AUDITED FINANCIAL STATEMENTS

TETRAGON FINANCIAL GROUP LIMITED

FOR THE YEAR ENDED 31 DECEMBER 2014

TETRAGON FINANCIAL GROUP LIMITED

AUDITED FINANCIAL STATEMENTS
For the year ended 31 December 2014

CONTENTS

DIRECTORS' REPORT
For the year ended 31 December 2014

The Directors present to the shareholders their report together with the audited financial statements for the year ended 31 December 2014.

THE COMPANY

Tetragon Financial Group Limited (the "Company") was registered in Guernsey on 23 June 2005 as a company limited by shares, with registered number 43321. All voting shares of the Company are held by Polygon Credit Holdings II Limited (the "Voting Shareholder"). The Company continues to be registered and domiciled in Guernsey, and the Company's non-voting shares (the "Shares") are listed on Euronext Amsterdam N.V. The Company acts as a feeder fund in a "master feeder structure" investing substantially all of its assets in Tetragon Financial Group Master Fund Limited (the "Master Fund").

The Company aims to provide stable returns to investors across various credit, equity, interest rate, inflation and real estate cycles, and maintains two key business segments: an investment portfolio and an asset-management platform. Both segments cover a broad range of assets including bank loans, real estate, equities, credit, convertible bonds and infrastructure.

As at 31 December 2014, the Company's asset-management platform ("TFG Asset Management") consisted of Polygon Global Partners LP and Polygon Global Partners LLP (collectively with certain affiliates, "Polygon"), LCM Asset Management LLC ("LCM"), Hawke's Point and the GreenOak Real Estate, LP ("GreenOak") joint venture. The Fund finalized the acquisition of Equitix Holdings Limited in February 2015.

TFG Asset Management L.P. is registered as an investment adviser under the U.S. Investment Advisers Act of 1940 (the "Advisers Act") and one of its investment management entities, Polygon Global Partners LLP, is authorised and regulated by the United Kingdom Financial Conduct Authority.

INVESTMENT OBJECTIVE

The Company's investment objective is to generate distributable income and capital appreciation. To achieve this objective, Tetragon Financial Management LP (the "Investment Manager") seeks to identify opportunities, assets and asset classes it believes to be attractive and asset managers it believes to be superior based on their track record and expertise. It also seeks to use the market experience of the Investment Manager to negotiate favorable transactions and terms for its investments in asset classes and in asset managers. As part of this current investment strategy, the Investment Manager may employ hedging strategies and leverage in seeking to provide attractive returns while managing risk.

RESULTS, ACTIVITIES AND FUTURE DEVELOPMENTS

The results of operations are set out on pages 9 to 10. A detailed review of activities and future developments is contained in the Investment Manager's Report issued with these financial statements to the shareholders.

DIRECTORS

The Directors who held office during the year and up to the date of this report were:

Paddy Dear
Rupert Dorey*
Reade Griffith
David Jeffreys*
Byron Knief*
Greville Ward* (resigned 13 March 2014)
Frederic Hervouet* (appointed 23 July 2014)

* Independent non-executive Directors

The remuneration for Directors is determined by resolution of the Voting Shareholder. Effective 1 January 2014, each of the Directors' annual fee is US$ 100,000 (year ended 31 December 2013: US$ 75,000) as compensation for service on the Boards of Directors of both the Company and the Master Fund, which is paid by the Master Fund. Paddy Dear and Reade Griffith have waived their entitlement to a fee in respect of their services as Directors.

As of the fourth quarter 2014, the Directors have the option to elect to receive shares in the Company instead of the quarterly fee. For the fourth quarter, Frederic Hervouet has indicated that he wishes to receive shares and will be allocated these shares in the Company, which will be determined as part of the Q4 2014 dividend process (allocation in March 2015).

The Directors are entitled to be repaid by the Company for all travel, hotel and other expenses reasonably incurred by them in the discharge of their duties. None of the Directors has a contract with the Company or the Master Fund providing for benefits upon termination of employment.

SECRETARY

State Street (Guernsey) Limited held the office of Secretary throughout the year and up to the date of this report.

DIVIDENDS

The Board of Directors has the authority to declare dividend payments, based upon the recommendation of the Investment Manager, subject to the approval of the voting shares of the Company and adherence to applicable law including the satisfaction of a solvency test as stated under The Companies (Guernsey) Law, 2008. The Investment Manager's recommendation with respect to the declaration of dividends (and other capital distributions) may be informed by a variety of considerations, including (i) the expected sustainability of the Company's cash generation capacity in the short and medium term, (ii) the current and anticipated performance of the Company, (iii) the current and anticipated operating and economic environment and (iv) other potential uses of cash ranging from preservation of the Company's investments and financial position to other investment opportunities.

DIVIDENDS (continued)

The Directors declared a dividend amounting to US$ 0.15 per share for the Quarter Ended 31 December 2013, US$ 0.15 per share for the Quarter Ended 31 March 2014, US$ 0.155 for the Quarter Ended 30 June 2014 and US$ 0.155 for the Quarter Ended 30 September 2014. The total dividend declared during the year ended 31 December 2014 amounted to US$ 58.4 million or US$ 0.61 per share (31 December 2013: US$ 53.9 million or US$ 0.55 per share). On 25 February 2015, the Directors have declared a dividend US$ 0.1575 for the Quarter Ended 31 December 2014.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

The Companies (Guernsey) Law, 2008 requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in conformity with U.S. generally accepted accounting principles ("U.S. GAAP") and applicable law.

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

In preparing those financial statements the Directors are required to:

- Select suitable accounting policies and apply them consistently;
- Make judgments and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for 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. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

The Guernsey Financial Services Commission ("GFSC") has issued a Code of Corporate Governance (the "Code") which provides a framework that applies to all entities licensed by the GFSC or which are registered or authorised as a collective investment scheme under the Protection of Investors (Bailiwick of Guernsey) Law, 1987.

STATEMENT OF DIRECTORS' RESPONSIBILITIES (continued)

In conformity with the Code, the Company has prepared a self-assessment reflecting its nature, scale and complexity in order to assist the Directors in their annual consideration of the Code.

The Directors confirm that we have complied with the above requirements in preparing the financial statements and that to the best of our knowledge and belief:

- The annual report includes a fair review of the development and performance of the business and the position of the Company together with a description of the principal risks and uncertainties that the Company faces; and
- The financial statements, prepared in conformity with U.S. GAAP give a true and fair view of the assets, liabilities, financial position, results and cash flows of the Company.

DISCLOSURE OF INFORMATION TO AUDITOR

So far as each of the Directors is aware, there is no relevant audit information of which the Company's auditor is unaware, and each has taken all the steps he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

AUDITORS

KPMG Channel Islands Limited are the appointed independent auditors of the Company and they have expressed their willingness to continue in office. A resolution for the re-appointment of KPMG Channel Islands Limited as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

Signed on behalf of the Board of Directors by:

Rupert Dorey, Director
David Jeffreys, Director

Date: 25 February 2015

Independent Auditor's Report

The Board of Directors
Tetragon Financial Group Limited

We have audited the accompanying financial statements of Tetragon Financial Group Limited (the "Fund" or "Company"), which comprise the statements of assets and liabilities as of December 31, 2014 and 2013, and the related statements of operations, statements of changes in net assets, statements of cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly in all material respects, the financial position of Tetragon Financial Group Limited as of December 31, 2014 and 2013, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

KPMG
Dublin, Ireland

February 25, 2015

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TETRAGON FINANCIAL GROUP LIMITED

STATEMENTS OF ASSETS AND LIABILITIES
As at 31 December 2014

	Note	31 Dec 2014 US$ MM	31 Dec 2013 US$ MM
Assets			
Investment in the Master Fund	3	1,834.9	1,846.7
Total assets		1,834.9	1,846.7
Liabilities			
Accrued incentive fee	6	4.1	32.8
Amounts payable on share options	5	12.3	10.7
Total liabilities		16.4	43.5
Net assets		1,818.5	1,803.2
Equity			
Share capital	7	0.1	0.1
Share premium	8	929.4	963.2
Capital reserve in respect of share options	9	11.8	11.8
Share based employee compensation reserve	4, 13	31.4	17.6
Retained earnings	12	845.8	810.5
		1,818.5	1,803.2
Shares outstanding		**Millions**	**Millions**
Shares	7	95.9	98.9
Net Asset Value per share		US$ 18.96	US$ 18.23

The accompanying notes are an integral part of the financial statements.

Signed on behalf of the Board of Directors by:

Rupert Dorey, Director
David Jeffreys, Director

Date: 25 February 2015

TETRAGON FINANCIAL GROUP LIMITED

STATEMENTS OF OPERATIONS
For the year ended 31 December 2014

	Note	Year ended 31 Dec 2014 US$ MM	Year ended 31 Dec 2013 US$ MM
Investment income allocated from the Master Fund			
Interest income		152.5	204.8
Fee income		81.1	74.3
Dividend income		0.1	0.1
Other income – cost recovery		23.6	21.1
Total investment income allocated from the Master Fund		257.3	300.3
Direct expenses			
Incentive fee	6	(22.8)	(64.9)
Total direct expenses		(22.8)	(64.9)
Operating expenses allocated from the Master Fund			
Employee costs		(61.7)	(50.0)
Management fees	9	(27.0)	(25.1)
Share based employee compensation	4	(23.1)	(23.1)
Legal and professional fees		(16.6)	(9.1)
Audit fees		(0.4)	(0.4)
Other operating and administrative expenses		(28.6)	(25.3)
Total operating expenses allocated from the Master Fund		(157.4)	(133.0)
Total operating expenses		(180.2)	(197.9)
Net investment income		77.1	102.4
Net increase in unrealized depreciation on:			
Share options	5	(1.6)	(4.1)
Net increase in unrealized depreciation arising from direct operations		(1.6)	(4.1)
Net realized and unrealized gain from investments and foreign currency allocated from the Master Fund			
Net realized gain / (loss) from:			
Investments		124.4	10.5
Derivative financial instruments		(36.3)	6.7
Foreign currency transactions		12.0	(5.3)
		100.1	11.9

TETRAGON FINANCIAL GROUP LIMITED

STATEMENTS OF OPERATIONS (continued)
For the year ended 31 December 2014

	Note	Year ended 31 Dec 2014 US$ MM	Year ended 31 Dec 2013 US$ MM
Net (decrease) / increase in unrealized (depreciation) / appreciation on:			
Investments		(52.2)	106.1
Derivative financial instruments		10.2	7.8
Translation of assets and liabilities in foreign currencies		(25.9)	8.9
		(67.9)	122.8
Net realized and unrealized gain from investments and foreign currencies allocated from the Master Fund		32.2	134.7
Net increase from operations before tax		107.7	233.0
Income and deferred tax expense		(12.6)	(8.8)
Net income		95.1	224.2
Earnings per Share			
Basic	11	US$ 1.00	US$ 2.29
Diluted	11	US$ 0.90	US$ 2.05
Weighted average Shares outstanding		**Millions**	**Millions**
Basic	11	95.4	98.0
Diluted	11	106.1	109.3

The accompanying notes are an integral part of the financial statements.

TETRAGON FINANCIAL GROUP LIMITED

STATEMENTS OF CHANGES IN NET ASSETS
For the year ended 31 December 2014

	Note	Year ended 31 Dec 2014 US$ MM	Year ended 31 Dec 2013 US$ MM
From operations:			
Total investment income		257.3	300.3
Total operating expenses		(180.2)	(197.9)
Net unrealized depreciation on share options		(1.6)	(4.1)
Net realized gain from investments and foreign currency allocated from the Master Fund		100.1	11.9
Net unrealized (loss) / gain from investments and foreign currency allocated from the Master Fund		(67.9)	122.8
Income and deferred tax expense		(12.6)	(8.8)
Net income		95.1	224.2
Share based employee compensation	4	23.1	23.1
Net increase in net assets resulting from operations		118.2	247.3
Dividends paid to shareholders	10	(58.4)	(53.9)
Issue of Shares	7	6.4	4.4
Purchase of Treasury Shares	7	(50.9)	(16.1)
Decrease in net assets resulting from net share transactions		(44.5)	(11.7)
Total increase in net assets		15.3	181.7
Net assets at start of year		1,803.2	1,621.5
Net assets at end of year		1,818.5	1,803.2

The accompanying notes are an integral part of the financial statements.

TETRAGON FINANCIAL GROUP LIMITED

STATEMENTS OF CASH FLOWS
For the year ended 31 December 2014

	Year ended 31 Dec 2014 US$ MM	Year ended 31 Dec 2013 US$ MM
Operating activities		
Net income	95.1	224.3
Adjustments for:		
Net unrealized depreciation on share options	1.6	4.1
Share based employee compensation reserve	23.1	23.1
Net unrealized depreciation / (appreciation) on investment in the Master Fund	11.8	(188.5)
Operating cash flows before movements in working capital	131.6	63.0
(Decrease) / increase in payables	(28.7)	2.6
Net cash provided by operating activities	102.9	65.6
Financing activities		
Issue of Shares	6.4	4.4
Purchase of Treasury Shares	(50.9)	(16.1)
Dividends paid to shareholders	(58.4)	(53.9)
Net cash used in financing activities	(102.9)	(65.6)
Net increase in cash and cash equivalents	-	-
Cash and cash equivalents at beginning of year	-	-
Cash and cash equivalents at end of year	-	-

The accompanying notes are an integral part of the financial statements.

FINANCIAL HIGHLIGHTS

For the year ended 31 December 2014

The following represents selected per Share operating performance of the Company, ratios to average net assets and total return information for the year ended 31 December 2014 and the year ended 31 December 2013.

	31 Dec 2014	31 Dec 2013
	US$	**US$**
Per Share operating performance		
Net Asset Value at the start of the year	18.23	16.41
Net investment income (excluding incentive fee)	1.05	1.71
Incentive fee	(0.24)	(0.66)
Net realized and unrealized gain from investments and foreign currencies	0.32	1.33
Share based employee compensation	0.24	0.24
Dividends paid to shareholders	(0.61)	(0.55)
Income and deferred tax expense	(0.13)	(0.09)
Other capital transactions	0.10	(0.16)
Net Asset Value at the end of the year	18.96	18.23
Pro Forma Fully Diluted NAV per Share	**Millions**	**Millions**
Shares outstanding	95.9	98.9
Shares held in escrow	10.7	11.3
Pro Forma Fully Diluted Shares	106.6	110.2
Pro Forma Fully Diluted Net Asset Value per Share	US$ 17.05	US$ 16.36
Total return (NAV change before dividend payments and other capital transactions) before incentive fee	8.10%	19.40%
Incentive fee	(1.31%)	(4.03%)
Total return (NAV change before dividend payments and other capital transactions) after incentive fee	6.79%	15.37%
Ratios and supplemental data		
Ratio to average net assets:		
Operating expenses allocated from the Master Fund	(7.46%)	(6.52%)
Total operating expenses	(7.46%)	(6.52%)
Incentive fee	(1.27%)	(3.85%)
Net investment income	4.29%	6.07%

An individual shareholder's per Share operating performance and ratios may vary from the above based on the timing of capital transactions.

Note 1 General Information

The Company was registered in Guernsey on 23 June 2005 as a company limited by shares with registered number 43321. All voting shares of the Company are held by Polygon Credit Holdings II Limited (the "Voting Shareholder"). The Company continues to be registered and domiciled in Guernsey.

The registered office of the Company is 1st Floor Dorey Court, Admiral Park, St. Peter Port, Guernsey, Channel Islands, GY1 6HJ.

The Company's non-voting shares are listed on Euronext Amsterdam N.V.

Note 2 Significant Accounting Policies

Basis of Presentation

The financial statements give a true and fair view, are prepared in conformity with U.S. GAAP and comply with The Companies (Guernsey) Law, 2008.

The Company's investment in the Master Fund is valued based on the Net Asset Value ("NAV") per share obtained from the Master Fund's Administrator, which is the Company's interest in the Net Assets of the Master Fund. The performance of the Company is directly affected by the performance of the Master Fund.

The Company's Statements of Operations includes its allocated share of each type of gain, loss, income and expense of the Master Fund's Statements of Operations. Attached are the audited consolidated financial statements of the Master Fund, which are an integral part of these financial statements. As at 31 December 2014, the Company had 100% (31 December 2013: 100%) ownership interest in the Master Fund. As the Company owns 100% of the Master Fund and the audited consolidated financial statements of the Master Fund are attached, a separate Schedule of Investments for the Company has not been included.

For financial statement reporting purposes, the Company is an investment company and follows the measurement guidance set out in ASC 946, Financial Services – Investment Companies.

The accounting policies have been consistently applied by the Company during the year ended 31 December 2014 and are consistent with those used in the previous year.

The financial statements are presented in United States Dollars.

Note 2 Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes, including the valuation of investments. The Company's management believes that the estimates made in preparing the financial statements are reasonable and prudent. Actual results could differ materially from these estimates.

Valuation of Investments

The value of the investment in the Master Fund is based on the NAV per share obtained from the Master Fund's Administrator.

Expenses

Expenses are recognized in the Statements of Operations on an accruals basis.

Taxation

The Company is exempt from Guernsey income tax under the Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989 and is charged GBP 600 per annum.

In accordance with ASC Subtopic 740-10 – Income Taxes – Overall, the Company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. There were no uncertain tax positions recognized at 31 December 2014 (31 December 2013: Nil).

Share Options

The fair value of the options granted to the Investment Manager at the time of the Company's initial public offering in 2007, was recognized as a charge to a reserve in respect of the share options, over the year in which the Investment Manager became unconditionally entitled to the options. The options were fully vested and immediately exercisable from the date of the grant, on 26 April 2007 and remain exercisable for ten years.

The fair value of options issued to certain founding partners of GreenOak are recognized as a liability in the Statements of Assets and Liabilities, as the options contain certain other performance conditions. Any subsequent change in the fair value is recognized through the Statements of Operations.

Note 2 Significant Accounting Policies (continued)

Dividend Expense

Dividend expense from Shares are recognized in the Statements of Changes in Net Assets.

Share Based Payments

Share-based compensation expense for all equity settled share-based payment awards granted is determined based on the grant-date fair value. The Company recognizes these compensation costs net of an estimated forfeiture rate, and recognizes compensation cost only for those Shares expected to meet the service and non-market performance vesting conditions, on a straightline basis over the requisite service period of the award. These compensation costs are determined at the aggregate grant level for service-based awards and at the individual vesting tranche level for awards with performance conditions.

When the Shares are actually issued the fair value of the Shares, as determined at the time of the award, is debited against the share based employee compensation reserve. Any associated stock dividends accrued on the original award are debited against retained earnings and credited to share capital and share premium using the value determined by the stock reference price at the date of each applicable dividend.

Treasury Shares

When share capital recognized as equity is repurchased the amount of the consideration paid, which includes directly attributable costs, is recognized as a deduction from equity. Repurchased Shares may be classified as treasury shares from an accounting perspective and are presented as a deduction from total equity. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to or from retained earnings. Shares may also be transferred out of the Treasury Account and into a wholly owned subsidiary. Where this occurs the status of the Shares is unchanged from an accounting perspective and they are not included in the Shares outstanding on the Statements of Assets and Liabilities.

Note 3 Investment in the Master Fund

At the year end, the Master Fund held investments at fair value, management contracts, cash and cash equivalents, derivatives and other receivables and payables.

As at 31 December 2014, the Company had an investment of US$ 1,834.9 million in the Master Fund (31 December 2013: US$ 1,846.7 million).

Note 4 Share Based Payments

TFG Asset Management L.P. and certain of its affiliates, including Polygon's asset management businesses and infrastructure platform, along with Polygon's interests in LCM and GreenOak, were acquired on 28 October 2012 (the "Acquisition"), in exchange for consideration of approximately 11.7 million non-voting Shares to the sellers subject to certain vesting and forfeiture conditions (the "Aggregate Consideration"). The Aggregate Consideration shall be held in escrow (along with accrued stock dividends) until it is released over the period 2013 to 2017.

Under ASC 805 - Business Combinations ("ASC 805") these Shares are treated as payment for post combination services rather than upfront consideration, hence the initial consideration was determined to be nil, resulting in a bargain purchase. The expense is recognized in the Master Fund through the Statements of Operations, as well as reflecting the assets acquired and a reserve to reflect the capital contribution of the Shares from the Company. The Company has a share based compensation reserve and recognizes the expense indirectly as allocated from the Master Fund. The charge for the year ended 31 December 2014 amounted to US$ 23.1 million (31 December 2013: US$ 23.1 million).

Note 5 Share Options Issued to GreenOak Founders

On 16 September 2010, the Master Fund entered into a transaction with GreenOak whereby it received a 10% equity interest in GreenOak and agreed to provide, among other things, a working capital loan of up to US$ 10.0 million and a US$ 100.0 million co-investment commitment that is expected to fund up to a limited fixed percentage of any GreenOak sponsored investment program, with the Master Fund retaining the option to invest further amounts.

Under the terms of the transaction, the Company granted to the GreenOak founding partners ("Founders") options to purchase 3.9 million Shares (exercisable after 5 years and subject to further conditions) at a strike price of US$ 5.50. The aggregate fair value of the options granted at the transaction date was US$ 0.5 million. In order to reflect some key vesting requirements of the options which are not captured by the Black-Scholes model a 50% haircut was applied to the initial calculated valuation. This was derived as follows: restriction on transferability – 25%; requirement to repay working capital loan – 10%; exclusivity of Founders – 15%. These have been reviewed on a regular basis and as at 31 December 2014, the restriction on transferability is 5%, the requirement to repay the working capital loan is 5% and the exclusivity of Founders is 5%, reflecting the fact that the options are closer to their exercise dates. After this adjustment the haircut stands at 15% (31 December 2013: 20%).

The options are split approximately as follows: 50% exercisable 5 years after transaction date and expiring a year later; 25% exercisable 6 years after transaction date and expiring a year later; 25% exercisable 7 years after transaction date and expiring a year later.

At 31 December 2014, the fair value of the options was US$ 12.3 million (31 December 2013: US$ 10.7 million).

Note 6 Incentive Fee

The Company pays the Investment Manager an incentive fee for each Calculation Period (a period of three months ending on 31 March, 30 June, 30 September and 31 December in each year or as otherwise determined by the Directors) equal to 25% of the increase in the NAV of the Company during the Calculation Period (before deduction of any dividend paid or the amount of any redemptions or repurchases of the Shares (or other relevant capital adjustments) during such Calculation Period) above the Reference NAV (as defined below) plus the Hurdle (as defined below) for the Calculation Period. If the Hurdle is not met in any Calculation Period (and no incentive fee is paid), the shortfall will not carry forward to any subsequent Calculation Period.

The "Hurdle" for any Calculation Period will equal the Reference NAV multiplied by the Hurdle Rate (as defined below). The Hurdle Rate for any Calculation Period equals 3-month USD LIBOR determined as of 11:00 a.m. London time on the first London business day of the then current Calculation Period, plus the Hurdle Spread of 2.647858% in each case multiplied by the actual number of days in the Calculation Period divided by 365.

The "Reference NAV" is the greater of (i) NAV at the end of the Calculation Period immediately preceding the current Calculation Period and (ii) the NAV as of the end of the Calculation Period immediately preceding the Calculation Period referred to in clause (i). For the purpose of determining the Reference NAV at the end of a Calculation Period, NAV shall be adjusted by the amount of accrued dividends and the amounts of any redemptions or repurchase of the Shares (or other relevant capital adjustments) and incentive fees to be paid with respect to that Calculation Period.

The incentive fee in respect of each Calculation Period is calculated by reference to the NAV before deduction of any accrued incentive fee. If the Investment Management Agreement is terminated other than at the end of a Calculation Period, the date of termination will be deemed to be the end of the Calculation Period. The incentive fee is normally payable in arrears after the end of the Calculation Period.

The incentive fee for the year ended 31 December 2014 was US$ 22.8 million (31 December 2013: US$ 64.9 million). As at 31 December 2014, US$ 4.1 million was outstanding (31 December 2013: US$ 32.8 million).

Note 7 Share Capital

Authorized

The Company has an authorized share capital of US$ 1.0 million divided into 10 voting shares, having a par value of US$ 0.001 each and 999,999,990 non-voting Shares, each having a par value of US$ 0.001. Shares are issuable either as certificated shares or uncertificated shares, and in both cases as registered shares in accordance with applicable law.

Voting Shares

The 10 voting shares in issue were issued at par and are owned by the Voting Shareholder, which is a non-U.S. affiliate of the Investment Manager.

Note 7 Share Capital (continued)

Voting Shares (continued)

The voting shares are the only shares of the Company entitled to vote for the election of Directors and on all other matters put to a vote of shareholders, subject to the limited rights of the Shares described below. The voting shares are not entitled to receive dividends.

Shares

The Shares are not entitled to vote on any matter other than limited voting rights in respect of variation of their class rights. The Shares carry a right to any dividends or other distributions declared by the Company. The Shares are subject to certain transfer restrictions as set out in the Company's Memorandum and Articles of Incorporation.

The Directors, upon the recommendation of the Investment Manager and with prior approval of a resolution of voting shares, may allot, issue or otherwise dispose of Shares to such persons, at such times, for such consideration and on such terms and conditions as they deem necessary or desirable. There are no pre-emption rights attaching to any Shares.

The Directors, upon the recommendation of the Investment Manager, may grant options over the Shares. The Company may repurchase Shares and hold such repurchased Shares as Treasury Shares.

Share Transactions

	Voting Shares No.	Shares No. MM	Shares US$ MM
Shares in issue at 31 December 2012	10	98.8	0.1
Issued in lieu of stock dividend	-	0.4	-
Issued through release of tranche of Escrow Shares	-	1.2	-
Treasury Shares purchased during the year	-	(1.5)	-
Shares in issue at 31 December 2013	10	98.9	0.1
Issued in lieu of stock dividend	-	0.6	-
Issued through release of tranche of Escrow Shares	-	1.2	-
Treasury Shares purchased during the year	-	(4.9)	-
Shares in issue at 31 December 2014	10	95.9	0.1

Optional Stock Dividend

The Company has an Optional Stock Dividend Plan which offers investors an opportunity to elect to receive any declared dividend in the form of dividend shares at a reference price determined by calculating the five-day weighted average price post ex-dividend date.

Note 7 Share Capital (continued)

Optional Stock Dividend

During the year a total dividend of US$ 58.4 million (31 December 2013: US$ 53.9 million) was declared, of which US$ 52.0 million was paid out as a cash dividend (31 December 2013: US$ 49.5 million), and the remaining US$ 6.4 million (31 December 2013: US$ 4.4 million) was reinvested under the Optional Stock Dividend Plan.

Treasury Shares

The Company owns a subsidiary, TFG Holdings I, to which it may transfer, and has transferred, Shares previously held in a Treasury Account. Where this occurs the status of the Shares is unchanged from an accounting perspective and they are not included in the Shares outstanding on the Statements of Assets and Liabilities.

On 30 November 2007, the Company announced the implementation of a share repurchase program ("Program") of their outstanding Shares. This was renewed on several occasions, most recently on 14 January 2013 running until 30 April 2013 when it expired. As at 31 December 2014 there was no share repurchase program in place.

When the Program was in operation, the Master Fund had undertaken to repurchase an identical number of its own shares from the Company as and when it made these repurchases in the open market. The Master Fund matched the price per share paid by the Company. The shares are held in a Treasury Account or in a subsidiary, allowing them to potentially be resold back to the Company if it resells its own Shares back into the market at a later date. Whilst they are held by the Master Fund (whether directly or via a subsidiary), the Shares are neither eligible to receive dividends nor are they included in the Shares outstanding on the Statements of Assets and Liabilities.

On 11 March 2014, the Company and the Master Fund announced that under the terms of a “modified Dutch auction” tender offer (the “Tender Offer”) it had accepted for purchase approximately 4.9 million non-voting shares of the Company at a purchase price of US$ 10.30 per share and an aggregate cost of US$ 50.9 million, including applicable fees and expenses. The repurchased Shares were exchanged with the Company for the identical amount of Master Fund Shares and both sets of shares were transferred to the Treasury Account.

After giving effect to the Tender Offer, as at 31 December 2014, 16.6 million Shares are held in TFG Holdings I (31 December 2013: 16.6 million) and 12.8 million Shares in the Treasury Account (31 December 2013: 7.9 million), with an aggregate attributed cost of US$ 261.0 million (31 December 2013: US$ 210.1 million).

	Treasury Shares Shares No. MM	Shares held in subsidiary Shares No. MM
Treasury Shares at 31 December 2012	6.5	16.6
Treasury Shares purchased during the year	1.4	-
Treasury Shares at 31 December 2013	7.9	16.6
Treasury Shares purchased during the year	4.9	-
Treasury Shares at 31 December 2014	12.8	16.6

Note 8 Share Premium

	31 Dec 2014 US$ MM	31 Dec 2013 US$ MM
Balance at start of year	963.2	965.0
Premium arising on issuance of Shares	17.1	14.3
Discount arising from purchase of Shares	(50.9)	(16.1)
Balance at end of year	929.4	963.2

Note 9 Related Party Transactions

The Investment Manager is entitled to receive management fees equal to 1.5% per annum of the Net Asset Value of the Company payable monthly in advance prior to the deduction of any accrued incentive fee. All fees and expenses of the Company including the Management and Administration fees, but excluding incentive fees from the Investment Manager, are paid by the Master Fund and allocated fully to the Company. An incentive fee may be paid to the Investment Manager as disclosed in Note 6.

In recognition of the work performed by the Investment Manager in successfully arranging the global offering and the associated raising of new capital for the Company, in 2007 the Company granted to the Investment Manager options (the "Investment Management Options") to purchase approximately 12.5 million of the Company's Shares (before any application of potential anti-dilution) at an exercise price per share equal to the Offer Price (US$ 10.00). The Investment Management Options were fully vested and immediately exercisable on the date of admission to Euronext Amsterdam N.V. and will remain exercisable until the 10th anniversary of that date. The aggregate fair value of the options granted at the time of the global offering was US$ 11.8 million. The fair value of each option granted during 2007 was US$ 0.94 on the date of grant using the Binomial-pricing model with the following average assumptions: expected dividend yield 8%, risk-free interest rate of 5.306%, an expected life of 5 years and a volatility of 17.5%.

The Company invests substantially all of its assets in the Master Fund, a Guernsey based closed-ended investment company which has the same Investment Manager as the Company.

The remuneration for Directors shall be determined by resolution of the Voting Shareholder. Effective 1 January 2014, each of the Directors' annual fee is US$ 100,000 (year ended 31 December 2013: US$ 75,000) as compensation for service on the Boards of Directors of both the Company and the Master Fund. As of the fourth quarter 2014, the Directors have the option to elect to receive shares in the Company instead of the quarterly fee. For the fourth quarter, Frederic Hervouet has indicated that he wishes to receive shares and will be allocated these shares in the Company, which will be determined as part of the fourth quarter 2014 dividend process (allocation in March 2015). The Master Fund will pay the Directors' fees. Paddy Dear and Reade Griffith have waived their entitlement to a fee in respect of their services as Directors. The Directors are entitled to be repaid by the Company all travel, hotel and other expenses reasonably incurred by them in the discharge of their duties. None of the Directors has a contract with the Company or the Master Fund providing for benefits upon termination of employment.

The Voting Shareholder is an affiliate of the Investment Manager and holds all of the voting shares. As a result of its ownership and the degree of control that it exercises, the Voting Shareholder will be able to control the appointment

Note 9 Related Party Transactions (continued)

and removal of the Company's Directors (subject to applicable law). Affiliates of the Voting Shareholder also control the Investment Manager and, accordingly, control the Company's business and affairs.

Paddy Dear, Reade Griffith, and Rupert Dorey - all Directors of the Company and the Master Fund – maintained (directly or indirectly) interests in Shares of the Company as at 31 December 2014, with interests of 459,057 and 1,377,683 and 96,465 Shares respectively (31 December 2013: 386,413, 1,186,209 and 92,311 Shares respectively). Messrs, Griffith and Dear also have a (direct or indirect) interest in the Escrow Shares (as defined below).

As described in Note 4, TFG Asset Management L.P., including Polygon's asset management businesses and infrastructure platform, and interests in LCM and GreenOak, was acquired on 28 October 2012. The Shares issued in consideration are subject to vesting and forfeiture conditions and were held in escrow for release over the period 2013 to 2017. These escrow Shares are eligible to participate in the optional stock dividend program, and as a result of subsequent dividends, further Shares were added to the relevant escrow accounts. As part of the Acquisition, Messrs, Griffith and Dear, as founders of Polygon, were awarded consideration in Shares which would vest between 2015 and 2017.

In particular, Messrs, Griffith and Dear, were initially allocated 5,539,954 and 1,955,291 Shares, respectively, and these are currently held in escrow pending release between 2015 and 2017. As at 31 December 2014, 6,259,363 Shares were held in escrow on behalf of Mr. Griffith (31 December 2013: 5,908,198 Shares) and 2,209,190 on behalf of Mr. Dear (31 December 2013: 2,085,254 Shares).

It was also contractually agreed at the time of the Acquisition that they would be entitled to total annual compensation in respect of their executive role with the Company and its subsidiaries totaling not more than US$ 100,000 each.

During the year ended 31 December 2014 total compensation paid to them each in this capacity by the Master Fund was US$ 100,000.

Note 10 Dividends

	31 Dec 2014 US$ MM	31 Dec 2013 US$ MM
Quarter ended 31 December 2012 of US$ 0.135 per share	-	13.2
Quarter ended 31 March 2013 of US$ 0.135 per share	-	13.2
Quarter ended 30 June 2013 of US$ 0.14 per share	-	13.7
Quarter ended 30 September 2013 of US$ 0.14 per share	-	13.8
Quarter ended 31 December 2013 of US$ 0.15 per share	14.8	-
Quarter ended 31 March 2014 of US$ 0.15 per share	14.1	-
Quarter ended 30 June 2014 of US$ 0.155 per share	14.6	-
Quarter ended 30 September 2014 of US$ 0.155 per share	14.9	-
	58.4	53.9

Note 10 Dividends (continued)

The fourth quarter dividend of US$ 0.1575 per share was approved by the Directors on 25 February 2015 and has not been included as a liability in these financial statements.

Note 11 Earnings per Share

	Year ended 31 Dec 2014 US$ MM	Year ended 31 Dec 2013 US$ MM
The calculation of the basic and diluted earnings per share is based on the following data:		
Earnings for the purposes of basic earnings per share being net profit attributable to shareholders for the year	95.1	224.2
Weighted average number of Shares for the purposes of basic earnings per share	95.4	98.0
Effect of dilutive potential Shares:		
Share based employee compensation	10.7	11.3
Share options	-	-
Weighted average number of Shares for the purposes of diluted earnings per share	106.1	109.3

Diluted earnings per share is calculated by adjusting the weighted average number of Shares outstanding assuming conversion of all potential dilutive Shares. Share options and share based employee compensation are potential dilutive Shares.

In respect of share based employee compensation, it is assumed that all of the Shares currently held in escrow will be released, thereby increasing the weighted average number of Shares. This includes Shares which are scheduled to vest and be released between 2015 and 2017.

In respect of share options, the intrinsic value of the Shares issued to the Investment Manager in connection with the global offering in 2007 (see Note 9) is calculated using the Company's quoted Share price on the last business day prior to the year end. This is then converted into a number of Shares by dividing the aforementioned intrinsic value by the aforementioned quoted Share price. This will yield the number of Shares to include in the dilution calculation.

In respect of share options issued to GreenOak, there was no dilution as the conditions on these options have not been met at the reporting date of these financial statements.

Note 12 Retained Earnings

	31 Dec 2014 US$ MM	31 Dec 2013 US$ MM
Balance at start of year	810.5	640.7
Net increase in net assets resulting from operations for the year	95.1	224.3
Dividends paid	(58.4)	(53.9)
Stock dividends on Shares released from Escrow	(1.4)	(0.6)
Balance at end of year	845.8	810.5

Note 13 Share based employee compensation reserve

	31 Dec 2014 US$ MM	31 Dec 2013 US$ MM
Balance at start of year	17.6	3.8
Share based employee compensation	23.1	23.1
Release of Escrow Shares	(9.3)	(9.3)
Balance at end of year	31.4	17.6

Note 14 Other Matters

On 18 June 2013, a shareholder derivative action was filed in United States District Court, Southern District of New York (the "Court"), against the six directors of the Company and the Master Fund, the Investment Manager, the principals of the Investment Manager and other affiliated entities by a purported shareholder of the Company (the "Action"). The Action made a series of allegations including with respect to the Acquisition (see Note 4).

The Company, the Master Fund and their Boards of Directors believed that the Action was factually and legally without merit. Accordingly, the defendants sought dismissal of the Action. On 7 August 2014, in an opinion by Judge Richard J. Sullivan, the Court dismissed the Action in its entirety finding that the plaintiffs had "failed to state a federal claim". The Court likewise refused to exercise its discretion to take cognizance of related claims asserted by the plaintiffs under Guernsey law. There has been no appeal of that ruling and the time for appeal has expired.

Note 15 Subsequent Events

On 2 February 2015 the Company announced that it had completed its acquisition of Equitix Holdings Limited ("Equitix") from Cabot Square Capital LLP for an enterprise value of £159.5 million (US$ 239.9 million equivalent using the applicable spot rate on the acquisition date). This acquisition was financed in part by a new Equitix £60 million (US$ 90.2 million) bank facility.

Note 16 Recent changes to U.S. GAAP

Revenue from Contracts with Customers (ASC 606).
In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)." ASU No. 2014-09 provides comprehensive guidance on the recognition of revenue from customers arising from the transfer of goods and services. The ASU also provides guidance on accounting for certain contract costs, and requires new disclosures. ASU No. 2014-09 is effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. Early adoption is not permitted. The Company is still evaluating the effect of the ASU on its financial condition, results of operations, and cash flows.

Note 17 Approval of Financial Statements

The Directors approved the financial statements on 25 February 2015.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

FOR THE YEAR ENDED 31 DECEMBER 2014

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

AUDITED CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2014

CONTENTS

DIRECTORS' REPORT
For the year ended 31 December 2014

The Directors present to the shareholders their report together with the audited consolidated financial statements for the year ended 31 December 2014.

THE FUND

Tetragon Financial Group Master Fund Limited (the "Fund") was registered in Guernsey on 23 June 2005 as a company limited by shares, with registered number 43322. All voting shares of the Fund are held by Polygon Credit Holdings II Limited (the "Voting Shareholder"). The Fund continues to be registered and domiciled in Guernsey.

The Fund maintains two key business segments: an investment portfolio and an asset-management platform. Both segments cover a broad range of assets including bank loans, real estate, equities, credit, convertible bonds and infrastructure.

As at 31 December 2014, the Fund's asset-management platform ("TFG Asset Management") consisted of Polygon Global Partners LP and Polygon Global Partners LLP (collectively with certain affiliates, "Polygon"), LCM Asset Management LLC ("LCM"), Hawke's Point and the GreenOak Real Estate LP, ("GreenOak") joint venture. The Fund finalized the acquisition of Equitix Holdings Limited in February 2015.

TFG Asset Management L.P. is registered as an investment adviser under the U.S. Investment Advisers Act of 1940 and one of its investment management entities, Polygon Global Partners LLP, is authorised and regulated by the United Kingdom Financial Conduct Authority.

INVESTMENT OBJECTIVE

The Fund's investment objective is to generate distributable income and capital appreciation. To achieve this objective, Tetragon Financial Management LP (the "Investment Manager") seeks to identify opportunities, assets and asset classes it believes to be attractive and asset managers it believes to be superior based on their track record and expertise. It also seeks to use the market experience of the Investment Manager to negotiate favorable transactions and terms for its investments in asset classes and in asset managers. As part of this current investment strategy, the Investment Manager may employ hedging strategies and leverage in seeking to provide attractive returns while managing risk.

RESULTS, ACTIVITIES AND FUTURE DEVELOPMENTS

The results of operations are set out on page 8. A detailed review of activities and future developments is contained in the Annual Report issued with these consolidated financial statements to the shareholders of Tetragon Financial Group Limited (the "Feeder").

DIRECTORS

The Directors who held office during the year were:

Paddy Dear
Rupert Dorey*
Reade Griffith
David Jeffreys*
Byron Knief*
Greville Ward* (resigned 13 March 2014)
Frederic Hervouet* (appointed 23 July 2014)
* Independent non-executive Directors

The remuneration for Directors is determined by resolution of the Voting Shareholder. Effective 1 January 2014, each Directors' annual fee is US$ 100,000 (year ended 31 December 2013: US$ 75,000) as compensation for service on the Board of Directors of both the Fund and the Feeder and is paid by the Fund. Paddy Dear and Reade Griffith have waived their entitlement to a fee.

DIRECTORS (continued)

As of the fourth quarter 2014, the Directors have the option to elect to receive shares in the Feeder instead of the quarterly fee. For the fourth quarter, Frederic Hervouet has indicated that he wishes to receive shares and will be allocated these shares in the Feeder, which will be determined as part of the fourth quarter 2014 dividend process (allocation in March 2015).

The Directors are entitled to be repaid by the Fund for all travel, hotel and other expenses reasonably incurred by them in the discharge of their duties. None of the Directors has a contract with the Fund or the Feeder providing for benefits upon termination of employment.

DIVIDENDS

The Board of Directors has the authority to declare dividend payments, based upon the recommendation of the Investment Manager, subject to the approval of the voting shares of the Fund and adherence to applicable law including the satisfaction of a solvency test as stated under The Companies (Guernsey) Law, 2008. The Investment Manager's recommendation with respect to the declaration of dividends (and other capital distributions) may be informed by a variety of considerations, including (i) the expected sustainability of the Fund's cash generation capacity in the short and medium term, (ii) the current and anticipated performance of the Fund, (iii) the current and anticipated operating and economic environment and (iv) other potential uses of cash ranging from preservation of the Fund's investments and financial position to other investment opportunities. The Directors declared a dividend amounting to US$ 0.15 per share for the Quarter Ended 31 December 2013, US$ 0.15 per share for the Quarter Ended 31 March 2014, US$ 0.155 for the Quarter Ended 30 June 2014 and US$ 0.155 for the Quarter Ended 30 September 2014. The total dividend declared during the year ended 31 December 2014 amounted to US$ 58.4 million or US$ 0.61 per share (31 December 2013: US$ 53.9 million or US$ 0.55 per share). On 25 February 2015, the Directors have declared a dividend US$ 0.1575 for the Quarter Ended 31 December 2014.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

The Companies (Guernsey) Law, 2008, requires the Directors to prepare financial statements for each financial year. Under that law, they have elected to prepare the financial statements in conformity with U.S. generally accepted accounting principles ("U.S. GAAP") and applicable law.

The financial statements are required by law to give a true and fair view of the state of affairs of the Fund and of the profit or loss of the Fund for that period.

In preparing those financial statements, the Directors are required to:

- Select suitable accounting policies and apply them consistently;
- Make judgments and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Fund will continue in business.

The Directors are responsible for the keeping of proper accounting records which disclose with reasonable accuracy at any time the financial position of the Fund and to enable them to ensure that the financial statements comply with The Companies (Guernsey) Law, 2008. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Fund and to prevent and detect fraud and other irregularities.

STATEMENT OF DIRECTORS' RESPONSIBILITIES (continued)

The Directors confirm that they have complied with the above requirements.

DISCLOSURE OF INFORMATION TO AUDITOR

So far as each of the Directors is aware, there is no relevant audit information of which the Fund's auditor is unaware, and each has taken all the steps he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Fund's auditor is aware of that information.

AUDITORS

KPMG Channel Islands Limited are the appointed independent auditors of the Fund and they have expressed their willingness to continue in office. A resolution for the re-appointment of KPMG Channel Islands Limited as auditors of the Fund is to be proposed at the forthcoming Annual General Meeting.

Signed on behalf of the Board of Directors by:

Rupert Dorey, Director
David Jeffreys, Director

Date: 25 February 2015

Independent Auditor's Report

The Board of Directors
Tetragon Financial Group Master Fund Limited

We have audited the accompanying consolidated financial statements of Tetragon Financial Group Master Fund Limited and its subsidiaries (the "Fund" or "Group"), which comprise the consolidated statements of assets and liabilities as of December 31, 2014 and 2013, and the related consolidated statements of operations, changes in net assets, cash flows for the years then ended and the consolidated condensed schedule of investments as of December 31, 2014 and 2013 and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly in all material respects, the financial position of Tetragon Financial Group Master Fund Limited and its subsidiaries as of December 31, 2014 and 2013, and the results of their operations and their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

KPMG
Dublin, Ireland
February 25, 2015

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TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES
As at 31 December 2014

	Note	31 Dec 2014 US$ MM	31 Dec 2013 US$ MM
Assets			
Investments, at fair value (Cost US$ 1,916.4 million, 31 Dec 2013: US$ 2,005.8 million)	3	1,356.2	1,533.0
Management contracts	4	29.7	36.5
Cash and cash equivalents	6	402.0	245.9
Amounts due from brokers	8	52.1	41.9
Derivative financial assets	3, 7	19.2	15.2
Fixed assets	2	0.1	0.3
Deferred tax asset	16	10.0	7.7
Prepaid income tax	16	0.6	0.6
Other receivables	9	32.8	26.6
Total assets		1,902.7	1,907.7
Liabilities			
Derivative financial liabilities	3, 7	5.8	3.3
Other payables and accrued expenses	10	50.5	47.0
Income tax payable	16	2.9	0.6
Deferred tax liability	16	8.6	10.1
Total liabilities		67.8	61.0
Net assets		1,834.9	1,846.7
Equity			
Share capital	11	0.1	0.1
Share premium	12	888.6	922.4
Retained earnings	14	914.8	906.6
Capital contribution	15, 22	31.4	17.6
		1,834.9	1,846.7
Shares outstanding		**Millions**	**Millions**
Shares	11	95.9	98.9
Net Asset Value per share		US$ 19.13	US$ 18.67

The accompanying notes are an integral part of the consolidated financial statements.

Signed on behalf of the Board of Directors by:

Rupert Dorey, Director
David Jeffreys, Director

Date: 25 February 2015

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

CONSOLIDATED STATEMENTS OF OPERATIONS
For the year ended 31 December 2014

	Note	Year ended 31 Dec 2014 US$ MM	Year ended 31 Dec 2013 US$ MM
Interest income	17	152.5	204.8
Fee income	18	81.1	74.3
Other income – cost recovery	19	23.6	21.1
Dividend income		0.1	0.1
Investment income		257.3	300.3
Employee costs	24	(61.7)	(50.0)
Management fees	24	(27.0)	(25.1)
Share based employee compensation	22	(23.1)	(23.1)
Legal and professional fees	25	(16.6)	(9.1)
Audit fees		(0.4)	(0.4)
Other operating and administrative expenses	20	(28.6)	(25.3)
Operating expenses		(157.4)	(133.0)
Net investment income		99.9	167.3
Net realized and unrealized gain from investments and foreign currency			
Net realized gain / (loss) from:			
Investments		124.4	10.5
Derivative financial instruments		(36.3)	6.7
Foreign currency transactions		12.0	(5.3)
		100.1	11.9
Net (decrease) / increase in unrealized (depreciation) / appreciation on:			
Investments		(52.2)	106.1
Derivative financial instruments		10.2	7.8
Translation of assets and liabilities in foreign currencies		(25.9)	8.9
		(67.9)	122.8
Net realized and unrealized gain from investments and foreign currency		32.2	134.7
Net increase from operations before tax		132.1	302.0
Income and deferred tax expense	16	(12.6)	(8.8)
Net income		119.5	293.2

The accompanying notes are an integral part of the consolidated financial statements.

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
For the year ended 31 December 2014

	Note	Year ended 31 Dec 2014 US$ MM	Year ended 31 Dec 2013 US$ MM
From operations:			
Net investment income		99.9	167.3
Net realized gain from investments and foreign currency		100.1	11.9
Net (decrease) / increase in unrealized (depreciation) / appreciation on investments and translation of assets and liabilities in foreign currencies		(67.9)	122.8
Income and deferred tax expense	16	(12.6)	(8.8)
Net income after tax		119.5	293.2
Share based employee compensation	22	23.1	23.1
Net increase in net assets resulting from operations		142.6	316.3
Dividends paid to Feeder in lieu of incentive fee liability	13	(51.5)	(62.3)
Dividends paid to shareholders	13	(58.4)	(53.9)
Total distributions		(109.9)	(116.2)
Issue of Shares	11	6.4	4.4
Purchase of Treasury Shares	11	(50.9)	(16.1)
Decrease in net assets resulting from capital transactions		(44.5)	(11.7)
Total (decrease) / increase in net assets		(11.8)	188.4
Net assets at start of year		1,846.7	1,658.3
Net assets at end of year		1,834.9	1,846.7

The accompanying notes are an integral part of the consolidated financial statements.

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the year ended 31 December 2014

	Year ended 31 Dec 2014 US$ MM	Year ended 31 Dec 2013 US$ MM
Operating activities		
Net income	119.5	293.2
Adjustments for:		
Realized gains on investments and derivatives	(88.1)	(17.2)
Cash received on investments in excess of interest income	216.7	254.3
Amortization on intangible assets	6.8	6.9
Depreciation on fixed assets	0.3	0.2
Share based employee compensation	23.1	23.1
Unrealized losses / (gains)	67.9	(122.8)
Deferred tax	(3.8)	0.2
Operating cash flows before movements in working capital	342.4	437.9
Increase in receivables	(6.2)	(11.5)
Increase in payables	5.8	14.1
Cash flows from operations	342.0	440.5
Purchase of fixed assets	(0.1)	(0.4)
Proceeds from sale / prepayment / maturity of investments	250.2	116.7
Net (payment) / proceeds on derivative financial instruments	(28.8)	5.5
Purchase of investments	(241.5)	(335.4)
Net cash provided by operating activities	321.8	226.9
Financing activities		
Amounts due from brokers	(10.2)	(28.9)
Proceeds from issue of Shares	6.4	4.4
Treasury Shares	(50.9)	(16.1)
Dividends paid to shareholders	(58.4)	(53.9)
Dividends paid to Feeder in lieu of incentive fee liability	(51.5)	(62.3)
Net cash used in financing activities	(164.6)	(156.8)
Net increase in cash and cash equivalents	157.2	70.1
Cash and cash equivalents at beginning of year	245.9	175.9
Effect of exchange rate fluctuations on cash and cash equivalents	(1.1)	(0.1)
Cash and cash equivalents at end of year	402.0	245.9

The accompanying notes are an integral part of the consolidated financial statements.

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS
As at 31 December 2014

Security Description	**Nominal MM**	**Cost US$ MM**	**Fair Value US$ MM**	**% of Net Assets**
United States CLO Equity				
Cayman Islands				
ABS and Structured Finance	18.4	17.6	-	-
Broadly Syndicated Senior Secured Loans	1,107.6	1,006.8	639.7	34.88%
CDOs Squared	17.3	16.6	-	-
Middle Market Senior Secured Loans	163.0	152.5	57.1	3.11%
	1,306.3	1,193.5	696.8	37.99%
European CLO Equity				
Ireland				
Broadly Syndicated Senior Secured Loans	100.4	121.5	53.0	2.89%
	100.4	121.5	53.0	2.89%
Luxembourg				
Broadly Syndicated Senior Secured Loans	71.1	84.3	46.8	2.55%
	71.1	84.3	46.8	2.55%
Netherlands				
Broadly Syndicated Senior Secured Loans	24.0	31.8	20.3	1.10%
	24.0	31.8	20.3	1.10%
United States CLO Mezzanine				
Cayman Islands				
Broadly Syndicated Senior Secured Loans	1.8	1.1	1.7	0.09%
	1.8	1.1	1.7	0.09%
Loans				
United States Broadly Syndicated Senior Secured Loans	22.4	22.0	22.1	1.20%
Global Unsecured Loan	5.5	5.5	6.4	0.35%
	27.9	27.5	28.5	1.55%
Listed Stock				
United Kingdom – Equity Investments		33.3	29.4	1.60%
		33.3	29.4	1.60%
Unlisted Stock				
Global Financial Real Estate Investment Manager		10.7	66.5	3.62%
Norway – Equity Investments		2.4	2.8	0.15%
		13.1	69.3	3.77%
Investment Funds				
United States – Real Estate		44.9	46.1	2.52%
Japan – Real Estate		21.4	20.3	1.09%
Netherlands – Real Estate		0.2	0.1	0.01%
Spain – Real Estate		10.9	9.5	0.52%
United Kingdom – Real Estate		12.7	12.3	0.67%
Global – Hedge Funds – Equities		61.0	63.3	3.45%
Polygon European Equity Opportunity Fund*		134.2	120.8	6.58%
Polygon Distressed Opportunities Fund**		90.0	95.5	5.21%
Global – Hedge Funds – Credit and Convertible Bonds		35.0	42.5	2.32%
		410.3	410.4	22.37%
Total Investments		**1,916.4**	**1,356.2**	**73.91%**

CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS (continued)
As at 31 December 2014

Financial Derivative Instruments	**Fair Value US$ MM**	**% of Net Assets**
Interest Rate Swaptions	0.6	0.03%
Forward Foreign Currency Exchange Contracts	10.0	0.55%
Credit default swaps	(4.1)	(0.23)%
Equity Total Return Swaps	6.9	0.38%
Total Financial Derivative Instruments	13.4	0.73%
Cash and Cash Equivalents	402.0	21.91%
Other Assets and Liabilities	63.3	3.45%
Net Assets	1,834.9	100.00%

*The investment in the Polygon European Equity Opportunity Fund consists of 415,537 units in Class A, 242,483 units in Class B and 228,851 units in Class C as at 31 December 2014.

The stated objective of the Polygon European Equity Opportunity Fund is to seek superior risk adjusted returns. Its stated intention is to invest predominantly in European listed equity securities, but may also invest in other asset classes and in other non-European jurisdictions. Given the applicable notice, liquidity of up to 25% of the investment is available on a quarterly basis (subject to certain conditions), and the entire investment could be liquidated over four consecutive quarters.

** The investment in the Polygon Distressed Opportunities Fund consists of 432,676 units in Class A, 295,765 units in Class B, and 143,549 units in Class C at 31 December 2014.

The stated objective of the Polygon Distressed Opportunities Fund is to seek superior risk adjusted returns. It states that to achieve this objective, it will invest primarily in investments (directly or indirectly) in securities, instruments and assets that are either distressed or acquired from holders in distressed situations. With the applicable notice, liquidity of up to 25% of the investment is available on a quarterly basis (subject to certain conditions) subject to the redemption occurring at least 12 months after the purchase of the shares or units to be redeemed. Accordingly, the entire investment could be liquidated over four consecutive quarters subject to the conditions above.

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS (continued)
As at 31 December 2013

Security Description	Nominal MM	Cost US$ MM	Fair Value US$ MM	% of Net Assets
United States CLO Equity				
Cayman Islands				
ABS and Structured Finance	18.4	17.6	-	-
Broadly Syndicated Senior Secured Loans	1,221.0	1,104.9	798.6	43.25%
CDOs Squared	17.3	16.6	-	-
Middle Market Senior Secured Loans	245.2	227.4	137.5	7.45%
	1,501.9	1,366.5	936.1	50.70%
European CLO Equity				
Ireland				
Broadly Syndicated Senior Secured Loans	127.4	155.9	101.8	5.51%
	127.4	155.9	101.8	5.51%
Luxembourg				
Broadly Syndicated Senior Secured Loans	71.1	84.3	59.9	3.24%
	71.1	84.3	59.9	3.24%
Netherlands				
Broadly Syndicated Senior Secured Loans	24.0	31.8	22.6	1.23%
	24.0	31.8	22.6	1.23%
United States CLO Mezzanine				
Cayman Islands				
Broadly Syndicated Senior Secured Loans	1.8	1.1	1.7	0.09%
	1.8	1.1	1.7	0.09%
Loans				
United States Broadly Syndicated Senior Secured Loans	33.8	33.5	34.0	1.84%
Global Unsecured Loan	10.0	10.0	11.1	0.60%
	43.8	43.5	45.1	2.44%
Listed Stock				
United Kingdom – Equity Investments		10.9	11.2	0.61%
		10.9	11.2	0.61%
Unlisted Stock				
Global Financial Real Estate Investment Manager		10.7	28.4	1.54%
		10.7	28.4	1.54%
Investment Funds				
United States – Real Estate		26.7	27.0	1.45%
Japan – Real Estate		12.3	10.6	0.59%
United Kingdom – Real Estate		22.1	23.2	1.25%
Global – Hedge Funds – Equities		55.0	56.6	3.06%
Polygon European Equity Opportunity Fund*		105.0	124.6	6.74%
Global – Hedge Funds – Credit and Convertible Bonds		80.0	84.2	4.57%
		301.1	326.2	17.66%
Total Investments		**2,005.8**	**1,533.0**	**83.02%**

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS (continued)
As at 31 December 2013

Financial Derivative Instruments	**Fair Value US$ MM**	**% of Net Assets**
Interest Rate Swaptions	12.1	0.65%
Forward Foreign Currency Exchange Contracts	(3.3)	(0.17)%
Equity Total Return Swaps	3.1	0.16%
Total Financial Derivative Instruments	11.9	0.64%
Cash and Cash Equivalents	245.9	13.31%
Other Assets and Liabilities	55.9	3.03%
Net Assets	1,846.7	100.00%

*The investment in the Polygon European Equity Opportunity Fund consists of 515,988 units in Class A, 355,786 units in Class B and 154,838 units in Class C as at 31 December 2013.

The stated objective of the Polygon European Equity Opportunity Fund is to seek superior risk adjusted returns. Its stated intention is to invest predominantly in European listed equity securities, but may also invest in other asset classes and in other non-European jurisdictions. With the applicable notice, liquidity of up to 25% of the investment is available on a quarterly basis (subject to certain conditions), and the entire investment could be liquidated over four consecutive quarters.

TETRAGON FINANCIAL GROUP MASTER FUND LIMITED

FINANCIAL HIGHLIGHTS
For the year ended 31 December 2014 and 31 December 2013

The following represents selected per Share operating performance of the Fund, ratios to average net assets and total return information for the year ended 31 December 2014 and 31 December 2013.

	31 Dec 2014	31 Dec 2013
	US$	**US$**
Per Share operating performance		
Net Asset Value at start of year	18.67	16.78
Net investment income	1.05	1.71
Net realized and unrealized gain from investments, derivatives and foreign currencies	0.34	1.37
Share based employee compensation	0.24	0.24
Dividends paid to shareholders	(1.15)	(1.19)
Income and deferred tax expense and noncontrolling interest	(0.13)	(0.09)
Other capital transactions	0.11	(0.15)
Net Asset Value at the end of the year	19.13	18.67
Pro Forma Fully Diluted NAV per Share		
	Millions	**Millions**
Shares outstanding	95.9	98.9
Shares held in escrow	10.7	11.3
Pro Forma Fully Diluted Shares	106.6	110.2
Pro Forma Fully Diluted Net Asset Value per Share	US$ 17.21	US$ 16.76
Return (NAV change before dividend payments and other capital transactions)	8.03%	19.25%
Ratios and supplemental data		
Ratio to average net assets:		
Total operating expenses	(7.39%)	(6.44%)
Net investment income	5.50%	9.80%

An individual shareholder's per Share operating performance and ratios may vary from the above based on the timing of capital transactions.

Note 1 General Information

The Fund was registered in Guernsey on 23 June 2005 as a company limited by shares, with registered number 43322. All voting shares of the Fund are held by Polygon Credit Holdings II Limited. The Fund continues to be registered and domiciled in Guernsey.

The Fund owns a number of operating business subsidiaries, including those resulting from the acquisition of TFG Asset Management L.P. and certain of its affiliates, including its asset management businesses (the "Acquisition"). The Fund consolidates in these financial statements, the income and expense and assets and liabilities of entities where appropriate, and in accordance with the accounting policy on consolidation detailed in Note 2.

The registered office of the Fund is 1st Floor Dorey Court, Admiral Park, St. Peter Port, Guernsey, Channel Islands GY1 6HJ.

Note 2 Significant Accounting Policies

Basis of Presentation

The consolidated financial statements give a true and fair view, are prepared in conformity with U.S. GAAP and comply with The Companies (Guernsey) Law, 2008.

For financial statement reporting purposes, the Fund is an investment company and follows Financial Services – Investment Companies (ASC 946).

The accounting policies have been consistently applied by the Fund during the year ended 31 December 2014 and are consistent with those used in the previous year.

The consolidated financial statements are presented in United States Dollars.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes, including the valuation of investments. The Fund's management believes that the estimates made in preparing the consolidated financial statements are reasonable and prudent, however actual results could differ materially from these estimates.

Foreign Currency Translation

Transactions in foreign currencies are translated at the foreign currency exchange rate ruling at the date of the transaction. All assets and liabilities denominated in foreign currencies are translated to U.S. Dollars at the foreign currency closing exchange rate ruling at the reporting date. Foreign currency exchange differences arising on translation and realized gains and losses on disposals or settlements of monetary assets and liabilities are recognized in the Consolidated Statements of Operations.

Foreign currency exchange differences relating to derivative financial instruments are included in foreign currency transactions and translation of assets and liabilities in foreign currencies in the Consolidated Statements of Operations. All other foreign currency exchange differences relating to monetary items, including cash and cash equivalents and investments, are included in the foreign currency transactions and translation of assets and liabilities in foreign currencies in the Consolidated Statements of Operations.

Note 2 Significant Accounting Policies (continued)

Investment Transactions and Investment Income

Investment transactions are recorded on a trade date basis (the trade date is the date that an entity commits to purchase or sell an asset). Realized gains and losses from CLO equity and mezzanine securities, leveraged loans, forwards, investment funds, swaps, contracts for difference, listed stock, unlisted stock and derivatives are calculated on the identified historical cost basis. Interest income is recognized on an effective interest rate basis.

Financial Instruments

Investments in CLO equity tranche investments ("CLO equity"), at fair value

In the absence of an active market for the equity tranche investments in securitization vehicles, a mark to model approach has been adopted to determine their valuation. A third party valuation model that is used by the Investment Manager and the Administrator has been selected for this purpose.

The model contains characteristics of the securitization vehicle structure, including current assets and liabilities, based upon information derived by a specialist firm, from data sources such as the securitization vehicles' trustee reports. Key model inputs include projected defaults and recovery rates and reinvestment spreads for the relevant class of underlying collateral held in the securitization vehicle. These inputs are derived by reference to a variety of market sources, which are used by both the Investment Manager and the Administrator.

The model projects future cash flows which are discounted at the applicable rate in order to determine fair value. The model assumptions are reviewed on a regular basis and adjusted as appropriate to take into account any changes in observable data in relation to these inputs.

The Fund recognizes interest income and any impairment pursuant to "Recognition of Interest Income and Impairment on Purchased and Retained Beneficial Interests in Securitized Financial Assets" (ASC 325). ASC 325 sets forth rules for recognizing interest income and determining when an investment is impaired.

In accordance with ASC 325, the excess of the estimated future cash flows over the initial investment is the accretable yield (or the "IRR") which is recognized as interest income over the life of the investment using the effective yield method. Cash distributions received from investments under ASC 325 may not necessarily equal the income earned during any given year or period. The amortized cost of each investment is equal to the initial investment plus the yield accrued to date less all cash received to date less any write downs for impairment.

Investments in leveraged loans, at fair value

To the extent that the Fund's leveraged loans are exchange traded and are priced or have sufficient bid price indications from normal course trading at or around the valuation date (financial reporting date), such bid pricing will determine fair value. Pricing service marks from third party pricing services may be used as an indication of fair value, depending on the volume and reliability of the marks, sufficient and reasonable correlation of bid and ask quotes, and, most importantly, the level of actual trading activity.

Investments in CLO mezzanine tranche investments, at fair value

Investments in CLO mezzanine tranches are carried at fair value using the latest broker indicative bid prices. As the mezzanine tranches are marked-to-market, changes in the fair value are recognized immediately in the Consolidated Statements of Operations.

Note 2 Significant Accounting Policies (continued)

Financial Instruments (continued)

Investments in securities, listed stock, unlisted common stock and unsecured loans, at fair value

Investments in listed stock, unlisted common stock and unsecured loans are carried at fair value. Where applicable their cost price, the price at which any recent transaction in the security may have been effected and any other relevant factors may be considered, as well as valuation techniques which may be used by market participants.

Investments in unlisted investment funds, at fair value

Investments in unlisted investment funds are valued utilizing the net asset valuations provided by the managers of the underlying funds and / or their administrators. This approach is known as the "practical expedient" and has been applied in accordance with the Accounting Standards Update No. 2009-12 ("ASU 2009-12").

Forward currency contracts, at fair value

Forward currency contracts are recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Fair values are based on observable foreign currency forward rates, recent market transactions, and valuation techniques, including discounted cash flow models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

The best evidence of fair value of a forward contract at initial recognition is the transaction price. Subsequent changes in the fair value of any forward contract are recognized immediately in the Consolidated Statements of Operations.

Interest rate swaptions, at fair value

This instrument combines the features of two other financial instruments, namely an option and an interest rate swap. A swaption involves writing / purchasing options to enter into a swap.

When the Fund purchases a swaption, a premium is paid by the Fund and the swaption is initially recognized at the amount of the premium. The swaption is subsequently marked-to-market to reflect the fair value of the swaption purchased, which is reported as an asset on the Consolidated Statements of Assets and Liabilities, and changes in the fair value are recognized immediately in the Consolidated Statements of Operations.

Swaps and Contracts for difference

The Fund enters into swaps and contracts for difference ("CFDs") arrangements with financial institutions. Swaps and CFDs are typically traded on the OTC market. The arrangement generally involves an agreement by the Fund and a counterparty to exchange the difference between the opening and closing price of the position underlying the contract, which are generally on equity positions.

The fair value of the swap or CFD is derived by taking the difference between the quoted price of the underlying security and the contract price. Realized and unrealized gains and losses are included in the Consolidated Statements of Operations.

Credit default swaps

Credit default swaps are contracts in which the Fund pays or receives premium flows in return for the counterparty accepting or selling all or part of the risk of default or failure to pay of a reference entity on which the swap is written. Where the Fund has bought protection the maximum potential loss is the value of the premium flows the Fund is contracted to pay until maturity of the contract. Where the Fund has sold protection the maximum potential loss is the nominal value of the protection sold.

Note 2 Significant Accounting Policies (continued)

Financial Instruments (continued)

Credit default swaps (continued)

Credit default swaps are stated at fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models, as appropriate. The net income or expense on the swap agreements entered into by the Fund is reflected in the Statements of Operations. Unrealized gains are reported as an asset and unrealized losses are reported as a liability in the Statements of Assets and Liabilities. Changes in the fair value are reflected in the Statements of Operations in the period in which they occur.

Fixed Assets

Fixed assets are stated at cost and depreciated on a straight-line basis over their estimated useful lives.

Cash and Cash Equivalents

Cash comprises current deposits with banks. Cash equivalents, short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Management Contracts

Management contracts providing investment management services to investment funds, accounts and other vehicles are amortized over their useful lives. Management contracts are stated at cost less accumulated amortization and impairment. The Fund reviews purchased intangible assets for impairment where there are events or changes in circumstance that indicate the carrying value of an asset may not be recoverable.

Amortization is recognized through profit or loss in the Consolidated Statements of Operations on a straight-line basis over the useful life of the agreements. The estimated useful life for the purposes of amortizing management contracts ranges from three to ten years.

Principles of Consolidation

The consolidated financial statements include the accounts of the Fund and its subsidiaries (collectively, the"Group"). All significant intercompany balances and transactions have been eliminated on consolidation.

Operating entities are consolidated where the Fund (i) has an economic interest in excess of 50%; (ii) is deemed to have control over the significant operational and financial decisions of the entity; and (iii) where the purpose of the operating entity is to provide services to the Fund rather than realize a gain on the sale of the investment.

Where the above conditions are not met, but the Fund owns an interest which is less than 50% but more than 20%, consideration is made as to the level of control which can be exercised. The Fund owns 23% of GreenOak, a real estate investment manager and certain of its affiliates. It has evaluated the nature of this ownership, including matters such as voting control, and determined that it does not exhibit significant influence or control over GreenOak and is therefore carrying this investment at fair value.

The Fund is the primary beneficiary of some securities which are considered variable interest entities ("VIE"). As the Fund is accounting for its investments at fair value in accordance with the accounting guidance in the AICPA Audit and Accounting Guide (2014): Investment Companies, all other investments in operating and non-operating entities are carried at fair value regardless of the level of control, consolidation of these entities is not required.

Note 2 Significant Accounting Policies (continued)

Principles of Consolidation (continued)

At 31 December 2014, the fair value of these VIEs is approximately US$ 1,227.4 million (31 December 2013: US$ 1,446.6 million). These are non-recourse securities with no contingent liabilities where the Fund's maximum loss exposure is capped at the current carrying value.

Business Combinations

Business combinations are accounted for using the acquisition method as at the acquisition date – i.e. when control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are substantive.

The excess of the fair value of purchase consideration over the fair values of these identifiable assets and liabilities is recorded as goodwill. When the excess is negative, a bargain purchase gain is recognized immediately in the Consolidated Statements of Operations.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Share Based Employee Compensation

Share-based compensation expense for all equity settled share-based payment awards granted is determined based on the grant-date fair value. The Fund recognizes these compensation costs net of an estimated forfeiture rate, and recognizes compensation cost only for those shares expected to meet the service and non-market performance vesting conditions, on a straightline basis over the requisite service period of the award. These compensation costs are determined at the aggregate grant level for service-based awards and at the individual vesting tranche level for awards with performance conditions.

The Feeder issues the shares to the employees or providers of employment like services whereas the Fund receives the related services, and consequently the share based payments expense is recognized as a capital contribution. When the shares are actually issued the fair value of the shares, as determined at the time of the award, is debited against capital contribution and credited against share capital and share premium. Any associated stock dividends accrued on the original award are debited against retained earnings and credited to share capital and share premium using the value determined by the stock reference price at the date of each applicable dividend.

Fee Income

Fee income from management contracts is usually derived from either a base management fee, which is typically based on assets under management, or an incentive or performance fee which is linked to the performance of the applicable investment fund, account or vehicle. Base management fees are recognized on an accruals basis. Incentive or performance fees are recognized only when they have crystalized, which is usually on an annual or otherwise defined basis.

Dividend Income

Dividend income is recorded on the ex-dividend date, or when the information becomes available to the Fund.

Other Income

Where investment management, operating, infrastructure and administrative services are contractually provided to external entities outside of the consolidated Group, these services, along with any associated direct costs are invoiced and recorded as other income. This income is recognized on an accruals basis.

Note 2 Significant Accounting Policies (continued)

Expenses

Expenses are recognized in the Consolidated Statements of Operations on an accruals basis.

Taxation

Income taxes, Fund

The Fund is exempt from Guernsey income tax under the Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989 and is charged GBP 600 per annum. The Fund has consolidated U.S. and UK operating businesses which are subject to federal and local taxes as applicable.

Income taxes, Corporate Entities

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that is no longer probable that the related tax benefit will be realized.

In accordance with ASC Subtopic 740-10 – Income Taxes – Overall, the Fund recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. There were no uncertain tax positions recognized at 31 December 2014 or 31 December 2013.

Dividend Expense

Dividend expense from shares are recognized in the Consolidated Statements of Changes in Net Assets.

Note 3 ASC 820, Fair Value Measurements

The Fund has adopted the provisions of "Fair Value Measurements" (ASC 820). ASC 820 defines fair value as the price that the Fund would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date.

ASC 820 also establishes a framework for measuring fair value and a three level hierarchy for fair value measurement based upon the transparency of inputs to the valuation of an asset or liability. Inputs may be observable or unobservable and refer broadly to the assumptions that market participants would use in pricing the asset or liability.

The three levels of the fair value hierarchy are described below:

- Level 1 - Quoted in active markets for identical investments.
- Level 2 - Prices determined using other significant observable inputs. These may include quoted prices for similar securities, interest rates, prepayments spreads, credit risk and others.
- Level 3 - Unobservable inputs. Unobservable inputs reflect assumptions market participants would be expected to use in pricing the asset or liability.

Note 3 ASC 820, Fair Value Measurements (continued)

The following is a summary of investments by asset class, derivative financial instruments and level as of 31 December 2014 in valuing the Fund's assets and liabilities carried at fair value:

	Level 1 US$ MM	Level 2 US$ MM	Level 3 US$ MM	Total Fair Value US$ MM
CLO Equity Tranches	-	-	816.9	816.9
CLO Mezzanine	-	1.7	-	1.7
Broadly Syndicated Senior Secured Loans	-	22.1	-	22.1
Unsecured Loan	-	-	6.4	6.4
Unlisted Stock	-	-	69.3	69.3
Listed Stock	29.4	-	-	29.4
Investment funds	-	322.1	88.3	410.4
Interest rate swaptions	-	0.6	-	0.6
Forward foreign exchange contracts (asset)	-	11.5	-	11.5
Forward foreign exchange contracts (liability)	-	(1.5)	-	(1.5)
Credit default swaps	-	(4.1)	-	(4.1)
Equity total return swaps (asset)	-	7.1	-	7.1
Equity total return swaps (liability)	-	(0.2)	-	(0.2)
	29.4	359.3	980.9	1,369.6

There were no transfers of the Fund's assets between levels during the year ended 31 December 2014 or 31 December 2013.

The following is a summary of investments by asset class, derivative financial instruments and level as of 31 December 2013 in valuing the Fund's assets and liabilities carried at fair value:

	Level 1 US$ MM	Level 2 US$ MM	Level 3 US$ MM	Total Fair Value US$ MM
CLO Equity Tranches	-	-	1,120.4	1,120.4
CLO Mezzanine	-	1.7	-	1.7
Broadly Syndicated Senior Secured Loans	-	34.0	-	34.0
Unsecured Loan	-	-	11.1	11.1
Unlisted Stock	-	-	28.4	28.4
Listed Stock	11.2	-	-	11.2
Investment funds	-	265.4	60.8	326.2
Interest rate swaptions	-	12.1	-	12.1
Forward foreign exchange contracts (liability)	-	(3.3)	-	(3.3)
Equity total return swaps (asset)	-	3.2	-	3.2
Equity total return swaps (liability)	-	(0.1)	-	(0.1)
	11.2	313.0	1,220.7	1,544.9

Note 3 ASC 820, Fair Value Measurements (continued)

The following is a reconciliation of the Fund's assets in which significant unobservable inputs (Level 3) were used in determining fair value at 31 December 2014.

	CLO Equity Tranches US$ MM	Unsecured Loan US$ MM	Unlisted Stock US$ MM	Investment Funds US$ MM	Total US$ MM
Balance at start of year	1,120.4	11.1	28.4	60.8	1,220.7
Purchases of investments	84.3	-	2.4	77.0	163.7
Proceeds from sale of investments	(171.4)	(5.1)	-	(56.3)	(232.8)
Realized gain / change in unrealized appreciation	0.3	0.4	38.5	6.8	46.0
Amortization	(216.7)	-	-	-	(216.7)
Balance at end of year	816.9	6.4	69.3	88.3	980.9

The following is a reconciliation of the Fund's assets in which significant unobservable inputs (Level 3) were used in determining fair value at 31 December 2013.

	CLO Equity Tranches US$ MM	Unsecured Loan US$ MM	Unlisted Stock US$ MM	Investment Funds US$ MM	Total US$ MM
Balance at start of year	1,214.4	10.1	18.1	25.7	1,268.3
Purchases of investments	73.1	0.5	-	43.5	117.1
Proceeds from sale of investments	-	-	-	(11.4)	(11.4)
Realized gain / change in unrealized appreciation / (depreciation)	87.2	0.5	10.3	3.0	101.0
Amortization	(254.3)	-	-	-	(254.3)
Balance at end of year	1,120.4	11.1	28.4	60.8	1,220.7

Quantitative information about Level 3 Fair Value Measurements

Investments in securities	Balance at 31 December 2014 US$ MM	Valuation methodology	Unobservable inputs	Range
CLO Equity Tranches	816.9	Market standard model	See investments in CLO equity tranche investments	See (I) below
Unsecured Loan	6.4	Market standard model	Cost of financing for loan counterparty	3 - 6%
Common Stock	69.3	Market standard model	Price / earnings ratios	7 - 11x
			Valuation as % of assets under management	5.7 - 9.0%
		Broker marks	Discount to broker marks	10%
Investment Funds	88.3	Net asset value of underlying investment companies	Lock up period	N/A

Note 3 ASC 820, Fair Value Measurements (continued)

Investments in securities	Balance at 31 December 2013 US$ MM	Valuation methodology	Unobservable inputs	Range
CLO Equity Tranches	1,120.4	Market standard model	See investments in CLO equity tranche investments	See (I) below
Unsecured Loan	11.1	Market standard model	Cost of financing for loan counterparty	3 - 6%
Common Stock	28.4	Market standard model	Price / earnings ratios Valuation as % of assets under management	6.5x - 10.5x 3 - 5%
Investment Funds	60.8	Net asset value of underlying investment companies	Lock up period	N/A

The fair value of the level 3 investments are sensitive to the inputs used in the valuation process. The CLO equity valuations are sensitive to a number of different inputs to the third party model. For example, if the default rate assumption inputs were increased, assuming all other inputs were held constant, then the fair value would decrease.

Equally, if the discount rates applied to projected cash flows were increased, and similarly assuming all other inputs were held constant, then the fair value would also decrease.

The unsecured loan is valued with reference to an implied yield or cost of financing for the counterparty. If the implied yield were increased then the fair value of the loan would be reduced.

The common stock investment referenced in the table includes a 23% stake in GreenOak, which had a fair value of US$ 66.5 million at 31 December 2014 (31 December 2013: US$ 28.4 million) . As the GreenOak business has developed, certain market metrics such as multiples of earnings have become more relevant than others such as discounted cash flows. As at 31 December 2014, the primary market metric utilised was price / earnings multiples (as indicated in the table above). A range of market derived multiples was applied to projected profitability of GreenOak and a valuation was selected from the range of fair values calculated. Given the greater inherent uncertainty in an early stage business a fair value in the 65th percentile has been selected (i.e. in the lower half of the range). If the multiples applied to the projected profitability were decreased then the fair value range would also be decreased.

During 2014, the Fund also acquired shares in a Norwegian unlisted company, which has been valued with reference to marks received from two different brokers. After applying a 10% discount to the marks received, these shares had a fair value of US$ 2.8 million.

The collective investment schemes are valued using the net asset value of the underlying investment companies using the approach known as the "practical expedient". This is in accordance with ASU 2009-12.

Quantitative information about Level 3 Fair Value Measurements

(1) CLO equity tranche investments

As disclosed in Note 2, a mark to model approach has been adopted to determine the value of the equity tranche CLO investments. As at 31 December 2014, some of the modeling assumptions used are disclosed below.

The modeling assumptions disclosed below are a weighted average (by U.S. Dollar amount) of the individual deal assumptions, aggregated by geography (i.e. U.S. and European). Each individual deal's assumptions may differ from this geographical average and vary across the portfolio.

Note 3 ASC 820, Fair Value Measurements (continued)

U.S. CLO equity tranche investments –

	31 December 2014	31 December 2013
Constant Annual Default Rate ("CADR")	Approximately 2.2%, which is 1.0x the original Weighted Average Rating Factor ("WARF") derived base-case default rate for the life of the transaction.	Approximately 2.2%, which is 1.0x the original Weighted Average Rating Factor ("WARF") derived base-case default rate for the life of the transaction.
Recovery Rate	73%, which is 1.0x of the original base-case assumed weighted-average recovery rate, for the life of the transaction.	73%, which is 1.0x of the original base-case assumed weighted-average recovery rate, for the life of the transaction.
Prepayment Rate	20% p.a., the original base-case prepayment rate with a 0% prepayment rate on bonds throughout the life of the transaction.	20% p.a., the original base-case prepayment rate with a 0% prepayment rate on bonds throughout the life of the transaction.

	31 December 2014	31 December 2013
Reinvestment Price and Spread	Assumed reinvestment price is par for the life of the transaction, with an effective spread over LIBOR of approximately 294 bps on broadly U.S. syndicated loan deals which are still in their reinvestment periods. Middle Market loan deals are all through their reinvestment period.	Assumed reinvestment price is par for the life of the transaction, with an effective spread over LIBOR of approximately 289 bps on broadly U.S. syndicated loans and 328 bps on middle market loans for the life of the transaction. The average effective spread for deals still in their reinvestment periods is approximately 319 bps on broadly U.S. syndicated loans and 330 bps for middle market loan deals.

European CLO equity tranche investments -

	31 December 2014	31 December 2013
Constant Annual Default Rate ("CADR")	Approximately 2.1%, which is 1.0x the original WARF derived base-case default rate for the life of the transaction.	Approximately 2.6%, which is 1.25x the original WARF derived base-case default rate for 2014, changing to 2.1% or 1.0x the original base-case thereafter.
Recovery Rate	68%, which is 1.0x of the original base-case assumed weighted-average recovery rate, for the life of the transaction.	68%, which is 1.0x of the original base-case assumed weighted-average recovery rate, for the life of the transaction.
Prepayment Rate	20% p.a., the original base-case prepayment rate with a 0% prepayment rate on bonds throughout the life of the transaction.	20% p.a., the original base-case prepayment rate with a 0% prepayment rate on bonds throughout the life of the transaction.
Reinvestment Price and Spread	All European deals are through their reinvestment period.	The assumed reinvestment price is par for the life of the transaction with an effective spread over LIBOR of approximately 272 bps. The average effective spread for deals still in their reinvestment periods is approximately 278 bps.

Note 3 ASC 820, Fair Value Measurements (continued)

When determining the fair value of the equity tranches a discount rate is applied to the expected future cash flows derived from the third party valuation model. The discount rate applied to those future cash flows reflects the perceived level of risk that would be used by another market participant in determining fair value. In determining the discount rates to use an analysis of the observable risk premium data as well as the individual deal's structural strength and credit quality is undertaken.

As at 31 December 2014, for the pre-2010 vintage U.S. equity tranches, the Fund applies a 12.0% discount rate to the expected future cashflows (31 December 2013: 13.0%). The European equity tranches are all discounted at 13.0% (31 December 2013: 17.0%). For both U.S. and European deals the aforementioned discount rates represent a significant spread over observed yields on the applicable BB-rated CLO tranches for each geographical region at that date.

For the post-2010 vintage U.S. equity tranches, an increased level of transparency over certain data points and metrics associated with such deals has enabled the determination of a generic discount rate for this sub-asset class. As at 31 December 2014, a discount rate of 11.0% is applied to the future projected cash flows of seasoned U.S. 2.0 deals.

More recently issued U.S. 2.0 deals (within 12 months of deal closing) continue to be discounted at their respective deal IRRs. The weighted average IRR for deals discounted using deal specific IRRs was 13.1% at 31 December 2014. The IRRs for such deals ranged from 12.1% to 14.1% and the fair value of deals discounted using deal specific IRRs was 9.9% (31 December 2013: 17.7%) of the CLO equity portfolio by fair value.

Note 4 Management Contracts

During 2012, the Fund acquired TFG Asset Management L.P. and certain of its affiliates. Of the assets that were purchased, intangible assets consisting of management contracts for hedge funds and private equity funds were identified. These are tested for impairment on a regular basis and are amortized over an estimated useful life as detailed below.

31 December 2014	Weighted average amortization period	Gross carrying amount US$ MM	Weighted average outstanding amortization period	Accumulated amortization US$ MM	Net carrying amount US$ MM
Amortizing intangible assets:					
Management contracts – hedge funds	10 years	34.3	7 years 10 months	7.4	26.9
Management contracts – private equity	3 years	10.2	10 months	7.4	2.8
Total		44.5		14.8	29.7

Note 4 Management Contracts (continued)

31 December 2013	Weighted average amortization period	Gross carrying amount US$ MM	Weighted average outstanding amortization period	Accumulated amortization US$ MM	Net carrying amount US$ MM
Amortizing intangible assets:					
Management contracts – hedge funds	10 years	34.3	8 years 10 months	4.0	30.3
Management contracts – private equity	3 years	10.2	1 years 10 months	4.0	6.2
CLO Management contracts	3 years	0.3	1 month	0.3	-
Total		44.8		8.3	36.5

Aggregate amortization expense for amortizing intangible assets was US$ 6.8 million for the year ended 31 December 2014 (31 December 2013: US$ 6.9 million). Estimated annual amortization expense for the next eight years is US$ 6.3 million in 2015, US$ 3.4 million in years 2016 to 2021 and US$ 3.0 million in 2022.

Note 5 GreenOak

The Fund owns a 23% interest in GreenOak. It has determined that it does not have control or significant influence over the operational and financial decisions of GreenOak and is carrying both the investment in GreenOak and working capital loan at fair value.

The following table outlines the movement in fair value of the investment in GreenOak financial real estate manager:

	31 Dec 2014 US$ MM	31 Dec 2013 US$ MM
Opening fair value	28.4	18.1
Change in unrealized appreciation	38.1	10.3
Closing fair value	66.5	28.4

The Fund provided GreenOak with working capital of up to US$ 10.0 million in the form of a seven year non-recourse loan facility. Under the terms of this facility, the first US$ 5.0 million earns an annual interest rate of 3% and the balance earns an annual interest rate of 6%. During the year, GreenOak repaid US$ 5.1 million, with US$ 2.5 million being allocated against the 3% loan and US$ 2.6 million against the 6% loan.

The following table outlines the movement in the fair value of the unsecured working capital facility provided by the Fund to GreenOak.

	31 Dec 2014 US$ MM	31 Dec 2013 US$ MM
Opening fair value	11.1	10.1
Working capital contributed	-	0.5
Part repayment of working capital	(5.1)	-
Unrealized appreciation	0.4	0.5
Closing fair value	6.4	11.1

Note 6 Cash and Cash Equivalents

	31 Dec 2014 US$ MM	31 Dec 2013 US$ MM
Cash and current deposits with banks	372.7	237.9
Foreign currency cash with banks (cost: US$ 30.3 million (31 December 2013: US$ 7.9 million))	29.3	8.0
	402.0	245.9

Of this cash balance, approximately US$ 5.5 million was held with respect to certain capital requirements in regulated entities (31 December 2013: US$ 4.5 million).

Note 7 Financial Instruments with Off-Balance Sheet Risk and Concentration of Credit Risk

To the extent prices may be obtained on some or all of the Fund's assets, those prices may be extremely volatile, and will generally fluctuate due to a variety of factors that are inherently difficult to predict, including, but not limited to, changes in interest rates, prevailing credit spreads, general economic conditions, financial market conditions, domestic and international economic or political events, developments or trends in any particular industry, and the financial condition of the obligors of the Fund's assets.

The Fund's assets include securities or other financial instruments or obligations which are thinly traded or for which no market exists or which are restricted as to their transferability under applicable securities laws. The valuation of the CLO equity tranche investments is determined using a third-party cash flow modeling tool.

The model contains certain assumption inputs that are reviewed and adjusted as appropriate to factor in how historic, current and potential market developments (examined through, for example, forward-looking observable data) might potentially impact the performance of these CLO equity investments.

Since this involves modeling, among other things, forward projections over multiple years, this is not an exercise in recalibrating future assumptions to the latest quarter's historical data.

Subject to the foregoing, when determining the U.S. GAAP-compliant fair value of the CLO equity investments, the Fund seeks to derive a value at which market participants could transact in an orderly market and also seeks to benchmark the model inputs and resulting outputs to observable market data when available and appropriate. Although seeking to utilize, where possible, observable market data, for certain assumptions the Investment Manager may be required to make subjective judgements and forward-looking determinations, and its experience and knowledge is instrumental in the valuation process.

Further, because of overall size or concentration in particular markets of positions held by the Fund, the value at which its investments can be liquidated may differ, sometimes significantly, from the interim valuations arrived at.

A significant portion of the Fund's investments consist of interests in and / or economic exposures to limited recourse securities that are subordinated in right of payment and ranked junior to other securities that are secured by the same pool of assets. In the event of default by an issuer in relation to such investments holders of the issuer's more senior securities will be entitled to payments in priority to the Fund.

Some of the Fund's investments may also have structural features that divert payments of interest and / or principal to more senior classes secured by the same pool of assets when the delinquency or loss experience of the pool exceeds certain levels. This may lead to interruptions in the income stream that the Fund anticipates receiving from its investment portfolio. To the extent that actual losses on the underlying collateral exceed the level of assumed losses used to determine the fair value of the investment, the value of the investment may be reduced.

Some of the Fund's assets are held by a custodian and the Fund is exposed to the credit risk of this counterparty. The Fund has also entered into derivative transactions which results in exposure to counterparty credit risk. The counterparties to these derivative transactions are major financial institutions.

Note 7 Financial Instruments with Off-Balance Sheet Risk and Concentration of Credit Risk (continued)

As part of the Fund's current investment strategy it may employ hedging strategies and leverage in seeking to provide attractive returns from the portfolio while managing risk. The hedging strategy may include the use of single name or index credit hedges when and where appropriate as well as foreign exchange rate hedges and interest rate swaptions. This is reviewed on an on-going basis in order to seek to address identified risks to the extent practicable and in a cost effective manner. As at 31 December 2014 single name credit hedges with a notional of US$ 151.3 million were in place (31 December 2013: Nil).

As at 31 December 2014, the Fund had a number of forward foreign exchange contracts in place with original maturities ranging from three months to approximately five years. The Fund typically agrees to sell foreign currency and buy U.S. Dollars in order to hedge long non-U.S. Dollar investment positions. The total open balance as at the end of the year was net long U.S. Dollars US$ 206.9 million, having executed 59 transactions during the year at an average notional of US$ 22.2 million. (31 December 2013: net long U.S. Dollars US$ 186.4 million, having executed 17 transactions during the year at an average notional of US$ 34.8 million).

The Fund's investments in leveraged loans through equity tranche investments in securitization vehicles generate LIBOR plus returns and are sensitive to interest rate levels and volatility. Although these vehicles are structured to hedge interest rate risk through the use of matched funding, there may be some difference between the timing of LIBOR resets on the liabilities and assets, which could have a negative effect on the amount of funds distributed to equity tranche holders.

Furthermore, in the event of a significant rising interest rate environment and / or economic downturn, loan defaults may increase and result in credit losses that may be expected to affect the Fund's cash flow, fair value of its assets and operating results adversely. The Fund may utilize hedging instruments, such as interest rate swaptions, to try and mitigate interest rate tail risks.

As at 31 December 2014, the Fund has one long interest rate swaption contract with an out-of-the-money strike and a notional of US$ 250 million (31 December 2013: US$ 500 million). The primary purpose of this position is to act as a hedge in a rising interest rate environment, particularly with reference to the CLO portfolio.

The Fund did not have a significant concentration of credit risk exposure to leveraged loans at 31 December 2014 or 31 December 2013. No individual investment in leveraged loans exceeded 0.25% of the net assets as of these dates.

The Fund is exposed to credit risk through its investment in GreenOak investment funds and the working capital it has provided to GreenOak through a seven year non-recourse loan facility, maturing on 16 September 2017. Bankruptcy or insolvency of GreenOak may cause the Fund's rights with respect to the investment funds to be delayed or limited.

The maximum exposure to GreenOak at 31 December 2014 and 31 December 2013 is disclosed on the Consolidated Condensed Schedule of Investments.

The Fund has made investments into certain collective investment schemes. These include real estate investment vehicles and hedge funds which have exposure to securities including equities, convertible bonds and derivatives. These underlying investments may be in securities or assets which are illiquid and / or in different geographies around the world. These investments may be subject to counterparty risk. Capital invested into the investment vehicles may be subject to lock ups and gates, or subject to the realization of the underlying investments and assets. The Fund has also made investments into equities which are directly held. These investments are subject to market and liquidity risk.

The Fund enters into swaps and CFDs with financial institutions. The Fund utilizes these swap or CFD agreements as an efficient means of hedging or of obtaining exposure to certain underlying investments. The Fund is subject to the risk of the inability or refusal to perform with respect to such contracts on the part of counterparties trading with it, as well as risks relating to the creditworthiness of the swap counterparty, market risk, liquidity risk and operations risk. Through swaps or CFDs the Fund can in effect be exposed to increases or decreases in the value of an equity or index or to decreases or increases in the value of a related equity or index.

Note 7 Financial Instruments with Off-Balance Sheet Risk and Concentration of Credit Risk (continued)

Depending on how they are used, the agreements may increase or decrease the overall volatility of the portfolio and performance of the Fund. During the year to 31 December 2014 the Fund had a weighted average notional exposure of US$ 259.2 million through swaps referencing underlying individual equity positions, compared to US$ 165.5 million in the period from June to December 2013. Prior to June 2013 the Fund did not have any open equity swap positions.

The Fund's investments that are denominated in currencies other than U.S. Dollar are subject to the risk that the value of such currency will decrease in relation to the U.S. Dollar. The Fund currently uses foreign exchange rate forwards to seek to hedge this currency risk in whole or in part, to the extent practicable and in a cost effective manner. As described above, the hedging strategy (including these currency hedges) is reviewed on an on-going basis. Details of the Fund's investment portfolio at the reporting date are disclosed in the Consolidated Condensed Schedule of Investments on pages 11 and 12.

The Fund is required to disclose the impact of offsetting assets and liabilities represented in the statements of assets liabilities to enable evaluation of the effect or potential effect of netting arrangements on its financial position for recognized assets and liabilities.

As of 31 December 2014, the Fund holds financial instruments and derivative instruments that are eligible for offset in the statements of assets and liabilities and are subject to a master netting arrangement. The master netting arrangement allows the counterparty to net any collateral held on behalf of the Fund or liabilities or payment obligations of the counterparty against any liabilities or payment obligations of the Fund to the counterparty.

The following table provides disclosure regarding the potential effect of offsetting of recognized assets presented in the statement of assets and liabilities:

	31 December 2014					
Description	**Gross Amount of Recognized Assets US$ MM**	**Gross Amounts Offset in the Statements of Assets and Liabilities US$ MM**	**Net Amounts Presented in the Statements of Assets and Liabilities US$ MM**	**Financial instruments eligible for netting US$ MM**	**Cash Collateral received/ posted US$ MM**	**Net Amount US$ MM**
Assets						
Derivatives	19.2	-	19.2	(2.1)	-	17.1
Total	19.2	-	19.2	(2.1)	-	17.1
Liabilities						
Derivatives	5.8	-	5.8	(2.1)	(3.7)	-
Total	5.8	-	5.8	(2.1)	(3.7)	-

Note 7 Financial Instruments with Off-Balance Sheet Risk and Concentration of Credit Risk (continued)

Description	Gross Amount of Recognized Assets US$ MM	31 December 2013 Gross Amounts Offset in the Statements of Assets and Liabilities US$ MM	Net Amounts Presented in the Statements of Assets and Liabilities US$ MM	Financial instruments eligible for netting US$ MM	Cash Collateral received/ posted US$ MM	Net Amount US$ MM
Assets						
Derivatives	15.2	-	15.2	-	-	15.2
Total	15.2	-	15.2	-	-	15.2
Liabilities						
Derivatives	3.3	-	3.3	-	(3.2)	0.1
Total	3.3	-	3.3	-	(3.2)	0.1

Note 8 Amounts Due From Brokers

The amounts due from brokers is cash pledged as collateral on the forward contracts and equity swaps. As at 31 December 2014, the collateral cash balance with UBS AG was US$ 2.0 million (31 December 2013: US$ 29.0 million), BNP Paribas was US$ 13.3 million (31 December 2013: US$ Nil) Morgan Stanley was US$ 1.4 million (31 December 2013: US$ Nil) and Bank of America Merrill Lynch was US$ 35.4 million (31 December 2013: US$ 13.0 million).

Note 9 Other Receivables

	31 Dec 2014 US$ MM	31 Dec 2013 US$ MM
Accrued fee income	12.1	11.3
Cost recovery receivable	2.2	2.1
Amounts due from affiliated funds	5.8	1.0
Prepayments	1.9	2.0
Rent deposits on properties	1.7	1.8
Other receivables	9.1	8.4
	32.8	26.6

Note 10 Other Payables and Accrued Expenses

	31 Dec 2014 US$ MM	31 Dec 2013 US$ MM
Employee costs	41.1	33.9
Amounts owing to former Polygon partners (see Note 24)	3.5	6.9
Other operating and administrative expenses	5.9	6.2
	50.5	47.0

Note 11 Share Capital

Authorized

The Fund has an authorized share capital of US$ 1.0 million divided into 10 voting shares, having a par value of US$ 0.001 each and 999,999,990 non-voting shares (which are the "Shares" referred to herein), having a par value of US$ 0.001 each.

Note 11 Share Capital (continued)

Voting Shares

All of the Fund's voting shares are issued at par and are beneficially owned by the Voting Shareholder, a non-U.S. affiliate of the Investment Manager. The voting shares will be the only shares entitled to vote for the election of Directors and on all other matters put to a vote of shareholders, subject to the limited rights of the Shares described below. The voting shares are not entitled to receive dividends.

Non-Voting Shares

The Shares carry a right to any dividends or other distributions declared by the Fund. The Shares are not entitled to vote on any matter other than limited voting rights in respect of variation of their own class rights.

Dividend Rights

Dividends may be paid to the holders of Shares at the sole and absolute discretion of the Directors. The voting shares carry no rights to dividends.

Share Transactions

	Voting Shares No.	Shares No. MM	Shares US$ MM
Shares in issue at 31 December 2012	10	98.8	0.1
Issued in lieu of stock dividend	-	0.4	-
Issued through release of tranche of Escrow Shares	-	1.2	-
Treasury Shares purchased during the year	-	(1.5)	-
Shares in issue at 31 December 2013	10	98.9	0.1
Issued in lieu of stock dividend	-	0.6	-
Issued through release of tranche of Escrow Shares	-	1.2	-
Treasury Shares purchased during the year	-	(4.9)	-
Shares in issue at 31 December 2014	10	95.9	0.1

Treasury Shares

The Fund owns a subsidiary, TFG Holdings I, to which it may transfer, and has transferred, Shares previously held in a Treasury Account. Where this occurs the status of the Shares is unchanged from an accounting perspective and they are not included in the Shares outstanding on the Consolidated Statements of Assets and Liabilities.

On 30 November 2007, the Feeder announced the implementation of a share repurchase program of their outstanding Shares. This was renewed on several occasions, most recently on 14 January 2013 running until 30 April 2013 when it expired. As at 31 December 2014, there was no share repurchase program in place.

When the program was in operation, the Fund undertook to repurchase an identical number of its own Shares from the Feeder as and when it made these repurchases in the open market.

The Fund matched the price per Share paid by the Feeder. The Shares are held in a Treasury Account or in a subsidiary allowing them to potentially be resold back to the Feeder if it resells its own shares back into the market at a later date. Whilst they are held by the Fund (whether directly or via a subsidiary), the Shares are neither eligible to receive dividends nor are they included in the Shares outstanding on the Statements of Assets and Liabilities.

Note 11 Share Capital (continued)

Treasury Shares (continued)

On 11 March 2014, the Feeder and the Fund announced that under the terms of a "modified Dutch auction" (the "Tender Offer") the Fund had accepted for purchase approximately 4.9 million Feeder non-voting shares at a purchase price of US$ 10.30 per share and an aggregate cost of US$ 50.9 million, including applicable fees and expenses. The repurchased shares, together with an equivalent number of Fund Shares that had been held by the Feeder, were transferred to the Treasury Account.

After giving effect to the Tender Offer, as at 31 December 2014, 16.6 million Shares are held in TFG Holdings I (31 December 2013: 16.6 million) and 12.8 million Shares in the Treasury Account (31 December 2013: 7.9 million) with an aggregate attributed cost of US$ 261.0 million (31 December 2013: US$ 210.1 million).

Treasury Share Transactions

	Treasury Shares Shares No. MM	Shares held in subsidiary Shares No. MM
Shares brought forward at 31 December 2012	6.5	16.6
Treasury Shares purchased during the year	1.4	-
Treasury Shares at 31 December 2013	7.9	16.6
Treasury Shares purchased during the year	4.9	-
Treasury Shares 31 December 2014	12.8	16.6

Note 12 Share Premium

	31 Dec 2014 US$ MM	31 Dec 2013 US$ MM
Balance at start of year	922.4	924.2
Premium arising from issuance of Shares	17.1	14.3
Discount arising from purchase of Shares	(50.9)	(16.1)
Balance at end of year	888.6	922.4

Note 13 Dividends

	31 Dec 2014 US$ MM '000	31 Dec 2013 US$ MM '000
Quarter ended 31 December 2012 of US$ 0.135 per share	-	13.2
Quarter ended 31 March 2013 of US$ 0.135 per share	-	13.2
Quarter ended 30 June 2013 of US$ 0.14 per share	-	13.7
Quarter ended 30 September 2013 of US$ 0.14 per share	-	13.8
Quarter ended 31 December 2013 of US$ 0.15 per share	14.8	-
Quarter ended 31 March 2014 of US$ 0.15 per share	14.1	-
Quarter ended 30 June 2014 of US$ 0.155 per share	14.6	-
Quarter ended 30 September 2014 of US$ 0.155 per share	14.9	-
	58.4	53.9

The fourth quarter dividend of US$ 0.1575 per share was approved by the Directors on 25 February 2015 and has not been included as a liability in these consolidated financial statements.

The Fund also pays a dividend to the Feeder that is sufficient to pay their incentive fee liability which in the year ended 31 December 2014 was US$ 51.5 million (31 December 2013: US$ 62.3 million).

Note 14 Retained Earnings

	31 Dec 2014 US$ MM	31 Dec 2013 US$ MM
Balance at start of year	906.6	730.1
Net income resulting from operations for the year	119.5	293.2
Dividends paid to shareholders	(58.4)	(53.9)
Stock dividends on Shares released from Escrow	(1.4)	(0.5)
Dividends paid to Feeder	(51.5)	(62.3)
Balance at end of year	914.8	906.6

Note 15 Capital contribution

	31 Dec 2014 US$ MM	31 Dec 2013 US$ MM
Balance at start of year	17.6	3.8
Capital contribution	23.1	23.1
Release of Feeder Escrow Shares	(9.3)	(9.3)
Balance at end of year	31.4	17.6

Note 16 Income and Deferred Tax Expense

Income tax for the year ended 31 December 2014 and 31 December 2013 consists of:

Year ended 31 December 2014:	Current US$ MM	Deferred US$ MM	Total US$ MM
U.S. Federal and local	14.7	(3.1)	11.6
UK	1.7	(0.7)	1.0
	16.4	(3.8)	12.6

Year ended 31 December 2013:	Current US$ MM	Deferred US$ MM	Total US$ MM
U.S. Federal and local	8.6	(6.6)	2.0
UK	-	6.8	6.8
	8.6	0.2	8.8

US$ 2.9 million of current tax was payable at the end of the year (31 December 2013: US$ 0.6 million) with US$ 0.6 million receivable (31 December 2013: US$ 0.6 million).

Tax Rate Reconciliation

Income tax expense was US$ 12.6 million for the year ended 31 December 2014 (31 December 2013: US$ 8.8 million), and differed from the amounts computed by applying the U.S. federal income tax of 35% to pretax increase in the net assets as a result of the following:

	31 Dec 2014 US$ MM	31 Dec 2013 US$ MM
Net increase in operations before tax	132.1	302.0
Computed “expected” tax expense at 35% (2013: 34%)	46.2	102.7
Deduction in income taxes resulting from:		
Income not subject to U.S. tax	(37.7)	(96.9)
State and local income taxes	4.1	3.0
Total income and deferred tax expense	12.6	8.8

Note 16 Income and Deferred Tax Expense (continued)

Deferred Tax

	31 Dec 2014 US$ MM	31 Dec 2013 US$ MM
Deferred tax assets		
Employee compensation payments	10.0	7.1
Loss carried forward	-	0.6
Total deferred tax assets	10.0	7.7
Deferred tax liabilities		
Undistributed earnings	0.8	0.6
Amortisation of intangible assets	7.8	9.5
Total deferred tax liabilities	8.6	10.1
Net deferred tax assets / (liabilities)	1.4	(2.4)

Deferred tax assets include US$ 10.0 million (31 December 2013: US$ 7.1 million) relating to amounts accrued for employee compensation in 2014 which will only be an allowable expense in 2015 for tax purposes.

US$ 7.8 million (31 December 2013: US$ 9.5 million) is being recognized as a deferred tax liability due to the amortisation on management contracts being a disallowable expense for tax purposes. This will be released over time as the management contracts are amortized. US$ 0.8 million has also been recognized as a liability with respect to applicable undistributed earnings at a withholding rate of 5%.

Note 17 Interest Income

	31 Dec 2014 US$ MM	31 Dec 2013 US$ MM
Debt securities – CLO equity tranches and mezzanine tranches	150.5	201.5
Debt securities – Leveraged loans	1.3	2.4
Debt securities – Unsecured loans	0.4	0.5
Cash and other	0.3	0.4
	152.5	204.8

Note 18 Fee Income

	31 Dec 2014 US$ MM	31 Dec 2013 US$ MM
Management fees		
CLO	33.1	41.5
Hedge Funds and private equity	28.5	20.0
Performance fees	19.5	12.8
	81.1	74.3

CLO management fee income generally comprises senior and subordinated fees and in aggregate these fees currently range from 25 bps to 50 bps per annum of collateral under management. In addition to fee income earned on CLOs directly managed it also includes fee income derived from a number of one-off and long-term fee sharing arrangements with third parties. In the year to 31 December 2014 these third party fees generated US$ 11.7 million (31 December 2013: US$ 20.3 million).

Hedge fund management fees charged to external investors are typically 150 bps of net assets under management and depending upon the applicable fund and share class certain other expenses may also be recovered. Management fees paid in connection with the private equity style vehicle are either 200 bps of net assets under management or a fixed declining management fee depending on the applicable class.

Note 18 Fee Income (continued)

Performance or incentive fees may be earned on hedge fund vehicles contingent upon the terms of each vehicle and the share class where applicable. They may also be earned through management of CLO vehicles once the vehicle has generated a specified return for the equity or subordinated tranche. During the year, such fees totaling US$ 19.5 million were earned (31 December 2013: US$ 12.8 million).

Where the Fund invests in Polygon hedge fund or other investment vehicles, it is able to invest at a preferred level of fees. The fees received by such affiliated managers from the Fund's investment are included and recognized in fee income reported in the Fund's Consolidated Statements of Operations. During the year, these fee income amounts were US$ 4.3 million of management fees (31 December 2013: US$ 0.6 million) and US$ 1.8 million of performance fees (31 December 2013: US$ 0.9 million). The Fund also invests on preferred fee terms with its other affiliated asset managers (i.e. LCM and GreenOak).

Where the Fund is seeding an investment vehicle or otherwise supporting its development, the vehicle's investment manager may also recharge certain additional costs or fee equivalents, to the Fund's investment in that vehicle. In 2014 the amount of fee equivalents recharged under these arrangements by Polygon hedge fund managers was US$ 7.0 million (2013: US$ 4.5 million).

Note 19 Other income

Summary of other income – cost recovery

	31 Dec 2014 US$ MM	31 Dec 2013 US$ MM
Employee costs	16.4	13.9
Legal and professional fees	0.4	0.8
Technology	2.5	1.8
Premises	3.3	3.0
Other	1.0	1.6
	23.6	21.1

Note 20 Other operating and administrative expenses

	31 Dec 2014 US$ MM	31 Dec 2013 US$ MM
Premises	9.5	8.3
Amortisation of intangible assets	6.8	6.8
Technology	6.3	5.2
Other	6.0	5.0
	28.6	25.3

Note 21 Segmental Reporting

Description of Segments

In pursuit of the Fund's investment objective to generate distributable income and capital appreciation, it currently maintains two key business segments: an investment portfolio and an asset-management platform.

Both business segments cover a broad range of assets including bank loans, real estate, equities, credit and convertible bonds. The Fund currently invests primarily through long-term funding vehicles such as collateralized loan obligations.

Note 21 Segmental Reporting (continued)

Segment Data

As at 31 December 2014, the asset management platform segment currently contains three investment manager businesses: Polygon, LCM and GreenOak. These three businesses provide investment management and other services to a number of investment funds, accounts, vehicles and other managers, including CLOs, hedge funds, real estate funds and a private equity vehicle.

The Polygon asset management business also has agreements to provide certain infrastructure and other services to the Investment Manager and certain affiliates as detailed in note 24. Some fee income is earned through certain short and long-term fee agreements with third parties.

The results for the year ended 31 December 2014 are presented to show the split of revenues, income and net income across the two business segments. The asset management segment incorporates the consolidated results of Polygon and LCM. The Fund owns 23% of GreenOak and is carrying this as an investment at fair value; consequently any unrealized gain or loss is being reflected through the applicable line in the asset management segment.

In arriving at the net income split between the two segments a number of assumptions have been made as to how the expenses of the consolidated business should be split. Expenses of the asset management segment include amortization of management contracts.

Year ended 31 December 2014:	Investment portfolio US$ MM	Asset-management platform US$ MM	Total US$ MM
Interest income	152.3	0.2	152.5
Fee income	-	81.1	81.1
Dividend income	0.1	-	0.1
Other income – cost recovery	-	23.6	23.6
Total segment income	152.4	104.9	257.3
Management fees and operating expenses	(61.7)	(95.4)	(157.1)
Realized and unrealized gains	(5.9)	36.4	30.5
Total segment net income before taxes	84.8	45.9	130.7

Year ended 31 December 2013:	Investment portfolio US$ MM	Asset-management platform US$ MM	Total US$ MM
Interest income	204.5	0.3	204.8
Fee income	-	74.3	74.3
Dividend income	0.1	-	0.1
Other income – cost recovery	-	21.1	21.1
Total segment income	204.6	95.7	300.3
Management fees and operating expenses	(93.1)	(81.7)	(174.8)
Realized and unrealized gains	124.4	6.2	130.6
Total segment net income before taxes	235.9	20.2	256.1

Note 21 Segmental Reporting (continued)

Reconciliation of segment net income before taxes to net income per the Consolidated Statements of Operations.

	Year ended 31 Dec 2014 US$ MM	Year ended 31 Dec 2013 US$ MM
Total segment net income before noncontrolling interest and taxes	130.7	256.1
Income and deferred tax expense	(12.6)	(8.8)
Share based employee compensation	(23.1)	(23.1)
Add back certain expenses and unrealized depreciation of the Feeder	24.5	69.0
Net income	119.5	293.2

Geographical Split of Revenues

The Fund does not formally monitor, for the purposes of controlling the business, the geographical split of income for either of the two segments. A geographical split of the fee income generated by the asset management can generally, however, be derived, by considering where the primary investment management service was provided. This is a subjective exercise and involves, in some cases, making determinations that the Fund has only made purely for the purpose of completing this table.

		31 December 2014	
Asset Management Segment	UK US$ MM	U.S. US$ MM	Total US$ MM
Fee income and cost recovery	44.9	59.8	104.7

		31 December 2013	
Asset Management Segment	UK US$ MM	U.S. US$ MM	Total US$ MM
Fee income and cost recovery	36.1	59.3	95.4

A geographical split of income for the Investment Portfolio has not been provided, although certain geographical information has been provided in the Consolidated Condensed Schedule of Investments on pages 11 to 14 and a geographic split of the investment portfolio is reported on a monthly basis.

Net Assets Split by Business Segment

The Fund also does not formally monitor or report internally on net assets split by business segment. For the purposes of compiling a split for this segmental note the Asset Management segment net assets are deemed to consist of the consolidated net assets of TFG Asset Management L.P. calculated in accordance with U.S. GAAP, the current carrying value of the management contracts and the fair value of the investment in GreenOak, with the remaining net assets being attributed to the Investment Portfolio segment.

	31 Dec 2014 US$ MM	31 Dec 2013 US$ MM
Investment Portfolio	1,716.6	1,760.5
Asset Management	118.3	86.2
Total	1,834.9	1,846.7

Note 22 Share Based Employee Compensation and Bargain Purchase

On 28 October 2012, TFG Asset Management L.P. and certain of its affiliates, were acquired in exchange for consideration of approximately 11.7 million non-voting shares of the Feeder to the sellers (the "Aggregate Consideration"). The Aggregate Consideration will be held in escrow (along with accrued stock dividends), by the escrow agent pursuant to the terms of the escrow agreement. The first tranche was released in 2013 and the remainder will be released over the period 2015 to 2017.

Under ASC 805 - Business Combinations ("ASC 805") these shares were treated as payment for post combination services rather than upfront consideration, hence the initial consideration was determined to be nil, resulting in a bargain purchase.

The assets and liabilities purchased were separately identified and an estimated fair value was calculated as at the acquisition date. The management contracts were classified as either Hedge Funds or Private Equity and an estimated fair value for these intangible assets was calculated by reference to applicable market methodologies such as percentage of assets under management, discounted cash flow analysis and price-earnings ratios.

The 13% interest in GreenOak was not consolidated, but classified as an investment to be held at fair value. This was also valued by reference to similar applicable market methodologies. As part of the transaction, the noncontrolling interest in LCM was treated as a transaction with the Fund in its capacity as owners and therefore no separate asset or goodwill is recognised as a result. The following table summarizes the estimated fair value of the assets acquired against the consideration recognized:

	US$ MM
Assets	
Management contracts – Hedge Funds	34.3
Management contracts – Private Equity	10.2
13% interest in GreenOak	10.2
LCM noncontrolling interest	-
	54.7
Net liabilities	-
Total identifiable net assets assumed	54.7
Consideration	-
Bargain purchase recognized in the consolidated statement of operation	54.7

The overall value of the Aggregate Consideration delivered to the escrow account for the sellers amounted to US$ 98.5 million based on a share price of US$ 8.43 at the close on the last business day prior to the transaction date. Polygon was acquired free of cash and debt.

The shares exchanged are subject to vesting and forfeiture conditions: in particular, all of the consideration due to Reade Griffith and Paddy Dear, Founders of Polygon, will vest between 2015 and 2017.

As the consideration is treated as share based payments under ASC 805, the Fund recognizes the individual compensation costs on a straight line basis over the relevant service period of each award if the vesting performance conditions are met. These are reflected in the Consolidated Statements of Operations as share based employee compensation and through Equity as a separate reserve. The charge for the year ended 31 December 2014 amounted to US$ 23.1 million (31 December 2013: US$ 23.1 million).

The table below shows the number of Feeder shares which are currently expected to vest over the period to 2017, including accrued stock dividends up to the end of 2014. These shares are all entitled to any future stock dividends prior to their release from escrow and so the actual amount of shares vesting each year may be higher. Upon the release of the Feeder shares from escrow, the Fund will issue an identical number of Shares to the Feeder.

Note 22 Share Based Employee Compensation and Bargain Purchase (continued)

Vesting Schedule – Shares as at 31 December 2014

	Shares '000	US$ '000
2015	4.5	23.1
2016	3.4	16.6
2017	2.8	12.6
	10.7	52.3

Vesting Schedule – Shares as at 31 December 2013

	Shares '000	US$ '000
2014	1.4	23.1
2015	4.0	23.1
2016	3.2	16.6
2017	2.7	12.6
	11.3	75.4

Note 23 Contingencies and Commitments

The Fund committed to provide a co-investment commitment of up to US$ 100.0 million into GreenOak investment vehicles. As at 31 December 2014, it had funded US$ 40.2 million of this commitment, (31 December 2013: US$ 26.3 million). The Fund has made investment commitments in several existing vehicles where only a partial capital drawdown has occurred to date. Not all of such commitments are applicable towards the original co-investment commitment of up to US$ 100.0 million. The Fund has estimated unfunded commitments of US$ 84.6 million in this respect (31 December 2013: US$ 31.8 million).

Future minimum lease payments under noncancelable operating leases as of 31 December 2014 are:

	31 Dec 2014 US$ MM	31 Dec 2013 US$ MM
2014	-	5.7
2015	5.5	5.7
2016	5.5	5.7
2017	4.8	5.0
2018	0.2	0.2
	16.0	22.3

During 2014, the amount paid with respect to such leases was US$ 5.7 million (31 December 2013: US$ 5.1 million).

Note 24 Related Party Transactions

The Feeder, a Guernsey based closed-ended investment company, invests substantially all of its assets in the Fund, and has the same Investment Manager as the Fund.

All fees and expenses of the Feeder and the Fund (including management fees), except for the incentive fees, are paid by the Fund and allocated to the Feeder. An incentive fee may be paid to the Investment Manager by the Feeder.

The remuneration for Directors shall be determined by resolution of the Voting Shareholder. Effective 1 January 2014, each of the Directors' annual fee is US$ 100,000 (year ended 31 December 2013: US$ 75,000) as compensation for service on the Boards of Directors of both the Feeder and the Fund. As of the fourth quarter 2014, the Directors have the option to elect to receive shares in the Feeder instead of the quarterly fee.

Note 24 Related Party Transactions (continued)

For the fourth quarter, Frederic Hervouet has indicated that he wishes to receive shares and will be allocated these shares in the Feeder, which will be determined as part of the fourth quarter 2014 dividend process (allocation in March 2015). The Fund will pay the Directors' fees. Paddy Dear and Reade Griffith have waived their entitlement to a fee in respect of their services as Directors. The Directors are entitled to be repaid by the Fund for all travel, hotel and other expenses reasonably incurred by them in the discharge of their duties. None of the Directors has a contract with the Feeder or the Fund providing for benefits upon termination of employment.

The Voting Shareholder, which holds all of the voting shares, was an affiliate of Polygon and continues to be an affiliate of the Investment Manager. As a result of its ownership and the degree of control that it exercises, the Voting Shareholder will be able to control the appointment and removal of the Fund's and Feeder's Directors (subject to applicable law). Affiliates of the Voting Shareholder also control the Investment Manager and, accordingly, control the Fund's business and affairs.

As described in Note 1, TFG Asset Management L.P., including Polygon's asset management businesses and infrastructure platform and interests in LCM and GreenOak, were acquired on 28 October 2012. As part of the Acquisition, Reade Griffith and Paddy Dear, as founders of Polygon, were awarded consideration in non-voting shares of the Feeder, which vest between 2015 and 2017.

It was contractually agreed as part of the Acquisition that to the extent any annual compensation actually paid to each of Mr. Griffith and Mr. Dear in respect of his employment with the Fund exceeds an annual base salary of US$ 100,000, they would promptly return such excess amount to the Fund. During the year ended 31 December 2014 total compensation paid to them each was US$ 100,000.

As at 31 December 2014, in connection to the Acquisition, US$ 3.5 million in aggregate is owed to Reade Griffith and Paddy Dear, directly or via an entity to which they may direct payment (31 December 2013: US$ 6.9 million). This payable primarily relates to the repayment of certain rent deposits funded through Polygon entities by Messrs Griffith and Dear before the Acquisition. Under the terms of the sale and purchase agreement relating to the Acquisition, Messrs Griffith and Dear retained the economic rights to such deposits.

Reade Griffith and Paddy Dear continue to hold membership interests in Polygon Global Partners LLP (the "UK Investment Manager" or "PGP LLP") which collectively entitle them to exercise all of the voting rights in respect of the UK Investment Manager. As part of the Acquisition, each of Mr. Griffith and Mr. Dear have agreed that he will (i) exercise his voting rights in a manner that is consistent with the best interests of the Fund and (ii) upon the request of the Fund, for nominal consideration, sell, transfer and deliver his membership interests in the UK Investment Manager to the Fund.

Polygon Global Partners LLP and Polygon Global Partners LP (the "Service Providers") provide operational, financial control, trading, marketing and investor relations, legal, compliance, administrative, payroll and employee benefits and other services to the Investment Manager in exchange for fees payable by the Investment Manager to the Services Providers. In addition, the Services Providers also provide certain operating, infrastructure and administrative services to GreenOak and Polygon Private Investment Partners LP, an affiliate of the Voting Shareholder, pursuant to applicable separate services agreements. PGP LLP is authorized and regulated by the United Kingdom Financial Conduct Authority. In the period, the amount recharged to these entities was US$ 21.9 million (31 December 2013: US$ 19.4 million). As at 31 December 2014, the amount receivable relating to these recharges was US$ 2.1 million (31 December 2013: US$ 1.9 million).

The Fund holds CLO equity investments in CLOs which are managed by LCM. During the year it purchased a portion of the equity tranche in LCM XV at a cost of US$ 30.1 million, a portion of equity tranche in LCM XVI at a cost of US$ 33.6 million and a portfolio of LCM XVII at a cost of US$ 20.7 million. In total, as at 31 December 2014, it held CLO equity tranche investments in 12 CLOs managed by LCM with a fair value of US$ 208.3 million (31 December 2013: US$ 159.6 million).

Note 24 Related Party Transactions (continued)

At 31 December 2014, the Fund held investments across several hedge funds managed by Polygon. These hedge funds employ investment strategies involving investing in equities, convertible bonds, credit and derivatives. As at 31 December 2014, the fair value of these investments was US$ 315.9 million (31 December 2013: US$ 265.4 million). The fees paid on these investments are disclosed as per Note 18.

The Fund owns a 23% equity interest in GreenOak. As part of the original transaction to acquire a share in GreenOak, the Fund provided a US$ 100.0 million coinvestment commitment and a US$ 10.0 million working capital loan commitment to GreenOak, with the Feeder issuing 3.9 million share options to the GreenOak founders. On 28 October 2012, as a result of the Acquisition the Fund increased its working capital loan commitment by an additional US$ 0.5 million by assuming the acquiree's remaining unfunded commitment. During the year there was a partial repayment of the working capital loan and the current notional outstanding is US$ 5.5 million.

The Fund has made investments across several real estate investment vehicles managed by GreenOak. As at 31 December 2014, these investments referenced real estate in the United States, Japan and Europe with a net asset value of US$ 88.3 million (31 December 2013: US$ 60.8 million). These investments are typically illiquid where the Fund will only receive distributions on liquidation of the investment vehicle's underlying assets and in some cases this may not be for several years. In addition, based on projected capital raised (subject to change), the Fund had estimated unfunded commitments of up to US$ 84.6 million with respect to the investment vehicles (31 December 2013: US$ 31.8 million).

Note 25 Other Matters

On 18 June 2013, a shareholder derivative action was filed in United States District Court, Southern District of New York (the "Court"), against the six directors of the Fund and the Feeder, the Investment Manager, the principals of the Investment Manager and other affiliated entities by a purported shareholder of the Feeder (the "Action"). The Action made a series of allegations including with respect to the Acquisition (see Note 4).

The Feeder, the Fund and their Boards of Directors believed that the Action was factually and legally without merit. Accordingly, the defendants sought dismissal of the Action. On 7 August 2014, in an opinion by Judge Richard J. Sullivan, the Court dismissed the Action in its entirety finding that the plaintiffs had "failed to state a federal claim". The Court likewise refused to exercise its discretion to take cognizance of related claims asserted by the plaintiffs under Guernsey law. There has been no appeal of that ruling and the time for appeal has expired.

During the year, the Fund incurred gross legal expenses of US$ 7.1 million in connection with the aforementioned Action, which includes amounts paid under applicable indemnification provisions with respect to the Directors, the Investment Manager and principals of the Investment Manager. At 31 December 2014, US$ 0.5 million (31 December 2013: US$ 1.4 million) was accrued as payable in the Consolidated Statements of Assets and Liabilities.

The Fund is seeking to recover from insurers costs relating to shareholder derivative actions, details of which were referred to in the 2011, 2012 and 2013 Fund consolidated financial statements and during the year US$ 1.0 million was received. Currently significant uncertainty remains as to what will be further recoverable from these efforts and therefore no additional amounts were accrued as at the reporting date.

Note 26 Subsequent Events

On 2 February 2015 the Feeder announced that it had completed its acquisition of Equitix Holdings Limited ("Equitix") from Cabot Square Capital LLP for an enterprise value of £159.5 million (US$ 239.9 million equivalent using the applicable spot rate on the acquisition date). This acquisition was financed in part by a new Equitix £60 million (US$ 90.2 million) bank facility.

Note 27 Recent changes to U.S. GAAP

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)." ASU No. 2014-09 provides comprehensive guidance on the recognition of revenue from customers arising from the transfer of goods and services. The ASU also provides guidance on accounting for certain contract costs, and requires new disclosures. ASU No. 2014-09 is effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. Early adoption is not permitted. The Fund is still evaluating the effect of the ASU on its financial condition, results of operations, and cash flows.

Note 28 Approval of Financial Statements

The Directors approved the consolidated financial statements on 25 February 2015.