Bain Capital Credit, Ltd.

(Formerly: Sankaty Advisors, Ltd.)
Registered No: 05512934

Annual Report and Financial Statements
For the year ended 31 December 2015

Directors and Officers
For the year ended 31 December 2015

Directors
Jonathan Lavine
Jeffrey Hawkins

Company Secretary
Jeffrey Hawkins

Registered Office
Devonshire House
Mayfair Place
London W1J 8AJ

Company Registration Number
05512934

Independent Auditors
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
7 More London Riverside,
London SE1 2RT

Bankers
Royal Bank of Scotland
62/63 Threadneedle Street
London EC2R 8LA

Annual Report
For the year ended 31 December 2015

Contents **Page**

Strategic Report
For the year ended 31 December 2015

The Directors present their strategic report on the affairs of Bain Capital Credit, Ltd. (formerly: Sankaty Advisors, Ltd.) (the "Company") for the year ended 31 December 2015.

Name change
The Company changed its name from Sankaty Advisors, Ltd. to Bain Capital Credit, Ltd. on 6 April 2016.

Principal activities
The principal business activities of the Company are:

i) to provide sub-advisory services to and to act as trading execution agent for Bain Capital Credit, LP (formerly: Sankaty Advisors, LP), an affiliated company;

ii) to provide collateral management services to certain affiliated collateralised loan obligation issuers ("CLOs"); *and*

iii) to perform marketing activities in respect of various investment vehicles advised by Bain Capital Credit, LP.

The Company is required, under the terms of its FCA permissions, to retain an investment of not less than 5% of the total par value of the debt securities issued by each of the CLOs to which it provides collateral management services.

Results and dividends
The profit for the financial year before taxation was £707,000 (2014 – £1,707,000). The Directors do not propose a dividend for 2015 (2014 – £Nil).

Business review
The business activities during the year to 31 December 2015 were in line with expectations.

During the year, the Company issued 20,621,727 ordinary shares of £1 each, and purchased investments in the debt securities issued by Rye Harbour CLO, Ltd. and Newhaven II CLO, Designated Activity Company.

All intercompany balances are reviewed periodically to ensure they are recoverable. The Company monitors the credit quality of the underlying assets of the CLOs and the recoverability of collateral management fees on the CLO securities issued. In addition, the Company has certain regulatory capital ratios which are monitored and which address the risks in the business.

Future developments
There are no current plans that will significantly change the activities and risks of the Company in the foreseeable future.

Strategic Report
For the year ended 31 December 2015 (continued)

Principal risks, uncertainties & governance
The Company has a governance structure and risk management framework which is considered appropriate to the size, nature and complexity of the business. The risk management framework is supported by an established risk and control programme, which informs the Board on the risks managed by the business.

The Directors of the Company determine its business strategy and risk appetite along with designing and implementing a risk management framework that recognises the risks that the business faces. They also determine how those risks may be mitigated and assess on an ongoing basis the arrangements to manage those risks. The Directors manage the Company's risks through a framework of policy and procedures having regard to relevant laws, standards, principles and rules with the aim to operate a defined and transparent risk management framework. These policies and procedures are updated as required.

The key risks that the Company is exposed to are as follows:

Market Risk
Market risk encompasses the potential for both losses and gains and includes price risk, currency risk and interest rate risk. The fair value of investments will generally fluctuate with, among other things, changes in prevailing interest rates, general economic conditions, the condition of certain financial markets, developments or trends in any particular industry and the financial condition of the issuer. During periods of limited liquidity and higher price volatility, the Company's ability to dispose of investments at a price and time that the Company deems advantageous may be impaired.

Price Risk
The prices of investments held by the Company may decline in response to certain events, including those directly involving the companies whose debt securities the Company has invested in; conditions affecting the general economy; overall market changes; local, regional or global political, social or economic instability; and currency, interest rate and commodity price fluctuations.

Currency Risk
The Company may invest in financial instruments and enter into transactions denominated in currencies other than its functional currency. Consequently, the Company may be exposed to risks that the exchange rate of its currency relative to other foreign currencies may change in a manner that has an adverse effect on the fair value of that portion of the Company's assets or liabilities denominated in currencies other than the functional currency.

Interest Rate Risk
Interest rate risk refers to the risks associated with market changes in interest rates. Interest rate changes may affect the fair value of a debt instrument indirectly and directly. In general, rising interest rates will negatively impact the price of a fixed rate debt instrument and falling interest rates will have a positive effect on price. Adjustable rate instruments also react to interest rate changes in a similar manner although generally to a lesser degree. Interest rate sensitivity is generally more pronounced and less predictable in instruments with uncertain payment or prepayment schedules.

Strategic Report
For the year ended 31 December 2015 (continued)

Liquidity Risk
Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities.

An element of liquidity risk relates to the Company's investments in the subordinated debt securities of certain CLO issuers, which are either debt or subordinated equity investments. These investments are subject to regulatory restrictions that may result in the Company being unable to dispose of them when it desires to do so, or to realise what it perceives to be their fair value in the event of a sale. Furthermore, these investments may have limited secondary markets and, in some instances, can have restrictions on transfers.

Debt investments are nonrecourse obligations, therefore, the debt is payable solely from the collateral obligations and all other assets pledged. Depending on the structure of the investment and the investment made, the Company's debt investments could be subordinate to other classes of debt. All equity interests are unsecured and subordinate to all classes of debt. Subordinated debt and equity investments represent leveraged investments in underlying assets.

Restricted debt securities are generally valued at a price lower than similar securities that are not subject to restrictions on resale.

The overall liquidity risk is managed via intercompany balances with the parent company and affiliated undertakings.

Credit Risk
Credit risk refers to the likelihood that an issuer will default in the payment of principal and/or interest on an instrument. The financial strength and solvency of an issuer are the primary factors influencing credit risk. In addition, subordination, lack/inadequacy of collateral, or credit enhancement for a debt instrument may affect its credit risk. Credit risk may change over the life of an instrument and securities that are rated by rating agencies are often reviewed and may be subject to downgrade.

The Company is subject to the credit risk of its custodians, prime brokers and counterparties to the extent they may be unable to fulfil their obligations either to return the Company's securities or to repay amounts owed. Credit risk is measured by the loss the Company would record if its counterparties failed pursuant to terms of their obligations to the Company.

Regulatory risk
The Company is regulated by the Financial Conduct Authority ("FCA"). The standards imposed by the FCA, to which the Company must demonstrate compliance, are subject to continuous review. New directives may result in a change of reporting requirements, capital requirements or business processes. Failure to comply with the FCA standards could materially affect the Company's ability to operate due to the FCA's ability to impose restrictions on trading activity.

Operational risk
The Company is exposed to operational risk through the conduct of its business activities. Operational risk could arise as a result of inadequate or failed internal processes, people or systems, or from external events. Operational risks are monitored and addressed by the Board.

Strategic Report
For the year ended 31 December 2015 (continued)

Key Performance Indicators

The Company monitors its capital resources and adequacy. Under Pillar 1 of the European Union Capital Requirements Directive the Company's capital resources are £10,326,000 (2014: £5,188,000), compared to a minimum capital requirement of £3,121,000 (2014: £2,144,000). Additionally, the Company monitors the quality and number of its employees. The average number of employees in the year was 43 (2014: 36).

Going Concern

The Company's business activities, factors likely to affect its financial position and exposure to risks and uncertainties are set out above.

The Directors have assessed the going concern status of the Company, and have concluded that it has enough liquid financial resources to discharge liabilities as they fall due for the foreseeable future. Accordingly, the Directors continue to apply the going concern basis in preparing the annual report and financial statements.

On behalf of the Board:

Jeffrey Hawkins
Director
18 April 2016

Directors' Report
For the year ended 31 December 2015

The Directors present their report and the audited financial statements of the Company for the year ended 31 December 2015.

The Company has adopted Financial Reporting Standard 102 ("FRS 102"), with a date of transition of 1 January 2014.

Directors
The Directors of the Company who were in office during the year and up to the date of signing these financial statements are:

Jonathan Lavine

Jeffrey Hawkins

Directors' liabilities
The Company has taken out indemnity insurance for the benefit of the Directors in connection with their roles and responsibilities as Director and in accordance with the requirements and limitations of Section 234 of the Companies Act 2006.

Strategic Report
The Directors have given their review of the business, future developments and assessment of the principal risks and uncertainty in the Strategic Report.

Statement of Directors' responsibilities
The Directors are responsible for preparing the Strategic Report, Directors' Report and these financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared these financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), comprising FRS 102, the financial reporting standard applicable in the UK and Republic of Ireland.

Under company law the Directors must not approve these financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 102 have been followed, subject to any material departures disclosed and explained in these financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of financial statements.

Directors' Report
For the year ended 31 December 2015 (continued)

Statement of Directors' responsibilities (continued)

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that these financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to Auditors

The Directors confirm that:

- so far as each Director is aware, there is no relevant audit information of which the Company's auditors are unaware. Relevant information is defined as "information needed by the Company's auditors in connection with preparing the report"; *and*
- each Director has taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent auditors

The independent auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office. A resolution concerning their reappointment will be proposed at the Director's meeting convened to approve these financial statements.

This report was approved by the Board of Directors on 18 April 2016 and signed on its behalf by:

Jeffrey Hawkins
Director

Independent auditors' report to the shareholders of Bain Capital Credit, Ltd.

Report on the financial statements

Our opinion

In our opinion, Bain Capital Credit, Ltd.'s financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; *and*
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual Report, comprise:

- the Statement of Financial Position as at 31 December 2015;
- the Statement of Comprehensive Income for the year then ended;
- the Statement of Cash Flows for the year then ended;
- the Statement of Changes in Equity for the year then ended; *and*
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the Directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; *or*
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; *or*
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of Directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Independent auditors' report to the shareholders of Bain Capital Credit, Ltd. (continued)

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Directors

As explained more fully in the Statement of Directors' responsibilities set out on page 7, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Directors; *and*
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Colleen Local

Colleen Local (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
18 April 2016

Statement of Comprehensive Income
For the year ended 31 December 2015

	Note	2015 £'000	2014 £'000
Turnover	2	24,675	19,654
Operating expenses		(22,580)	(17,948)
Other operating charges		(4,574)	(11)
Operating (loss)/profit	3	(2,479)	1,695
Interest receivable and similar income	6	3,186	12
Profit on ordinary activities before taxation		707	1,707
Tax on profit on ordinary activities	7	(154)	(370)
Profit for the year and total comprehensive income		553	1,337

All activities derive from continuing operations.

The notes on pages 15 to 26 form an integral part of these financial statements.

Statement of Financial Position
As at 31 December 2015

	Note	2015 £'000	2014 £'000
Fixed assets			
Tangible assets	8	1,013	57
Total fixed assets		1,013	57
Other assets			
Debtors: Amounts falling due within one year	10	9,241	4,966
Financial asset investments	9	29,807	13,769
Cash		1,285	1,062
Total other assets		40,333	19,797
Creditors: Amounts falling due within one year	11	(1,213)	(897)
Total assets less current liabilities		40,133	18,957
Net assets		40,133	18,957
Capital and reserves			
Called-up share capital	14	34,675	14,052
Profit and loss account		5,458	4,905
Total shareholders' funds		40,133	18,957

The notes on pages 15 to 26 form an integral part of these financial statements.

These financial statements on pages 11 to 26 were approved by the Board of Directors on 18 April 2016, and were signed on its behalf by:

Jeffrey Hawkins
Director

Statement of Changes in Equity
As at 31 December 2015

	Called-up share capital	Profit & Loss Account	Total shareholders' funds
	£'000	£'000	£'000
Balance at 1 January 2014	200	3,568	3,768
Profit for the year and total comprehensive income	-	1,337	1,337
Proceeds from issuance of shares	13,852	-	13,852
Balance at 31 December 2014	14,052	4,905	18,957
Profit for the year and total comprehensive income	-	553	553
Proceeds from issuance of shares	20,623	-	20,623
Balance at 31 December 2015	**34,675**	**5,458**	**40,133**

The notes on pages 15 to 26 form an integral part of these financial statements.

Statement of Cash Flows
For the year ended 31 December 2015

	Note	2015 £'000	2014 £'000
Net cash used in operating activities	15	(1,915)	(2,931)
Cash flow from investing activities			
Interest received		2	12
Investment income		3,184	-
Purchase of tangible assets		(970)	(13)
Purchase of investments		(20,701)	(13,771)
Net cash used in investing activities		(18,485)	(13,772)
Cash flow from financing activities			
Proceeds from issue of ordinary shares		20,623	13,852
Net cash generated from financing activities		20,623	13,852
Increase/(decrease) in cash		223	(2,851)
Cash at the beginning of the year		1,062	3,913
Cash at the end of the year		1,285	1,062

The notes on pages 15 to 26 form an integral part of these financial statements.

Notes to the Financial Statements
For the year ended 31 December 2015

1. Summary of significant accounting policies
The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. These financial statements have been prepared in compliance with United Kingdom Accounting Standards, including 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland, and the Companies Act 2006.

Bain Capital Credit, Ltd. is a company incorporated and domiciled in the UK. The Company's registered office address is Devonshire House, Mayfair Place, London, W1J 8AJ.

a) Basis of preparation
These financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the revaluation of certain financial assets measured at fair value through profit and loss.

b) Turnover
Turnover represents amounts recoverable from an affiliated companies for execution-only transaction and administrative services advisory services, and from collateral management services provided to collateralised loan obligation issuers. It is measured at the fair value of consideration received or receivable, including expenses and disbursements. Turnover is recognised when the amount can be reliably measured and it is probable that future economic benefits will flow.

c) Cash
Cash includes cash in hand and deposits held at call with banks, with original maturities of three months or less.

d) Tangible fixed assets and depreciation
Tangible fixed assets are stated at cost less depreciation, and are written off in equal instalments over the estimated useful lives of the assets as follows:

IT hardware and software	3 years
Office equipment	3 years
Furniture and fittings	7 years

e) Foreign exchange
All monetary assets and liabilities denominated in foreign currencies are translated into pounds sterling at the exchange rate prevailing as at the balance sheet date. Transactions in foreign currencies are recorded using the prevailing rate of exchange as at the date of transaction. Gains and losses arising from foreign currency transactions are included in the profit and loss account. The Company's functional and presentation currency is pounds sterling (£).

f) Employee benefits
The Company provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements. The Company operates a defined contribution scheme for its employees. Company contributions to the scheme are charged to the statement of comprehensive income as and when they arise.

Notes to the Financial Statements
For the year ended 31 December 2015 (continued)

1. Summary of significant accounting policies (continued)

g) Financial assets

Current financial assets represent investments in securities of CLOs managed by the Company. The financial assets are classified at inception based on management's intention as at fair value through profit or loss ("FVTPL").

Purchases and sales of financial assets are recognised on trade-date. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

The fair values of the investments in CLOs designated at FVTPL are obtained from third-party valuations that are derived from the reported net asset values ("NAVs") of the CLOs, which in turn are based upon the fair value of the underlying assets held within the CLOs.

h) Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in these financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

i) Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

a) Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets.

Notes to the Financial Statements
For the year ended 31 December 2015 (continued)

1. Summary of significant accounting policies (continued)

i) Critical accounting judgements and estimation uncertainty (continued)

b) Fair value of investments not quoted in an active market

The fair values of the CLOs that are not quoted in an active market are determined by using valuation techniques, primarily discounted cash flows and recent comparable transactions. The models used to determine fair values are validated and periodically reviewed by the Company in its capacity as Collateral Manager.

In discounted cash flow models, unobservable inputs are the projected cash flows of the relevant underlying loans and the risk premium for liquidity and credit risk that are incorporated into the discount rate.

The valuation of the investment in Newhaven II CLO, Designated Activity Company is based on the transaction value as at 27 January 2016, which the Directors believe is the most appropriate approximation to the fair value of that investment as at the balance sheet date.

2. Turnover

Turnover is derived from execution-only transaction and administrative services advisory services provided to affiliated entities, and from collateral management services provided to collateralised loan obligation issuers. It is measured at the fair value of consideration received or receivable, including expenses and disbursements and is derived from the following geographies:

	2015	2014
	£'000	£'000
Europe	**4,106**	213
USA	**20,569**	19,441
Total	**24,675**	19,654

Notes to the Financial Statements
For the year ended 31 December 2015 (continued)

3. Operating profit

Operating profit is stated after charging/crediting:

	2015	2014
	£'000	£'000
Cost recharges receivable from/(payable to):		
Bain Capital, Ltd	(1,683)	(1,535)
Bain Capital Private Equity (Europe), LLP	(681)	(2,014)
Bain Capital Credit (European Advisors), Ltd	3	-
Bain Capital Credit, LP	24,803	19,654
Other charges & credits:		
Depreciation	(14)	(51)
Fair value loss on investments	(3,529)	-
Foreign exchange loss	(1,044)	(13)
Fees payable for services provided by the Company's auditor:		
Audit of the Company and related assurance services	(33)	(29)
Other audit-related assurance services	(5)	(5)
Tax advisory and compliance services	-	(22)
Corporate finance services	(68)	-
Other advisory services	(2)	-

The costs recharged from Bain Capital Credit, LP are in respect of general operating and administration expense payments made on behalf of Bain Capital Credit, Ltd.

4. Directors' emoluments

The Directors are employed and paid by affiliated companies which make no recharge to the Company. Accordingly, no emoluments in respect of the Directors are disclosed in these financial statements.

Notes to the Financial Statements
For the year ended 31 December 2015 (continued)

5. Employee Information

	2015 £'000	2014 £'000
Wages, salaries & other short-term benefits	13,119	11,317
Social security costs	1,785	1,563
Post-employment benefits	23	28
Total	**14,927**	**12,908**

The monthly average number of people, including Directors, employed by the Company during the year was:

	2015 Number	2014 Number
Investment	29	24
Administration	14	12
Total	**43**	**36**

6. Interest receivable and similar income

	2015 £'000	2014 £'000
Bank interest income	2	12
Investment income	3,184	-
Interest receivable and similar income	**3,186**	**12**

Notes to the Financial Statements
For the year ended 31 December 2015 (continued)

7. Tax on profit on ordinary activities

	2015 £'000	2014 £'000
Current tax		
UK Corporation Tax in respect of current year	147	378
Total current tax	**147**	**378**
Deferred tax		
Origination and reversal of timing differences	-	(8)
Adjustment in respect of prior periods	7	-
Total deferred tax	**7**	**(8)**
Taxation charge	**154**	**370**

The tax assessed for the year is lower (2014: higher) than the standard rate of corporation tax in the UK for the year ended 31 December 2015 of 20.25% (2014: 21.50%). The differences are explained below:

	2015 £'000	2014 £'000
Profit before taxation	707	1,707
Profit multiplied by the standard rate of tax in the UK of 20.25% (2014: 21.50%)	143	367
Effects of:		
Expenses not deductible for tax purposes	4	4
Accelerated capital allowances	-	7
Origination and reversal of timing differences	-	(8)
Adjustment in respect of previous years	7	-
Taxation charge	**154**	**370**

The standard rate of corporation tax in the UK changed from 21% to 20% with effect from 1 April 2015.

Notes to the Financial Statements
For the year ended 31 December 2015 (continued)

8. Tangible assets

	Work in Progress	Furniture, Fixtures & Fittings	Information Technology	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 January 2014	-	55	90	145
Additions	-	13	-	13
At 31 December 2014	-	68	90	158
Additions	970	-	-	970
At 31 December 2015	**970**	**68**	**90**	**1,128**
Accumulated Depreciation				
At 1 January 2014	-	4	46	50
Charge for the year	-	10	41	51
At 31 December 2014	-	14	87	101
Charge for the year	-	11	3	14
At 31 December 2015	**-**	**25**	**90**	**115**
Net book value				
At 31 December 2015	**970**	**43**	**-**	**1,013**
At 31 December 2014	-	54	3	57

Notes to the Financial Statements
For the year ended 31 December 2015 (continued)

9. Financial assets

Financial assets are held at fair value through profit and loss and are classified in accordance with the following three-level hierarchy for fair value measurement disclosure:

a. The best evidence of fair value is a quoted price for an identical asset in an active market. Quoted in an active market in this context means quoted prices are readily and regularly available and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted price is usually the current bid price.

b. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the entity can demonstrate that the last transaction price is not a good estimate of fair value (eg because it reflects the amount that an entity would receive or pay in a forced transaction, involuntary liquidation or distress sale), that price is adjusted.

c. If the market for the asset is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, an entity estimates the fair value by using a valuation technique. The objective of using a valuation technique is to estimate what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal business considerations.

The financial assets comprise investments in debt securities which are issued by Newhaven CLO, Ltd., Rye Harbour CLO, Ltd. and Newhaven II CLO Designated Activity Company. These financial assets are measured in accordance with Level c. The investments in the debt securities of Rye Harbour CLO, Ltd. and Newhaven II CLO, Designated Activity Company were made during the year, and are reflected in the table below.

Further details on the assumptions and techniques used to value these assets can be found in note 1 on page 17.

The movement in financial assets during the year is reflected through profit and loss and can be analysed as follows:

	2015	2014
	£'000	£'000
At 1 January	**13,769**	-
Additions	**20,701**	13,771
Fair value loss	**(3,529)**	-
Fair value adjustments for foreign exchange	**(1,134)**	(2)
At 31 December	**29,807**	13,769

Notes to the Financial Statements
For the year ended 31 December 2015 (continued)

10. Debtors

	2015	2014
	£'000	£'000
Amounts falling due within one year		
Amounts due from Group undertakings	8,391	4,731
Prepayments & accrued income	6	6
Other debtors	839	217
Deferred tax asset (see note 13)	5	12
Total amounts falling due within one year	9,241	4,966

Amounts owed by Group undertakings are unsecured, interest free and are repayable on demand.

11. Creditors: Amounts falling due within one year

	2015	2014
	£'000	£'000
Trade creditors	189	872
Amounts owed to Group undertakings	482	25
Taxation and social security	406	-
Accruals & deferred income	136	-
Total current financial liabilities	1,213	897

Amounts due to Group undertakings are unsecured, interest free and repayable on demand. Accruals and deferred income represent financial liabilities, comprising trade payables and accruals that are payable within one year.

Notes to the Financial Statements
For the year ended 31 December 2015 (continued)

12. Financial risk management

The key risks that the Company is exposed to, together with the Directors' approach to managing these risks are explained in the Strategic Report on pages 3 to 6.

(a) Credit risk management

Financial assets subject to credit risk are:

	2015	2014
	£'000	£'000
Financial asset investments	29,807	13,769
Cash	1,285	1,062
Total current financial liabilities	**31,092**	**14,831**

The financial asset investments comprise investments in the subordinated debt securities of Newhaven CLO, Ltd., Rye Harbour CLO, Ltd. and Newhaven II CLO Designated Activity Company. The securities are unrated. Cash represents deposits held at call with the Royal Bank of Scotland, whose credit rating is P2.

(b) Market risk management

(i) Investment risk

The Company has investments in the subordinated debt securities of Newhaven CLO, Ltd., Rye Harbour CLO Ltd. and Newhaven II CLO Designated Activity Company, which are held at fair value through profit and loss. The fair valuation method uses a discounted cash flow model with unobservable inputs including default and recovery rates to determine projected cash flows of the relevant underlying loans. A risk premium for liquidity and credit risk is incorporated in the discount rate. The Company estimates that, at 31 December 2015, if the discounted cash flow model input assumptions on the CLOs underlying loan portfolio were changed from the base-case 2% default rate to a stress-case 5% default rate, with a proportional decrease in loan recovery rates, and with all other variables held constant, the fair value of the investments would decrease by £15,956,000 (2014: £7,649,000), with a corresponding impact on comprehensive income. The Directors consider the likelihood of such a change in default and recovery rates to be remote.

(ii) Foreign exchange risk

The Company's investments in CLO securities are denominated in Euro. All other assets and liabilities are denominated in pounds sterling.

The Company estimates that, at 31 December 2015, if the foreign currency rates applicable to the Company's foreign denominated financial assets had strengthened/(weakened) by 10% against sterling, with all other variables held constant, it would have resulted in a fair value adjustment of +/- £2,981,000 (2014: £1,380,000), with a corresponding impact on comprehensive income.

(iii) Interest rate risk

Interest is received on the Company's bank deposits. The interest rate received would need to fall to zero to eliminate any interest income received during the current financial year. As the Company does not have any debt financing it is not exposed to the risk of the extra cost associated with higher interest rates on debt borrowing.

Notes to the Financial Statements
For the year ended 31 December 2015 (continued)

(c) Liquidity risk management
The Company maintains sufficient cash and balances with Group undertakings, which are repayable on demand, to mitigate liquidity and cash flow risks. Accruals and deferred income, as disclosed in note 11, represent financial liabilities and comprise trade payables and accruals which are payable within one year.

(d) Capital management
The Company uses its capital to support the growth of the business, to provide it with a cushion to shield it from adverse market conditions and to ensure that it is at all times able to meet any regulatory capital requirements. The Company was in compliance with, and maintained a comfortable excess over, the minimum regulatory capital requirements throughout the current period. Once these requirements have been met, available capital may be used to pay dividends to shareholders and to provide funding for new business initiatives.

13. Deferred tax asset

	2015 £'000	2014 £'000
Accelerated capital allowances	5	12
At 1 January	12	4
Deferred tax charge for prior year	(7)	-
Deferred tax credit for current year	-	8

14. Called up share capital
Ordinary shares of £1 each:

Allotted and fully paid	Number	£'000
At 1 January 2015	14,052,876	14,052
Issued during the year	20,621,727	20,623
At 31 December 2015	34,674,603	34,675

On 16 January 2015, the Company issued 13,465,649 ordinary shares of £1 each, which were subscribed and fully paid-up by its parent at that time, Bain Capital Credit, LP.

On 30 June 2015, in exchange for a general partner interest in Bain Capital Credit (Europe) Holdings, LP (formerly: Sankaty Advisors Europe Holdings, LP), Bain Capital Credit, LP contributed its entire holding of 27,517,925 ordinary shares in the Company to Bain Capital Credit (Europe) Holdings, LP.

Subsequently, the Company issued a further 7,156,078 ordinary shares of £1 each, which were subscribed and fully paid-up by its new parent, Bain Capital Credit (Europe) Holdings, LP.

Bain Capital Credit (Europe) Holdings, LP is now the sole shareholder in the Company.

Notes to the Financial Statements
For the year ended 31 December 2015 (continued)

15. Notes to the statement of cash flows
(a) Reconciliation of operating profit to net cash inflow from operating activities:

	2015	2014
	£'000	£'000
Operating (loss)/profit	**(2,479)**	1,695
Adjustments for:		
Tax on profit on ordinary activities	**(154)**	(370)
Depreciation of tangible assets	**14**	51
Unrealised losses on investments	**4,663**	2
Increase in debtors	**(4,275)**	(4,179)
Increase/(decrease) in creditors	**316**	(130)
Cash used in operations	**(1,915)**	**(2,931)**

(b) Analysis of changes in cash

	2015	2014
	€'000	€'000
As at 1 January	**1,062**	3,913
Cash inflows/(outflows)	**223**	(2,851)
As at 31 December	**1,285**	**1,062**

16. Related party transactions
As the Company is ultimately controlled by Bain Capital Holdings (GP), LLC, the Company has taken advantage of the exemption provided in paragraph 33.1A of FRS 102 "Related Party Transactions" not to make disclosure of transactions with other entities that are part of the Group.

17. Parent undertaking
The Company is a wholly owned subsidiary of Bain Capital Credit (Europe) Holdings, LP, a US limited partnership. The ultimate parent undertaking and controlling party is Bain Capital Holdings (GP), LLC, a US company. The principal place of business of Bain Capital Credit (Europe) Holdings, LP and Bain Capital Holdings (GP), LLC is John Hancock Tower, 200 Clarendon Street, Boston, MA 02116, USA.

Pillar 3 disclosure (un-audited)

Background
The EU Capital Requirements Directive (2013/36/EU) ("CRD IV") and the EU Capital Requirements Regulation (Regulation (EU) No. 575/2013) ("CRR") set out the regulatory framework governing the amount of capital which must be maintained by credit institutions and investment firms. In the UK, CRD IV as applicable to Bain Capital Credit, Ltd. (the "Company") has been adopted by the Financial Conduct Authority ("FCA") within the General Prudential Sourcebook ("GENPRU") and the Prudential Sourcebook for investment firms ("IFPRU").

The regulatory framework comprises three Pillars:

- Pillar 1 sets out the minimum capital requirements that the Company is required to meet.
- Pillar 2 requires the Company to assess whether additional capital should be held against the risks not adequately covered under Pillar 1.
- Pillar 3 requires the Company to disclose its risk management strategies and controls, capital resources and capital requirements.

This document is designed to meet the Company's Pillar 3 obligations under IFPRU and Part Eight of the CRR.

Scope of Application
The Company is a private limited liability company registered in England and Wales. It is authorised and regulated by the FCA with firm reference number 441896. The Company is categorised as an IFPRU €50,000 limited licence firm and is a direct subsidiary of Bain Capital Credit (Europe) Holdings, LP, an affiliate of Bain Capital, LP. The Company is regulated by the FCA on a stand-alone basis and is not subject to consolidated supervision.

The principal business activities of the Company are:

i) to provide sub-advisory services to, and to act as agent in relation to executing orders, as directed by Bain Capital Credit, LP;

ii) to provide collateral management services to Collateralised Loan Obligations ("CLOs"); *and*

iii) to perform marketing activities for the various funds advised by Bain Capital Credit, LP.

Risk Management
The Company's risk management policies and processes are proportionate to the nature and scale of its activities. The Board of Directors has overall responsibility for the Company's risk management, and for implementing and maintaining adequate risk management systems within the Company. The Board of Directors works closely with other entities in the broader Bain Capital organisation to manage and oversee the risks the Company faces. The adequacy and effectiveness of the Company's systems and controls are subject to an annual review.

Pillar 3 disclosure (un-audited) (continued)

The Risk Management Framework
The Company's Risk Management Framework is made up of the following components:

1. Statement of Responsibilities
The Company has adopted the following Statement of Responsibilities:

Board of Directors
The Board of Directors is responsible for risk management process, as well as forming its own opinion on the effectiveness of the process. The Board sets the risk strategy policies.

The Board decides the Company's appetite or tolerance for risk – those risks it will accept and those it will not take in the pursuit of its goals and objectives. In addition, the Board ensures that the Company has implemented an effective, ongoing process to identify risk, to measure its potential impact against a broad set of assumptions and then to ensure that such risks are actively managed.

The Board conducts a review of the effectiveness of Company's system of internal controls at least annually. The review covers all material controls, including financial, operational and compliance controls, and risk management systems.

The Board of Directors periodically reviews its own composition and the composition of senior management to ensure the Company maintains appropriate and sufficient knowledge and experience for the successful on-going management of the Company's business operations.

The Board of Directors is satisfied that the risk management systems put in place are adequate with regard to the Company's profile and strategy.

Senior Management
Senior Management is composed of the Board and certain other individuals who, together, are responsible for the management of the Company on a day-to-day basis.

Senior Management is responsible for designing, implementing and monitoring the process of risk management and implementing it into the day-to-day business activities of the Company. Senior Management is responsible for effectively communicating the Company's approach and commitment to establishing and maintaining an effective risk management framework and approach.

Senior Management is also responsible for ensuring that the Company's personnel are adequately equipped with the right tools and knowledge to enable them to fulfil their obligations under the Company's risk management processes.

Risk & Oversight Committee
The Company has not established a separate risk committee. However, Bain Capital Credit, Ltd. and Bain Capital Credit, LP (the "Bain Capital Credit Group") have a Risk & Oversight Committee that acts as an additional forum to review business, financial, market, operational and other risks that the Company and Bain Capital Credit, LP may face individually and collectively.

2. *Risk Appetite Statement*
The Company has approved a Risk Appetite Statement, as discussed below.

Pillar 3 disclosure (un-audited) (continued)

3. Risk Identification
The Company, in partnership with its ultimate parent company, Bain Capital Holdings (GP), LLC, relies on the use of certain Bain Capital shared staff to conduct a comprehensive risk identification exercise to ensure that all significant risks have been identified.

4. Risk Documentation
All material risks have been documented and scored, as applicable. Risk mitigation plans have been included where necessary. A risk identification matrix has been developed for those risks that are specific to the UK operation.

5. Scenario Analyses and Stress Tests
The Company identifies the most material risks to its business and subjects them to scenario analyses and stress tests in order to assist in its risk management and capital planning.

6. Risk Review
The Company, in conjunction with Senior Management, periodically reviews the risks that the Company and Bain Capital Credit, LP may face individually and as a group. Regular risk and compliance monitoring reports are provided to the Board of Directors and Senior Management.

The key risk exposures are set out below.

Business Risk
The Company's key Business Risks include:

- *Group risk*
  The Company is subject to risk individually and at the broader Bain Capital Group level. The Company monitors Group risk and has ongoing interactions with key Group executives to understand and influence decisions made for the broader Bain Capital Group.
- *Implementation of Business Strategy*
  The Company is subject to the risk that the departure of key executives and personnel will adversely impact its business strategy. This is managed through the use of appropriate compensation and employee retention measures.
- *Marketing of CLO Funds*
  The Bain Capital Credit Group is subject to the risk that failing to attract and retain investors in the CLO Funds could adversely impact the its ability to raise new funds, which in turn could adversely affect the Company's advisory services. To manage the risk that the Bain Capital Credit Group will be able to attract and retain investors into the CLO Funds, a team of experienced investor relations personnel perform marketing activities for the CLO Funds and manage investor relationships.

Operational Risk
The Company has a risk of loss resulting from certain Operational Risks. These risks include:

- *Inadequate or failed internal processes and procedures*
  The Company is subject to risk in relation to failed or inadequate internal processes and controls relating to IT systems, human resources, legal, compliance, operations, finance and tax. The Company has established robust processes and controls to manage these operational risks.

Pillar 3 disclosure (un-audited) (continued)

Credit and Market Risk

- *Failure to receive remuneration when due*
  There is a risk that a client may fail to pay the Company remuneration due for its investment advisory or investment management services.

- *Financial Position*
  A significant decline in the value of the Company's CLO investments, could have a material impact on the Company's financial position. Market risk encompasses the potential for both losses and gains and includes price risk, currency risk and interest rate risk. The fair value of investments will generally fluctuate with, among other things, changes in prevailing interest rates, general economic conditions, the condition of certain financial markets, developments or trends in any particular industry and the financial condition of the issuer. During periods of limited liquidity and higher price volatility, the Company's ability to dispose of investments at a price and time that the Company deems advantageous may be impaired. The Company holds appropriate regulatory capital on its balance sheet to comply with the CRD IV requirements to mitigate this risk.

Other Risks

Whilst Business Risk and Operation Risk are key risks to the Company's business there are also other risks that are not considered significant or applicable to Bain Capital Credit's business at this time. These include:

- Liquidity risk
- Insurance risk
- Risk of excessive leverage
- Pension obligation risk
- Securitisation risk

Capital Resources and Adequacy

The Company's capital resources as at 31 December 2015 are £10,326,000. Its minimum capital requirement under Pillar 1 is £3,121,000 based on the Fixed Overhead Requirement ("FOR"). The capital requirement is determined according to the highest of:

1. A base requirement of €50,000; *or*
2. The FOR (which is based on three months expenditures less certain discretionary amounts); *or*
3. The sum of the Company's market and credit requirements.

The Company's assets are unencumbered and comprise loans on demand of £1,285,000; asset backed securities of £29,807,000, which represents both carrying and fair value; and other assets of £10,526,000.

Pillar 3 disclosure (un-audited) (continued)

Internal Capital Adequacy Assessment Process (ICAAP)
The Company, through its ICAAP process, conducts an assessment of the amount of capital that is considered adequate to cover the risks facing its current and future business activities and includes the projection of financial profitability, capital resources and capital requirements. The key business risks to which the Company is or might be exposed are assessed along with the amount of capital that would be adequate to cover the Company in the event that those risks were to crystallise. In addition, the economic environment and the impact of adverse economic conditions on the Company's profitability and capital position are considered.

Board of Directors
The Directors are appointed by Bain Capital Credit, LP, the Company's parent, having regard to their individual knowledge, skills and experience and the combined knowledge, skills, experience and diversity of the Board as a whole. Given the nature of the Company's business, members of the Board of Directors hold a number of other directorships. The Company is satisfied that the number of directorships held is appropriate.

Remuneration Disclosure
Decision making process
Given the nature, scope and complexity of the Company's business, the Company has determined that it would not be proportionate to establish a Remuneration Committee. Responsibility for the Company's remuneration policy, and for key decisions in relation to remuneration, lies with the Company's senior management and the Board of Directors.

Link between pay and performance
Executives receive both a fixed and variable component to their remuneration. Performance is a key assessment used in the calculation of the variable remuneration. The assessment is based on individuals' performance, as well as the performance of the Company and the investment vehicles. Individual performance is assessed over a multi-year framework to ensure the interests of staff are aligned with the long term objectives of the investment vehicles. Performance at an individual level is also assessed by reference to non-financial criteria, such as risk management, regulatory compliance and peer review.

Aggregate Quantitative Information
The Company has one business area and therefore the Company considers it would not be meaningful to provide quantitative information broken down by business area. The Company has only ten members who qualify as Code Staff and the disclosure of their aggregate quantitative information on remuneration would be inconsistent with the Company's obligations under relevant data protection legislation.

Relevant Period
The Company is disclosing information for the year ended 31 December 2015.