statements purposes, the liability in relation to the Tender Shares and the Tender Shares themselves were deemed to have been acquired and cancelled prior to the year end.

The difference between the Published Net Asset Value (“NAV”) per Ordinary Share of £1.1112 and the Financial Statements NAV per Ordinary Share of £1.1118, is due to the Published NAV being Net Asset Value per Ordinary Share before any adjustments for the Tender Offer and recognition of the resulting liability for the Tender Share payments. The Tender Shares were acquired by the Company at a 0.05% discount to the Published NAV and as a result there was an uplift in the NAV attributable to the remaining non tendered Ordinary Shares of the Company.

31 December 2013	Net Asset Value £	Number of Ordinary Shares	NAV per Ordinary Share £
Published Net Asset Value	129,426,179	117,087,877	1.1054
Adjustments to investments at FVTPL	(1,021,476)	117,087,877	(0.0087)
Adjustments to expense accruals	103,074	117,087,877	0.0008
Financial Statements Net Asset Value	**128,507,777**	**117,087,877**	**1.0975**

As at 31 December 2013, the Directors applied an adjustment to the reported net asset value of investments held by the Company where they deemed those reported net asset values not to represent fair value. The adjustments have been based on sales negotiations and externally available evidence. The expense accruals adjustment was as a result of above adjustment on the investments and the subsequent impact this had on the Net Asset Value based fees of the Company.

23. BANK FACILITIES

Up until 10 December 2014, the Company had a multi-purpose multi-currency revolving overdraft and foreign exchange credit facility with Bank Julius Baer & Co Limited (the "Bank") which was entered into on 11 March 2010. The Bank had agreed to provide the Company with a loan facility in the aggregate principal amount of up to the lower of £12,000,000 or 10% of the collateral value of the Company's Eligible Assets/Eligible Hedge Fund Investments deposited with the Custodian, extendable to 15% in relation to foreign exchange exposure. This facility was secured by a charge over all of the Company's underlying assets and was in accordance with the conditions of the Security Interest Agreement dated 2 November 2005 between the Company, the Bank and the Custodian. The interest rate chargeable was the Bank's floating lending rate plus a margin of 1.75% per annum payable quarterly in arrears.

The facility was terminable at any time by the Bank on 120 days notice. The Company paid an annual facility fee of £125,000 per annum.

This facility was not renewed upon expiration.

As at 10 December 2014 on expiration of this facility, the Company had not drawn down on this facility (31 December 2013: £nil). Refer to note 6 for further details relating to liquidity risk.

Following the EGM on 25 September 2014, it was resolved that the Company would no longer use currency hedging so as to avoid the cash drag and costs which that has historically entailed. As a result, the overdraft and foreign exchange credit facility as detailed above with the Bank is no longer required and has not been renewed for 2015. The Company did not utilise the facility and therefore the Company cancelling this has no impact on the Company’s ability to continue on the going concern basis.

24. DERIVATIVES

During most of the year, the Company hedged the majority of its currency exposure back to Sterling through the use of rolling forward foreign exchange contracts. This policy, which is an integral aspect of the Company's investment strategy, eliminated volatility that would otherwise have occurred as a result of fluctuations in the Sterling/US Dollar exchange rate over the period.

The Company had no outstanding commitments in respect of forward foreign exchange contracts at the reporting date. At 31 December 2013, the following commitments in respect of forward foreign exchange contracts existed with the Custodian:

As at 31 December 2013:

Maturity Date	Contract amount	Buy	Sell	Unrealised gain £
28 February 2014	USD (132,100,000)	USD	GBP	1,819,207
28 February 2014	USD (1,500,000)	USD	GBP	12,087
				1,831,294

(Contracted forward rate for 28 February 2014 £1: US$1.6551).
The total gains/losses on derivatives held for trading are shown in note 8.

Following the EGM on 25 September 2014, it was resolved that the Company would no longer use currency hedging.

25. CONTINGENT LIABILITIES AND COMMITMENTS

The Company has no contingent liabilities or commitments at the reporting date.

26. RELATED PARTY TRANSACTIONS

The Investment Manager, the Sub-Manager and the Directors are regarded as related parties. The only material related party transactions are described below:

The fees and expenses payable to the Investment Manager are explained in Note 10. Management fees incurred during the year were £1,280,256 and the management fee balance due at the end of the year was £212,010 (31 December 2013: £113,115). Performance fees incurred during the year were £669,161 and the performance fee balance due at the end of the year was £120,980 (31 December 2013: £383,397).

There were no direct transactions with the Sub-Manager during the year.

The Directors' fees are explained in note 10. Directors' fees paid during the year were £82,500 (31 December 2013: £82,500) and the Directors' fees payable at the end of the year were £nil (31 December 2013: £nil).

During the year the Directors received the following amounts as dividends:

	31 December 2014 £	31 December 2013 £
J Le Pelley	35,141	27,644
R Battey	-	-
W Scott	202	190

27. POST YEAR END EVENTS

On 6 February 2015, the Company announced the results of the Tender Price being 111.06p and the return of capital to Qualifying Shareholders occurred on 12 February 2015.

Following the settlement of the Tender Offer above, the Directors reassessed the Company's functional currency and have concluded that this has changed from Sterling to US Dollar with effect from 6 February 2015. For further details see Note 4. In light of this, it is also the Directors' intention to align the Company's presentational currency by changing it from Sterling to US Dollar with effect from 6 February 2015.

On 13 April 2015, Mr William Simpson was appointed as Director of the Company.

27. POST YEAR END EVENTS, continued

On 23 April 2015, the Board approved an amendment to the Company's investment objective to make reference to the US Dollar LIBOR instead of Sterling LIBOR, this realignment will better reflect the recent change in investment policy as detailed further in Note 2. The investment objective of the Company, therefore, has been amended as follows:

- To produce annual returns in excess of 3-month US Dollar LIBOR plus 5% over a rolling 3-year period, with annual standard deviation of under 5%.

On 23 April 2015, the Board declared an interim dividend for the year ended 31 December 2014 of 1.95 pence per Ordinary Share. The dividend will be paid to shareholders on the register on the record date of 1 May 2015. The Ordinary Shares will have an ex-date of 30 April 2015 and the dividend will be paid on 28 May 2015.

There were no other significant post year end events that require disclosure in these Financial Statements.

ACENCIA DEBT STRATEGIES LIMITED
(the “Company”)

(a closed-ended company incorporated in Guernsey with registration number 43787)

NOTICE

NOTICE IS HEREBY GIVEN THAT an Annual General Meeting of Shareholders of AcenciA Debt Strategies Limited (the "Company") will be held at Sarnia House, Le Truchot, St Peter Port, Guernsey GY1 4NA on 27 May 2015 at 10:00 a.m. for the purpose of considering and, if thought fit, passing the following Resolutions:

ORDINARY BUSINESS

To consider and if thought fit, pass resolutions 1-6 as ordinary resolutions:

1. THAT the Financial Statements, Directors’ Report, and Auditor’s Report for the year ended 31st December 2014 be received and adopted.

2. THAT BDO Limited be re-appointed as auditors of the Company until the conclusion of the next Annual General Meeting of the Company.

3. THAT the Directors be and are hereby authorised to fix the remuneration of the Company’s auditor for their next period of office.

4. THAT Richard John Battey be re-elected as a Director of the Company.

5. THAT William Scott be re-elected as a Director of the Company.

6. THAT William Simpson be re-elected as a Director of the Company.

SPECIAL BUSINESS

To consider and if thought fit, pass resolutions 7-9 as ordinary resolutions:

7. THAT the Company be authorised, in accordance with the Companies (Guernsey) Law, 2008 as amended, to make market purchases (as defined in that Law) of Ordinary Shares of No Par Value (“Ordinary Shares”), provided that:

    a. the maximum number of Ordinary Shares hereby authorised to be purchased shall be 14.99% of the issued Ordinary Shares on the date on which this resolution is passed;

    b. the minimum price which may be paid for an Ordinary Share shall be 1p or currency equivalent;

    c. the maximum price (exclusive of expenses) which may be paid for an Ordinary Share shall be 105% of the average of the middle market quotations (as derived from the Daily Official List) of the Ordinary Shares for the five business days immediately preceding the date of purchase;

    d. unless previously varied, revoked or renewed, the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2016, save that the Company may, prior to such expiry, enter into a contract to purchase Ordinary Shares under such authority and may make a purchase of Ordinary Shares pursuant to any such contract, and

    e. the Company may make a contract to purchase shares under such authority prior to its expiry which will or may be executed wholly or partly after its expiration and the Company may make a purchase of shares pursuant to such contract.

ACENCIA DEBT STRATEGIES LIMITED
(the "Company")

(a closed-ended company incorporated in Guernsey with registration number 43787)

Notice of Annual General Meeting of Shareholders

8. THAT, the conditional waiver granted by The Panel on Takeovers and Mergers as described in the Appendix to this Notice (the **Appendix**"), of the obligation that would otherwise arise on the Saltus Concert Parties (as defined in the Appendix) or any member of the Saltus Concert Party individually or collectively to make a general offer to the shareholders of the Company pursuant to Rule 9 of the City Code on Takeovers and Mergers as a result of the exercise by the Company of the powers conferred under Resolution 7, above, be and is hereby approved with effect from the conclusion of the Annual General Meeting and shall expire at the conclusion of the next annual general meeting of the Company.

9. THAT the change in the denomination of the issued share capital of the Company from Sterling, being the lawful currency of the UK, to US dollars, being the lawful currency of the United States of America, be and is hereby approved with effect from the conclusion of the Annual General Meeting.

To consider and if thought fit, pass resolution 10 as a special resolution:

10. THAT pursuant to a special resolution passed on 22 October 2010 to disapply pre-emption rights the Directors continue to be empowered to issue or allot shares for cash (within the meaning of the Articles) as if the pre-emption rights in article 45 of the Articles do not apply to such issue or allotment provided that this power shall be limited to:

    a. The issue or allotment of Shares or any class thereof in connection with an offer of securities in favour of the holders of Shares or any class thereof on the register of members at such record date as the Board may determine where the Shares or any class thereof respectively attributable to the interests of the Shareholders are proportionate (as nearly as may be practicable) to the respective numbers of Shares or any class thereof held by them on any such record date, subject to such exclusions or other arrangements as the Board may deem necessary or expedient to deal with fractional entitlements or legal or practical problems arising under the laws of any overseas territory or the requirements of any regulatory body or stock exchange or by virtue of shares being represented by depository receipts or any other matter; and

    b. The issue or allotment (otherwise than pursuant to sub-paragraph a of this Resolution 10) to any person or persons of Shares up to an amount not exceeding 10 per cent of the Company's issued share capital at the time of the allotment,

    and shall expire at the next AGM of the Company, save that the Company shall be entitled to make offers or agreements before the expiry of such power which would or might require Shares to be issued or allotted after such expiry and the Board shall be entitled to issue or allot Shares pursuant to any such offer or agreement as if the power conferred hereby had not expired.

By order of the Board

For and on behalf of
Praxis Fund Services Limited
As Company Secretary

Date: 28 April 2015

Registered office: Sarnia House, Le Truchot, St Peter Port, Guernsey, GY1 4NA
Channel Islands

Notes:

1. Any Shareholder entitled to attend, speak and vote at the meeting is entitled to appoint one or more proxies to attend, speak and, on a poll, vote instead of him. A proxy need not be a Shareholder of the Company. A Shareholder may appoint more than one proxy in relation to the meeting provided that each proxy is appointed to exercise the rights attached to a different Share or Shares held by the Shareholder. A Shareholder entitled to more than one vote need not, if he votes, use all his votes or cast all the votes he uses in the same way. A proxy may be an individual or a body corporate who need not be a Shareholder of the Company.

2. The Form of Proxy, together with, if appropriate, any power of attorney or other authority or a notarially certified copy of any power of attorney or other authority (if any) under which it is signed, must be deposited with Capita Asset Services, PXS1, 34 Beckenham Road, Beckenham BR3 4ZF not later than forty-eight hours before the time appointed for holding the meeting.

3 To appoint more than one proxy to vote in relation to different Shares within your holding you may photocopy the form. Please indicate the proxy holder's name and the number of Shares in relation to which they are authorised to act as your proxy (which in aggregate should not exceed the number of Shares held by you). Please also indicate if the proxy instruction is one of multiple instructions being given. All Forms of Proxy must be signed and should be returned together in the same envelope.

4. To appoint a proxy or to give or amend an instruction to a previously appointed proxy via the CREST system, the CREST message must be received by the issuer's agent RA10 by 10.00am 25 May 2015. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuers agent is able to retrieve the message. After this time any change of instructions to a proxy appointed through CREST should be communicated to the proxy by other means. CREST Personal Members or other CREST Sponsored Members, and those CREST Members who have appointed voting service provider(s) should contact their CREST sponsor or voting service provider(s) for assistance with appointing proxies via CREST. For further information on CREST procedures, limitations and system timings please refer to the CREST manual. We may treat as invalid a proxy appointment sent by CREST in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001. In any case your proxy form must be received by Capita Asset Services no later than 10.00am 25 May 2015.

5. Return of a completed Form of Proxy will not preclude a Shareholder from attending and voting personally at the meeting.

6. Any corporation which is a Shareholder of the Company may, by resolution of its directors or other governing body, authorise such person as it thinks fit to act as its representative at any meeting of any class of Shareholders of the Company and the person so authorised shall be entitled to exercise the same power on behalf of the corporation which he represents as that corporation could exercise if it were an individual Shareholder of the Company.

7. To change your proxy instructions, simply submit a new proxy appointment using the method set out above. If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence. Please note that the cut-off time for receipt of proxy appointments also applies in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.

8. Return of a completed Form of Proxy will not preclude a Shareholder from attending and voting personally at the meeting. If you have appointed a proxy and attend the meeting in person, your proxy appointment will automatically be terminated.

9. Only Shareholders entered on the register of Shareholders of the Company will be entitled to receive notice of the meeting. In addition, only Shareholders registered in the register of Shareholders of the Company 48 hours before the time fixed for the meeting or adjourned meeting shall be entitled to attend, speak, and vote at the meeting in respect of the number of Shares registered in their name at that time. Changes to entries on the register after such time shall be disregarded in determining the rights of any person to attend or vote at the meeting.

10. The notice sets out the Resolutions to be proposed at the meeting. The meeting will be chaired by a Shareholder elected by the Shareholders present in person or by proxy at the meeting.

11. The quorum for a meeting of Shareholders is two or more Shareholders (provided that they are entitled to vote on the business to be transacted at the meeting) present in person or by proxy.

12. If, within half an hour from the appointed time for the meeting, a quorum is not present, then the meeting will be adjourned to 10.00am 3 June 2015 at the same address. If, at that meeting, a quorum is not present within five minutes from the time appointed for the holding of the meeting, those Shareholders present in person or by proxy will form a quorum whatever their number and the number of Shares held by them.

13. The majority required for the passing of the ordinary resolutions is more than fifty per cent. (50%) of the total number of votes cast in favour of each Resolution. The majority required for the passing of the special resolutions is more than seventy five per cent. (75%) of the total number of votes cast in favour of the Resolution.

14. If the Resolutions are duly passed at the meeting (or any adjourned meeting thereof), and other necessary formalities are completed, this will result in all of the proposed Resolutions becoming binding on each Shareholder in the Company whether or not they voted in favour of the resolutions, or voted at all.

15. To allow effective constitution of the meeting, if it is apparent to the chairman that no Shareholders will be present in person or by proxy, other than by proxy in the chairman's favour, then the chairman may appoint a substitute to act as proxy in his stead for any Shareholder, provided that such substitute proxy shall vote on the same basis as the chairman.

16. At any meeting, a resolution put to the vote shall be decided by a show of hands or by a poll at the option of the chairman. Nevertheless before or on the declaration of the result a poll may be demanded by the chairman; or by one Member present in person or by proxy. The demand for a poll may be withdrawn.

17. Unless a poll be demanded a declaration by the chairman that a resolution has on a show of hands been carried or carried unanimously or by a particular majority or lost and an entry to that effect in the minute book shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded.

ACENCIA DEBT STRATEGIES LIMITED
MANAGEMENT AND ADMINISTRATION

Directors
J Le Pelley (Independent non-executive Chairman)
R Battey (Independent non-executive Director)
W Scott (Independent non-executive Director)
W Simpson (Independent non-executive Director) *(appointed 13 April 2015)*

Registered Office and Directors' Address
Sarnia House
Le Truchot
St Peter Port
Guernsey GY1 4NA

Investment Manager
Saltus (Channel Islands) Limited
Sarnia House
Le Truchot
St Peter Port
Guernsey GY1 4NA

Sub-Manager
Saltus Partners LLP
72 New Bond Street
London W1S 1RR

Investment Adviser
Sandalwood Securities, Inc.
101 Eisenhower Parkway
Roseland
NJ 07068
USA

Custodian
Bank Julius Baer & Co Limited
(Guernsey Branch)
PO Box 87
Lefebvre Court
Lefebvre Street
St Peter Port
Guernsey GY1 4BS

Independent Auditor
BDO Limited
P.O. Box 180
Place du Pre
Rue du Pre
St Peter Port
Guernsey GY1 3LL

Administrator and Secretary
Praxis Fund Services Limited
Sarnia House
Le Truchot
St Peter Port
Guernsey GY1 4NA

Registrar
Capita IRG Registrars (Guernsey) Limited
2nd Floor
1 Le Truchot
St Peter Port
Guernsey GY1 4AE

Legal Advisers in Guernsey
Carey Olsen
Carey House
Les Banques
St Peter Port
Guernsey GY1 4BZ

Legal Advisers In United Kingdom
Macfarlanes LLP
20 Cursitor Street
London EC4A 1LT

Financial Adviser/Corporate Broker
J.P.Morgan Cazenove (ceased 6 February 2014)
20 Moorgate
London EC2R 6DA

Canaccord Genuity Limited (appointed 6 February 2014)
41 Lothbury
London EC2R 7AE

Placing Agent
Kepler Partners LLP
Bennet House
54 St James's Street
London SW1A 1JT

APPENDIX

EXPLANATORY NOTES FOR THE SPECIAL BUSINESS TO BE PROPOSED AT THE ANNUAL GENERAL MEETING

If you are in doubt about this offer you should consult an independent financial adviser authorised under the FSMA

DEFINITIONS

The following definitions apply throughout this Appendix unless the context otherwise requires:

"**AcenciA**" or the "**Company**"	AcenciA Debt Strategies Limited;
"**Annual General Meeting**"	the annual general meeting of the Company to be held at Sarnia House, Le Truchot, St. Peter Port, Guernsey GY1 4NA at 10.00 a.m. on 27 May 2015;
"**Appendix**"	this Appendix;
"**Board**" or "**Directors**"	the board of directors of the Company and "**Director**" shall mean any one of them';
"**Business Day**"	has the meaning set out in Appendix 1 (Relevant Definitions) of the Listing Rules;
"**Circular**"	the circular letter relating to the Tender Offer sent to Shareholders on 5 September 2014;
"**Concert Party Responsible Persons**"	the Saltus Responsible Persons and the Sandalwood Responsible Person;
"**Dollar**"	the lawful currency of the United States of America;
"**EGM**"	the extraordinary general meeting of the Company held at Sarnia House, Le Truchot, St. Peter Port, Guernsey GY1 4NA at 10.00 a.m. on 25 September 2014;
"**Financial Conduct Authority**" or "**FCA**"	the United Kingdom Financial Conduct Authority and any successor regulated authority thereto;
"**FSMA**"	Financial Services and Markets Act 2000;
"**Independent Shareholders**"	Shareholders other than the Saltus Concert Parties;
"**Investment Advisory Agreement**"	the investment advisory agreement between the Company, the Investment Manager, the Sub-Manager and the Investment Adviser, a summary of which is set out in paragraph 8 of Part II of this Appendix;
"**Investment Management Agreement**"	the investment management agreement between the Company and the Investment Manager, a summary of which is set out in paragraph 8 of Part II of this Appendix;
"**Latest Practicable Date**"	27 April 2015, being the latest practicable date before the date of this document;
"**Listing Rules**"	the listing rules of the Financial Conduct Authority;
"**London Stock Exchange**"	the London Stock Exchange plc;

"**NAV**" or "**Net Asset Value**"	the net asset value of the Company determined in accordance with the Company's normal accounting policies;
"**NAV Calculation Date**"	the last Business Day of each calendar month (or if such date if a public holiday in the United States, the immediately preceding business day);
"**Net Asset Value per Share**"	the Net Asset Value divided by the number of Shares in issue;
"**Ordinary Resolution**"	a resolution of the Shareholders present (in person or by proxy) and voting at a general meeting of the Company to be passed by a simple majority;
"**Panel**"	The Panel on Takeovers and Mergers;
"**Panel Waiver**"	the waiver conditionally granted by the Panel of any obligation which would otherwise be imposed on the Saltus Concert Parties, either individually or collectively, to make a general offer to all Shareholders under Rule 9 of the Takeover Code, as a result of market purchase made pursuant to the Share Purchase Authority;
"**Panel Waiver Resolution**"	the resolution numbered 8 set out in the Notice of Annual General Meeting to approve the Panel Waiver;
"**Resolution**"	each resolution set out in the Notice of Annual General Meeting;
"**Saltus**" or "**Sub-Manager**"	Saltus Partners LLP which is the investment sub-manager to the Company;
"**Saltus CI**" or "**Investment Manager**"	Saltus (Channel Islands) Limited which is the investment manager to the Company and a wholly-owned subsidiary of Saltus;
"**Saltus Concert Parties**"	either or both (as the context requires) of Saltus (on behalf of funds managed by it and by members of its group) and Sandalwood (on behalf of funds managed by it) further details of which are set out in paragraph 3 of Part II of this Appendix;
"**Saltus Concert Party**"	the concert party deemed, pursuant to the Takeover Code, to exist between Saltus (including the Saltus Responsible persons, together with their close relatives and related trusts) and Sandalwood (including the Sandalwood Responsible Person, together with his close relatives and related trusts);
"**Saltus Responsible Persons**"	Jon Macintosh, Simon Armstrong, Philip Bevan and David Cooke, being the members of the management board of Saltus and the individuals whom the Panel has agreed may accept responsibility for the information in this Circular concerning the Saltus Concert Party;
"**Sandalwood**" or "**Investment Adviser**"	Sandalwood Securities, Inc. which is the investment adviser to the Company;
"**Sandalwood Responsible Person**"	Martin J. Gross, being the sole director of Sandalwood and the individual whom the Panel has agreed may accept responsibility for the information in this Appendix concerning the Saltus Concert Party;
"**Share Denomination**	the resolution numbered 9 set out in the Notice of Annual

Resolution"	General Meeting;
"**Shareholders**"	the holders of the Shares and "**Shareholder**" means any one of them;
"**Share Purchase Authority**"	the general authority for the Company to buy back Shares of up to 14.99 per cent. of its ordinary share capital with effect from the conclusion of the Annual General Meeting and expiring at the annual general meeting of the Company to be held in 2016;
"**Shares**"	the ordinary shares of no par value in the capital of the Company;
"**Sterling**"	the lawful currency of the UK;
"**Sub-Management Agreement**"	the sub-management agreement between the Company, the Investment Manager and the Sub-Manager, a summary of which is set out in paragraph 8 of Part II of this Appendix;
"**Takeover Code**"	the Takeover Code issued by the Panel, as amended from time to time;
"**Tender Offer**"	each of the invitation by the Company to Shareholders to tender their Shares, the tender of Shares by Shareholders and the acceptance of such tenders by the Company on the terms and subject to the conditions set out in the Circular or any one or more of such invitation, tender or acceptance as the context requires;
"**Tender Offer Waiver**"	the waiver granted by the Panel of any obligation which would otherwise have been imposed on the Saltus Concert Parties, either individually or collectively, to make a general offer to all Shareholders under Rule 9 of the Takeover Code, as a result of the Tender Offer and/or the exercise by the Company of the general authority for the Company to buy back shares of up to 14.99 per cent. of its ordinary share capital following completion of the Tender Offer;
"**Total Assets**"	the value of all assets of the Company (in Sterling) less the value of all liabilities of the Company (but excluding any accrued but unpaid performance fee liabilities pursuant to the Investment Management Agreement) each as valued in accordance with the Company's accounting policies; and
"**UK**" or "**United Kingdom**"	the United Kingdom of Great Britain and Northern Ireland.

PART I

EXPLANATION OF SPECIAL BUSINESS

1 Introduction

As Shareholders will be aware, resolutions were passed at the EGM to approve, amongst other things, a return of capital by way of the Tender Offer. The Company announced on 25 September 2014 that applications had been received by Shareholders to tender, in aggregate, 58,396,589 Shares and that these would be repurchased in early 2015. The Tender Offer was completed, and those Shares were cancelled, on 12 February 2015.

At the time of the Tender Offer, the Company's investment sub-manager, Saltus Partners LLP, and its investment adviser, Sandalwood Securities, Inc. (together, including the Saltus Responsible Persons, the Sandalwood Responsible Person and their respective close relatives and related trusts, the "Saltus Concert Party") held such number of Shares in aggregate as potentially to trigger the requirement under Rule 9 and Rule 37.1 of the Takeover Code to make a mandatory offer for the Shares which they did not hold. Although the Saltus Concert Party's shareholding represented less than 30 per cent. of the Company's issued share capital immediately prior to the Tender Offer, the requirement to make an offer under the Takeover Code could have arisen depending upon the number of Shares eventually purchased from other Shareholders pursuant to the Tender Offer and/or the number of Shares subsequently bought back by the Company from other Shareholders pursuant to its 14.99 per cent. general share purchase authority. A resolution was therefore put forward at the EGM seeking approval from independent Shareholders for a waiver of the obligation on the Saltus Concert Party to make an offer for the Company in such circumstances; that resolution was duly passed.

Immediately following completion of the Tender Offer the Saltus Concert Party held, in aggregate, 16,360,107 Shares (representing 29.39 per cent. of the issued share capital of the Company); and its percentage shareholding has not changed since that time. There has therefore been no need to make use of the Tender Offer Waiver to date.

However, the Tender Offer Waiver is only valid until the conclusion of the 2015 Annual General Meeting. The Company will be seeking a new Share Purchase Authority from Shareholders at that Meeting which, if it were to be exercised after the Tender Offer Waiver has expired, again might trigger the requirement for a mandatory offer under the Takeover Code. Your Board therefore believes it appropriate to seek a renewal of the Waiver. Your Board has consulted the Panel, which has agreed, subject to the approval of Resolution 8 on a poll by Shareholders (other than the Saltus Concert Parties), to waive any obligation that might arise under Rule 9 or Rule 37 of the Takeover Code for the Saltus Concert Party to make a general offer for the Shares which they do not already hold in the event that the Share Purchase Authority is renewed at the Annual General Meeting and the Company subsequently exercises such authority.

2 The Saltus Concert Parties

Depending upon the extent to which the Share Purchase Authority is utilised, Saltus (including the Saltus Responsible Persons and their close relatives and related trusts, each of whom hold Shares in the Company) and Sandalwood (including the Sandalwood Responsible Person and related trusts, each of whom hold Shares in the Company), together being the Saltus Concert Parties, (who as at the Latest Practicable Date held in aggregate 29.39 per cent. of the Shares) may come under an obligation to make a mandatory offer to acquire the entire issued share capital of the Company pursuant to the Takeover Code. It is estimated that this obligation would be triggered if the Company were to buy back 1,131,670 Shares (representing 2.03 per cent. of the Company's issued share capital) from the Shareholders other than the Saltus Concert Parties pursuant to the Share Purchase Authority, and if the Saltus Concert Parties were to continue to hold the same number of Shares as they do at the date of this document, in which case the aggregate holding of the Saltus Concert Parties would represent 30 per cent. of the Shares.

As a result, under Rule 9 and Rule 37 of the Takeover Code, unless a specific waiver is obtained from the Panel and approved by Independent Shareholders voting on a poll, the Saltus Concert Parties would normally be obliged to make a mandatory offer for the Company.

Voting by Saltus and Sandalwood

While the Saltus Concert Parties are presumed by the Panel to be acting in concert, Saltus and Sandalwood act independently of each other when voting their shares and do so in the interests of their underlying clients on whose behalf such shares are held and to whom they have fiduciary and other duties.

Notwithstanding the above, Saltus and Sandalwood both gave undertakings in the Circular that they will not vote their Shares on any resolution of the Company where the Board considers that either has a material conflict of interest.

3 Waiver of Rule 9 of the Takeover Code

The Company is seeking approval of the Independent Shareholders to the waiver of certain obligations which may arise under the Takeover Code as a result of any exercise of the Share Purchase Authority. Further information about the application of Rule 9 of the Takeover Code is set out in paragraph 10 of Part II of this Appendix.

The Panel has confirmed that an investment manager or an investment adviser to an investment company will be treated as a director for the purposes of Rule 37.1 of the Takeover Code. Accordingly, Saltus and Sandalwood, which in aggregate are currently interested in 15,084,544 Shares, representing approximately 27.10 per cent. of the issued share capital of the Company, are deemed to be acting in concert for the purposes of Rule 9 and Rule 37.1 of the Takeover Code. In addition, as stated above, the Saltus Responsible Persons, the Sandalwood Responsible Person and their close relatives and related trusts are deemed to be acting in concert. Further details of the Saltus Concert Party are set out in paragraph 3 of Part II of this Appendix.

Thus, if the Company were to purchase any of its Shares from persons other than the Saltus Concert Parties pursuant to the Share Purchase Authority, this could result in the Saltus Concert Party being obliged to make an offer for the Company.

As a result, your Board has consulted with the Panel, which has agreed, subject to the approval of the Panel Waiver Resolution on a poll by Independent Shareholders, to waive any obligation that would otherwise arise under Rule 9 and Rule 37.1 of the Takeover Code for the Saltus Concert Party, as a result of any purchases of Shares by the Company pursuant to the Share Purchase Authority, to make a general offer for the Shares which they do not already hold.

The members of the Saltus Concert Party will not be entitled to vote on the Panel Waiver Resolution at the Annual General Meeting.

On the basis that the issued share capital of the Company is 55,665,360 Shares (being the issued share capital of the Company as at the Latest Practicable Date) and assuming that (i) the Panel Waiver Resolution is passed at the Annual General Meeting, (ii) the Share Purchase Authority is used in full by the Company; and (iii) no member of the Saltus Concert Party disposes of any of their Shares pursuant to the exercise of the Share Purchase Authority, the Saltus Concert Party's maximum interest in Shares would increase to 34.57 per cent. of the voting share capital of the Company. A table analysing the maximum interests of the members of the Saltus Concert Party is set out in paragraph 5 of Part II of this Appendix.

The effect of the potential increase in the interest in Shares of the Saltus Concert Party described in this paragraph 3 would mean that (for so long as members of the Saltus Concert Party continue to be treated as acting in concert) the Saltus Concert Party may be interested in Shares carrying 30 per cent. or more of the Company's voting share capital and any further increase in that aggregate interest in Shares will be subject to the provisions of Rule 9 of the Takeover Code. In addition, individual members of the Saltus

Concert Party's percentage interest in Shares will not be able to increase through or between a Rule 9 threshold without Panel consent.

The waiver granted by the Panel Waiver Resolution will expire at the conclusion of the next annual general meeting of the Company and will need to be renewed at that time accordingly.

4 Directors' voting intention

The Directors, who have been so advised by Canaccord Genuity Limited, believe that obtaining the Panel Waiver is fair and reasonable and in the best interests of Independent Shareholders. In providing advice to the Company, Canaccord Genuity Limited has taken into account the Directors' commercial assessments. The Directors also believe that obtaining the Panel Waiver is in the best interests of the Company as a whole. Accordingly, the Directors intend to vote IN FAVOUR of the Panel Waiver Resolution in respect of their own Shares, representing in aggregate 1.62 per cent. of the issued share capital of the Company).

5 Share Redenomination

Until very recently, Sterling was both the functional and presentation currency of the Company. It has been the currency in which the Company has measured its performance, and reported its results, as well as the currency in which capital has been raised, dividends declared and paid and capital returned. Substantially all of the Company's underlying investments are however Dollar denominated; and historically the Company made use of forward foreign exchange contracts to hedge against Dollar exchange rate movements.

At the EGM, Shareholders approved a number of amendments to the Company's investment policy and strategy, including the proposal to leave the Company's exposure to foreign exchange movements unhedged. In light of the fact that an investment in the Company now involves a straight exposure to Dollars, the Board believes that it is no longer most appropriate to have Sterling as the denomination for the Company's share capital. Accordingly, the Share Denomination Resolution is being put to Shareholders seeking approval for the Company's issued share capital to be denominated instead in Dollars. If the Share Denomination Resolution is passed, Dollars will become the relevant currency for the purposes of (amongst other things) trading in the Shares, the Company's financial reporting, and the declaration and payment of dividends.

The Company currently has the investment objective of providing annual returns in excess of three month Sterling LIBOR plus five per cent. over a rolling three year period. As part of the process described in this section, the Directors approved a change in the Company's investment objective at a meeting of the Board on 23 April 2015 to refer to US Dollar LIBOR instead of Sterling LIBOR – this realignment will better reflect the recent change in investment policy and the proposed redenomination of share capital.

A number of administrative tasks will need to be undertaken if the Share Denomination Resolution is passed in order for the change in denomination to take effect; this will primarily involve liaison with the London Stock Exchange, the UK Listing Authority and Euroclear to ensure that the process is carried out in an efficient and timely fashion. If the Share Denomination Resolution is passed, the Board expects that the formalities to effect the change in denomination of the Company's issued share capital to Dollars will be completed by 30 June 2015.

PART II

ADDITIONAL INFORMATION

1 Responsibility

The Directors of the Company, whose names are set out in paragraph 2 below, accept responsibility for the information contained in this Appendix (including the recommendation in relation to the Panel Waiver), other than that relating to Saltus and the Saltus Concert Parties. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this Appendix for which they accept responsibility is in accordance with the facts and does not omit anything likely to affect the import of such information.

The Concert Party Responsible Persons, whose names are set out in paragraph 2 below, accept responsibility for the information contained in this Appendix on the basis that the Saltus Responsible Persons accept responsibility for the information concerning Saltus (and its group) and the Sandalwood Responsible Person accepts responsibility for the information concerning Sandalwood (and its group) and each Saltus Responsible Person and the Sandalwood Responsible Person accepts responsibility for information relating to the Saltus Concert Party. To the best of the knowledge and belief of the Concert Party Responsible Persons (who have taken all reasonable care to ensure that such is the case), the information contained in this document for which they accept responsibility is in accordance with the facts and does not omit anything likely to affect the import of such information.

2 Company details and directors

The Company is AcenciA Debt Strategies Limited and is, at the date of this document, an authorised closed-ended collective investment scheme incorporated under the laws of Guernsey with registered number 43787.

The Company's registered office and principal place of business is at Sarnia House, Le Truchot, St. Peter Port, Guernsey GY1 4NA.

The names of the Directors and their respective principal functions are as follows:

Name	*Function*
James Le Pelley	Non-executive Chairman
Richard Battey	Non-executive Director
William Scott	Non-executive Director
William Simpson	Non-executive Director

The names of the Saltus Responsible Persons and their respective principal functions are as follows:

Name	*Function*
Jon Macintosh	Managing partner and investment manager on the investment committee of Saltus
Simon Armstrong	Managing partner and investment manager on the investment committee of Saltus
Philip Bevan	Financial Planner
David Cooke	Investment manager on the investment committee of Saltus

The name of the Sandalwood Responsible Person and his principal functions are as follows:

Name	*Function*
Martin J. Gross	Founder and President of Sandalwood

Martin J. Gross directs Sandalwood's investment strategy and oversees Sandalwood's funds of funds. Martin's career in fund management began in 1983 when he tracked and evaluated the performance of investment managers on behalf of high net worth individuals. He formed Sandalwood in 1990 and has overseen the growth of the company for over 20 years.

3 Further information on Saltus and Sandalwood

Saltus Partners LLP is a London-based, FCA-regulated investment manager which provides multi-manager investment management services predominately to high net worth families and financial advisors. The firm specialises in investing in alternative assets, including hedge funds, private equity and commercial property on behalf of its clients. It currently manages approximately £450 million of private client assets.

Saltus’ registered office address is 72 New Bond Street, 4th Floor, London W1S 1RR. It has 27 members.

Saltus’ management board is made up of the Saltus Responsible Persons.

The following persons have an interest in five per cent. or more of the voting rights of Saltus: (i) Jon Macintosh; (ii) Sara Macintosh; (iii) Simon Armstrong; (iv) Phillipa Armstrong; (v) David Cooke; (vi) Ben Money-Coutts; and (vii) Dragon Eye Design Limited (a Hong Kong company (of which 50 per cent. of its share capital is owned by Nigel Beattie and 50 per cent. of its share capital is owned by Julie Beattie)).

Sandalwood Securities, Inc. is an SEC-registered investment adviser. It was founded in 1990 and its registered address is 1 Sandalwood Drive, Livingston, NJ 07039, USA. Martin J. Gross is the sole director and the sole shareholder of Sandalwood and is the only person with an interest in five per cent. or more of the voting rights of Sandalwood.

The following publicly available constitutional information and publicly available financial information in respect of Saltus filed since 1 January 2013 is incorporated into this document by reference to the Company’s website at www.acencia.co.uk:

- notice of head office address and current designated members and partnership board; and

- statutory accounts for the financial years ended 31 March 2013 and 31 March 2014.

The following publicly available constitutional information and publicly available financial information in respect of Sandalwood filed since 1 January 2013 is incorporated into this document by reference to the Company's website at www.acencia.co.uk:

- certificate of incorporation and certificate of amendment of incorporation; and

- consolidated balance sheets for the financial years ended 31 December 2012 and 31 December 2013.

Other than the financing arrangements currently available to the Company, no financing arrangement exists in relation to any potential purchases of Shares by the Company pursuant to the Share Purchase Authority whereby the payment of interest on, repayment of or security for any liability (contingent or otherwise) will depend to any significant extent on the business of the Company.

Any Shares repurchased pursuant to the Share Purchase Authority will be subsequently cancelled. There is no arrangement for transfer of securities acquired under the proposed transactions.

4 Market Quotations

The following table shows the closing market quotations of Shares, as derived from the London Stock Exchange on the first Business Day of dealing in each of the six months immediately before the date of this document and 27 April 2015, being the latest practicable date prior to the publication of this document:

Date	*Share price (p)*
3 November 2014	104.50
1 December 2014	103.75
2 January 2015	105.00
2 February 2015	106.25
2 March 2015	105.25
1 April 2015	110.625
27 April 2015	113.75

5 Interest and dealings in Shares

Directors' interests

As at 27 April 2015 (being the latest practicable date prior to publication of this document), the interests in Shares of the Directors and of any connected person of a Director, were as follows:

Name	*Number of Shares*	*% of Shares in issue*
James Le Pelley	898,740	1.61
William Scott	5,173	0.01
Total	909,913	1.62

Substantial Shareholders' interests

As at 27 April 2015 (being the latest practicable date prior to publication of this document), save in respect of those Shareholders noted below, insofar as is known to the Company, the following persons are, directly or indirectly, interested in five per cent. or more of the issued share capital of the Company:

Name	*Number of Shares*	*% of Shares in issue*
Saltus	9,870,508	17.73
Waverton Investment Management	8,697,258	15.62
Sandalwood	5,214,036	9.37
BNP arbitrage account	4,961,260	8.91
Rathbones	4,398,584	7.90

Saltus Concert Party interests

As at 27 April 2015 (being the latest practicable date prior to publication of this document), the interests in relevant securities of members of the Saltus Concert Party in the issued share capital of the Company were as follows:

Name	*Number of Shares*	*% of Shares in issue*
Saltus	9,983,165*	17.93
Sandalwood	6,376,942**	11.46
Total	16,360,107	29.39

* including the interests of Saltus Responsible Persons, their close relatives and related trusts

** including the interests of the Sandalwood Responsible Person, his close relatives and related trusts

The maximum interest in relevant securities of members of the Saltus Concert Party following the exercise of the Share Purchase Authority in respect of the maximum number of Shares permitted under the Share Purchase Authority on the basis of the existing issued share capital of the Company is currently 34.57 per cent., and assuming in each case that no Shares are bought back from the Concert Party, would be as follows:

Name	*Number of Shares*	*% of Shares in issue*
Saltus	9,983,165	21.10
Sandalwood	6,376,942	13.47
Total	16,360,107	34.57

There would be no impact on the earnings or assets and liabilities of either Saltus or Sandalwood if their proportionate interests in the Company were to increase to the maximum level set out above.

No relationships (personal, financial or commercial), arrangements or understandings exist between any member of the Saltus Concert Party or any person acting in concert with them and any of the Directors (or their close relatives and related trusts) or Shareholders of the Company or any adviser to the Company under Rule 3 of the Takeover Code (or any person who is, or is presumed to be, acting in concert with any of such persons).

The members of the Saltus Concert Party have no intentions other than to see the continuation of the Company's business and will continue their support of the Board. They have no present intention to make any changes to the Company's investment strategy or deployment of the Company's assets or the existing trading facilities for the Company's securities or the Company's place of business, nor, to the extent that either Saltus Concert Party's business may be affected, do they have any present intentions to make any future changes to their own business. The members of the Saltus Concert Party have no strategic plans with likely repercussions on employment at the Company as the Company has no employees.

No agreement, arrangement or understanding (including any compensation arrangement) exists between any member of the Saltus Concert Party or any person acting in concert with a member of the Saltus Concert Party and any of the Directors, recent directors, Shareholders or recent Shareholders or any person interested or recently interested in Shares in the Company having any connection with or dependence upon the proposals set out in this document.

Dealings in relevant securities

The Company made the following purchases of Shares during the disclosure period:

Name	*Number of Shares*	*Price per Share (p)*

25 June 2014	300,000	107.50
27 June 2014	425,000	107.49
1 July 2014	200,000	107.25
9 July 2014	250,000	107.25
11 July 2014	135,000	107.25
15 July 2014	350,000	107.25
23 July 2014	500,000	107.25
25 July 2014	250,000	107.00
31 July 2014	120,000	106.90
5 August 2014	150,000	106.00
12 February 2015	58,396,589	111.06

Dealings by the Saltus Concert Parties in relevant securities

Saltus made the following purchases of Shares during the disclosure period:

Name	*Number of Shares*	*Price per Share (p)*
2 June 2014	47,968	104.75

The Sandalwood Concert Party made the following disposals of Shares during the disclosure period:

Name	*Number of Shares*	*Price per Share ($)*
30 June 2014	12,000	1.82

General

Save as disclosed in this paragraph 5:

(a) no Director or any person connected with them (so far as the Directors are aware) has any interests, rights to subscribe or short positions in relevant securities;

(b) no member or director of the Saltus Concert Party, or any person acting in concert with them, has any interests, rights to subscribe or short positions in relevant securities or has dealt in any relevant securities during the disclosure period;

(c) neither the Company nor any of the Directors has any interests, rights to subscribe or short positions in any member of the Saltus Concert Party;

(d) no person acting in concert with the Company has any interests, rights to subscribe or short positions in relevant securities; and

(e) neither the Company nor any member of the Saltus Concert Party nor any person connected with them nor any person acting in concert with them or the Company has borrowed or lent relevant securities.

Definitions for the purpose of this paragraph 5:

(a) "connected" has the meaning given to it in section 252 of the Companies Act 2006 of the United Kingdom;

(b) "disclosure period" means the period commencing on 28 April 2014 and ending on 27 April 2015, being the latest practicable date prior to the publication of this document; and

(c) "relevant securities" means the Shares and any other securities of the Company carrying conversion or subscription rights to Shares.

6 Directors' service contracts

The Directors, all of whom are non-executive directors, do not have service agreements, but instead each has a letter of appointment pursuant to which they are entitled to annual fees as follows:

Director	*Current annual fee (£)*	*Date of appointment*
James Le Pelley	32,500	13 October 2005
Richard Battey	22,500*	1 June 2007
William Scott	22,500	13 October 2005
William Simpson	22,500	13 April 2015

* plus £5,000 as Chairman of the Audit Committee

In addition, all Directors are entitled to reimbursement of travel, hotel and other expenses incurred by them in the course of their duties relating to the Company. In the event that a Director wishes to resign he does so by tendering his resignation to the Board which is accepted at a Board meeting. No Director has waived or agreed to waive future emoluments nor has any Director waived any such emolument during the current financial year. No commissions or performance related payments have been or will be made to the Directors by the Company. No new arrangements have been entered into, and none of the existing arrangements have been amended or varied, in the last six months.

7 Significant change statement

Save where the Company cancelled 58,396,589 Shares pursuant to the Tender Offer in February 2015, there has been no significant change in the financial or trading position of the Company since 30 June 2014, being the date to which the latest half-yearly management report and unaudited condensed interim consolidated financial statements have been prepared.

8 Material Contracts

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Company since its incorporation and are, or may be, material and there are no other contracts entered into by the Company which include an obligation or entitlement which is material to the Company at the date of this Circular:

(a) the Investment Management Agreement dated 2 November 2005 (as amended by supplemental agreements dated 20 December 2007, 28 August 2008 and 4 March 2015) between the Company and the Investment Manager whereby the Investment Manager is appointed to manage the investments of the Company in accordance with the investment objective and policy of the Company and to implement the foreign exchange, hedging and borrowing policies from time to time approved by the Directors. Under the terms of the Investment Management Agreement, subject to the overall supervision of the Directors, the Investment Manager has complete discretion to buy, sell, retain, exchange or otherwise deal investments for the account of the Company.

The Investment Manager shall be entitled to receive:

(i) a Dollar fee from the Company at the rate of 1.00 per cent. per annum on the Total Assets of the Company on the immediately preceding NAV Calculation Date; and

(ii) provided:

(A) the Adjusted Net Asset Value (as defined in the Investment Management Agreement) is greater than such figure as at close of business on 31 December 2013 and greater than such figure as at the end of all subsequent Calculation Periods (as defined in the Investment Management Agreement) (the excess over the previous figure being the "**High Watermark Growth**"); and

(B) the Adjusted Net Asset Value has increased throughout the Calculation Period by an amount greater than the Performance Hurdle (as defined in the Investment Management Agreement),

in respect of each Calculation Period a performance fee equivalent of 10 per cent. of the High Watermark Growth shall be payable.

The management fee is calculated on the NAV Calculation Date in each calendar month and is payable monthly in arrears. The performance fee is calculated and payable quarterly in arrears. Out of these fees, the Investment Manager shall meet all fees payable under the Investment Advisory Agreement and the Sub-Management Agreement. All such amounts and fees will be adjusted appropriately to take account of Shares issued and redeemed during each Accounting Period. The Investment Manager is also entitled to be reimbursed all operating and other costs and expenses of the Company.

The Investment Management Agreement contains an indemnity from the Company in favour of the Investment Manager against claims by third parties except where the relevant loss arises from the negligence of, or wilful breach of duty or breach of agreement by the Investment Manager,

The Investment Management Agreement may be terminated by either party giving to the other not less than six months' written notice, except that the Company may not give notice to the Investment Manager to terminate the agreement in circumstances where one of the parties has a receiver appointed of its assets or if an order is made or an effective resolution passed for the winding-up of one of the parties or if, following a continuation vote not being passed, a resolution for the winding-up of the Company is passed;

(b) the Sub-Management Agreement dated 2 November 2005 (as amended by a supplemental agreement dated 8 July 2013 and as amended by a supplemental consent letter dated 14 April 2015), between the Company, the Investment Manager and the Sub-Manager whereby the Investment Manager, with the consent of the Company, has appointed the Sub-Manager to manager, on a discretionary basis, the Company's portfolio. The appointment of the Sub-Manager is terminable in the same circumstances as the Investment Management Agreement.

Under the Sub-Management Agreement, the Sub-Manager receives fees from the Investment Manager as agreed from time to time between the Investment Manager and the Sub-Manager. The Sub-Manager is also entitled to be reimbursed all operating and other costs and expenses of the Company. The Sub-Management Agreement contains an indemnity from the Company and the Investment Manager in favour of the Sub-

Manager against claims by third parties except where the relevant loss arises from the negligence of, or wilful breach of duty or breach of agreement by, the Sub-Manager.

The Sub-Management Agreement will terminate at the same time as the Investment Management Agreement terminates or otherwise on either party giving 12 months written notice; and

(c) the Investment Advisory Agreement, dated 2 November 2005 (as amended by a supplemental agreement dated 15 June 2006, as amended and restated by an agreement dated 20 December 2007 and as amended by a supplemental consent letter dated 23 April 2015) between the Company, the Investment Manager, the Sub-Manager and the Investment Adviser whereby the Investment Manager and the Sub-Manager, with the consent of the Company, have appointed the Investment Adviser to act as investment adviser with responsibility for providing investment advice in relation to the composition of the Company's investment portfolio.

The appointment of the Investment Adviser is terminable on not less than six months' notice, or on shorter notice in the event of breach of contract, insolvency or termination of the Investment Management Agreement or the Sub-Management Agreement. The Investment Advisory Agreement may also be terminated where Shareholders pass a resolution for the winding-up of any of the parties to the agreement or if, following a continuation vote not being passed, a resolution for the winding-up of the Company in the event that Martin Gross ceases to be involved in the business of the Investment Adviser or ceases to have day to day involvement in the investment advisory services provided in accordance with the Investment Advisory Agreement and the Investment Adviser has not put in place alternative arrangements to the satisfaction of the Manager, the entitlement of the Investment Adviser to receive the fees referred to below will be reduced by 50 per cent.

Under the Investment Advisory Agreement, the Investment Adviser receives a fee from the Investment Manager in the amount of 55 per cent. of the management fee and an annual performance fee from the Investment Manager in amounts in the amount of 55 per cent. of the performance fee received by the Investment Manager each being payable to the Investment Manager within ten business days of receipt by the Investment Manager of the same. The Investment Advisory Agreement contains an indemnity from the Company in favour of the Investment Adviser against claims by third parties except where the relevant loss arises from the negligence, fraud or wilful default of the Investment Adviser.

In the event that the Investment Advisory Agreement is terminated, the Investment Adviser will remain entitled to a pro rata share of its fees to the extent that and for so long as the Company's assets remain invested in funds which were recommended by the Investment Adviser, including any funds managed or advised by the Investment Adviser.

Save as disclosed in this paragraph 9, the Company has not entered into any contract (not being a contract entered into in the ordinary course of business) within the two years immediately preceding the date of this document which is, or may be, material or which contains provisions under which the Company has an obligation or entitlement which is, or may be, material to the Company as at the date of this document.

Neither Saltus nor any member of its group has entered into a contract (not being a contract entered into in the ordinary course of business) within the two years immediately preceding the date of this document which is, or may be, material or which contains provisions under which Saltus or any member of its group has an obligation or entitlement which is, or may be, material to Saltus or any member of its group as at the date of this document.

Neither Sandalwood nor any member of its group has entered into a contract (not being a contract entered into in the ordinary course of business) within the two years immediately preceding the date of this document which is, or may be, material or which contains provisions under which Sandalwood or any member of its group has an obligation or entitlement which is, or may be, material to Sandalwood or any member of its group as at the date of this document.

9 Consent to use of name

Canaccord Genuity Limited has given and not withdrawn its written consent to the inclusion of the reference to its name in the form and context in which it is included in this Appendix.

Saltus has given and not withdrawn its written consent to the inclusion of the reference to its name in the form and context in which it is included in this Appendix.

Sandalwood has given and not withdrawn its written consent to the inclusion of the reference to its name in the form and context in which it is included in this Appendix.

10 Further information on Rule 9 of the Takeover Code

As stated in paragraph 3 of Part I of this Appendix, the Company is seeking approval of the Independent Shareholders of the waiver of certain obligations which may arise under the Takeover Code as a result of the exercise of the Share Purchase Authority. Further background on the application of Rule 9 of the Takeover Code is set out below:

Under Rule 9 of the Takeover Code, when any person:

(a) acquires, whether by a series of transactions over a period of time or not, an interest in shares (as defined in the Takeover Code) which (taken together with shares in which he and persons acting in concert with him are interested) carry 30 per cent. or more of the voting rights of a company; or

(b) together with persons acting in concert with him, is interested in shares which in the aggregate carry not less than 30 per cent. of the voting rights of a company but does not hold shares carrying more than 50 per cent. of such voting rights and such person, or any person acting in concert with him, acquires an interest in any other shares,

such a person is normally required to make a general offer to the holders of any class of equity share capital whether voting or non-voting and also to the holders of any other class of transferable securities carrying voting rights. An offer under Rule 9 of the Takeover Code must be made in cash and at the highest price paid by the person required to make the offer, or any person acting in concert with him, for any interest in shares in the company during the 12 months prior to an announcement of the offer.

Where any person who, together with persons acting in concert with him, holds over 50 per cent. of the voting rights of a company to which the Takeover Code applies, acquires interests in additional voting shares, then they will not generally be required to make a general offer to the other shareholders to acquire their shares, although individual members of the concert party will not be able to increase their percentage interest in shares through a Rule 9 threshold without the consent of the Panel.

Under Rule 37.1 of the Takeover Code, when a company redeems or purchases its own voting shares, any resulting increase in the percentage of shares carrying voting rights of a person or group of persons acting in concert will be treated as an acquisition for the purpose of Rule 9 of the Takeover Code. A person who comes to exceed the limits in Rule 9.1 of the Takeover Code in consequence of a company's redemption or purchase of its own shares will not normally incur an obligation to make a mandatory offer unless that person is a director, or the relationship of the person with any one or more of the directors is such that the person is, or presumed to be, acting in concert with any of the directors.

Individually, should Saltus or Sandalwood, following any exercise of the Share Purchase Authority, hold not less than 30 per cent. of the voting rights of the Company and should any such persons then acquire additional shares carrying voting rights of the Company with the effect that their percentage holding of voting rights is increased, that person will normally be required by the Panel to make a general offer to all shareholders of the Company at the highest price paid by them for shares in the Company during the previous 12 months.

As stated in paragraph 2 of Part I of this Appendix, the effect of the potential increase in the interest in Shares of the Saltus Concert Party would mean that (for so long as members of the Saltus Concert Party continue to be treated as acting in concert) the Saltus Concert Party will be interested in Shares carrying 30 per cent. or more of the Company's voting share capital and any further increase in that aggregate interest in Shares will be subject to the provisions of Rule 9 of the Takeover Code. In addition, individual members of the Saltus Concert Party's percentage interest in Shares will not be able to increase through or between a Rule 9 threshold without Panel consent.

11 Documents available for inspection

Copies of the following documents will be published on the Company's website (www.acencia.co.uk) and will be available for inspection at the offices of Burges Salmon LLP, 6 New Street Square, London EC4A 3BF and at the registered office of the Company during normal business hours on any Business Day (Saturdays, Sundays and public holidays excepted) from the date of this Circular until the conclusion of the Annual General Meeting and at the place of the Annual General Meeting for at least 15 minutes prior to, and during, the relevant meeting:

- the memorandum and articles of association of the Company;
- this document;
- the written consent referred to in paragraph 9 of this Part II;
- the material contracts; and
- the historical financial information of the Company for each of the two financial years preceding the date of this document and the interim results for the six months ended 30 June 2014 (Shareholders should note that this information is also available on the Company's website at http://www.acencia.co.uk).

The following publicly available constitutional information and publicly available financial information in respect of Saltus filed since 1 January 2013 is incorporated into this document by reference to the Company's website at www.acencia.co.uk:

- notice of head office address and current designated members and partnership board; and
- statutory accounts for the financial years ended 31 March 2013 and 31 March 2014.

The following publicly available constitutional information and publicly available financial information in respect of Sandalwood filed since 1 January 2013 is incorporated into this document by reference to the Company's website at www.acencia.co.uk:

- certificate of incorporation and certificate of amendment of incorporation; and
- consolidated balance sheets for the financial years ended 31 December 2012 and 31 December 2013.

The audited accounts of the Company and the constitutional and financial information in respect of Saltus and Sandalwood referred to above are incorporated into this document by reference to the website named above. Shareholders may request a copy of the accounts of the Company and the constitutional and financial information in respect of Saltus and Sandalwood in hard copy form. Hard copies of these documents will not be sent to Shareholders unless requested by contacting Hannah Girard at Praxis Fund Services Limited by telephoning +44 (0) 1481 737600.

28 April 2015