Bain Capital Credit, Ltd.

Registered No: 05512934

Annual Report and Financial Statements

For the year ended 31 December 2017

Directors and Officers
For the year ended 31 December 2017

Directors
Jeffrey Hawkins
Jonathan Lavine

Company Secretary
Jeffrey Hawkins

Registered Office
11th Floor
200 Aldersgate Street
London
EC1A 4HD

Company Registration Number
05512934

Independent Auditors
PricewaterhouseCoopers LLP
7 More London Riverside,
London SE1 2RT

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

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Strategic Report
For the year ended 31 December 2017

The Directors present their strategic report on the affairs of Bain Capital Credit, Ltd. (the "Company") for the year ended 31 December 2017.

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, 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 Financial Conduct Authority ("FCA") permissions, to retain an investment of not less than 5% of the total par value of the 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 £8,624,000 (2016 – £13,733,000). During the financial year, the Company paid a dividend in specie of £5,000,000 to extinguish an intercompany deposit with the parent undertaking. A final dividend for 2017 of £4,250,000 (2016 – £2,771,000) is proposed and, if approved, will be settled on or around 1 May 2018.

Business review
The business activities during the year to 31 December 2017 were in line with expectations.

During the year, the Company issued no ordinary shares (2016: nil) of £1 each. The Company entered into an intercompany loan facility with Bain Capital Credit (Europe) Holdings, LP to fund its investments in securities issued by CLOs that it provides collateral management services to.

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 2017 (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 2017 (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 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 2017 (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 £15,045,000 (2016: £24,428,000), compared to a minimum capital requirement of £9,994,000 (2016: £4,974,000). Additionally, the Company monitors the quality and number of its employees. The average number of employees in the year was 50 (2016: 49).

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:

DocuSigned by:

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Jonathan Lavine
Director
24 April 2018

Directors' Report
For the year ended 31 December 2017

The Directors present their report and the audited financial statements of the Company for the year ended 31 December 2017.

The Company presents these financial statements under Financial Reporting Standard 102 ("FRS 102").

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

Jeffrey Hawkins

Jonathan Lavine

Directors' liabilities
The Company has taken out indemnity insurance, which has been in place throughout the year and remains in place at year-end, for the benefit of the Directors in connection with their roles and responsibilities as Directors 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 Annual Report and the Financial Statements in accordance with applicable law and regulation.

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). 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;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

Directors' Report
For the year ended 31 December 2017 (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 the financial statements comply with the Companies Act 2006.

The Directors 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.

In the case of each Director in office at the date the Directors' Report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have 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 17 April 2018 and signed on its behalf by:

DocuSigned by:

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Jonathan Lavine
Director

Independent Auditors' Report to the members of Bain Capital Credit, Ltd.

Report on the audit of the financial statements

Opinion

In our opinion, Bain Capital Credit Ltd's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 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 (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: The statement of financial position as at 31 December 2017; the statement of comprehensive income, the statement of cash flows, the statement of changes in equity for the year ended 31 December 2017; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Independent Auditors' Report to the members of Bain Capital Credit, Ltd. (continued)

Reporting on other information
The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report
In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit
Responsibilities of the directors for the financial statements
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 in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Independent Auditors' Report to the members of Bain Capital Credit, Ltd. (continued)

Auditors' responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report
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.

Other required reporting
Companies Act 2006 exception reporting
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 by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Peter Jourdier (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
25 April 2018

Statement of Comprehensive Income
For the year ended 31 December 2017

	Note	2017 £'000	2016 £'000
Turnover	2	34,188	29,195
Administrative expenses		(29,904)	(25,549)
Other operating income		2,226	3,436
Operating profit	3	6,510	7,082
Interest receivable and similar income	6	2,135	6,651
Interest payable and similar expense	6	(21)	-
Profit before taxation		8,624	13,733
Tax on profit	7	(1,659)	(2,749)
Profit for the financial year and total comprehensive income		6,965	10,984

All activities derive from continuing operations.

The notes on pages 16 to 28 form an integral part of these financial statements.

Statement of Financial Position
As at 31 December 2017

	Note	2017 £'000	2016 £'000
Fixed assets			
Tangible assets	8	941	1,140
Total fixed assets		**941**	**1,140**
Other assets			
Debtors: Amounts falling due within one year	10	15,845	8,120
Financial asset investments	9	59,361	41,238
Cash		9,323	3,634
Total other assets		**84,529**	**52,992**
Creditors: Amounts falling due within one year	11	**(22,370)**	**(5,786)**
Total assets less current liabilities		**63,100**	**48,346**
Non-current liabilities			
Creditors: Amounts falling due after one year	11	(12,789)	-
Total non-current liabilities		**(12,789)**	**-**
Net assets		**50,311**	**48,346**
Capital and reserves			
Called-up share capital	14	34,675	34,675
Profit and loss account		15,636	13,671
Total shareholders' funds		**50,311**	**48,346**

The notes on pages 16 to 28 form an integral part of these financial statements.

These financial statements on pages 12 to 28 were approved by the Board of Directors on 17 April 2018, and were signed on its behalf by:

DocuSigned by:
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Jonathan Lavine
Director

Statement of Changes in Equity
As at 31 December 2017

	Called-up share capital	Profit & Loss Account	Total shareholders' funds
	£'000	£'000	£'000
Balance at 1 January 2016	34,675	5,458	**40,133**
Profit for the financial year and total comprehensive income	-	10,984	**10,984**
Dividends paid	-	(2,771)	**(2,771)**
Balance at 31 December 2016	34,675	13,671	**48,346**
Profit for the financial year and total comprehensive income	-	**6,965**	**6,965**
Dividends paid	-	(5,000)	**(5,000)**
Balance at 31 December 2017	**34,675**	**15,636**	**50,311**

The notes on pages 16 to 28 form an integral part of these financial statements.

Statement of Cash Flows
For the year ended 31 December 2017

	Note	2017 £'000	2016 £'000
Net cash generated from operating activities	15	**19,592**	**3,623**
Cash flow from investing activities			
Interest received		**5**	2
Investment income		**2,130**	6,649
Purchase of tangible assets		**(4)**	(334)
Purchase of investments		**(16,013)**	(15,381)
Proceeds on disposal of investments		**-**	7,790
Net cash used in investing activities		**(13,882)**	**(1,274)**
Cash flow from financing activities			
Interest paid		**(21)**	-
Net cash used in financing activities		**(21)**	**-**
Increase in cash		**5,689**	**2,349**
Cash at the beginning of the year		**3,634**	1,285
Cash at the end of the year		**9,323**	**3,634**

The notes on pages 16 to 28 form an integral part of these financial statements.

Notes to the Financial Statements
For the year ended 31 December 2017

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 FRS 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 private company, limited by shares, and is incorporated and domiciled in the UK. The Company's registered office address is 11th Floor 200 Aldersgate Street, London, England, EC1A 4HD.

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 at 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
Leasehold Improvements	10 years or life of lease
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 statement of comprehensive income. 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 and 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 2017 (continued)

1. Summary of significant accounting policies (continued)

g) Financial assets
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.

1) 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 2017 (continued)

1. Summary of significant accounting policies (continued)

2) 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.

j) Repurchase Agreements

Financial assets are derecognised when the contractual rights to cashflows from the financial assets expire or the company transfers substantially all risks and rewards of ownership. Liabilities associated with repurchase agreements are recognised at amortised cost in accordance with the relevant legal agreements.

k) Debtors

Debtors comprise of amounts owed by group undertakings, accrued income, trade debtors and other debtors. Amounts owed by group undertakings are amounts due from group undertakings for trading related services and distribution services performed in the ordinary course of business. Trade debtors are amounts due from customers for securities lending services performed in the ordinary course of business. Accrued income relates to amounts due to the company for services provided to clients and related group undertakings which have not yet been invoiced. Collection is generally expected in 12 months or less, and therefore they are classified as current assets.

l) Creditors

Creditors comprise of trade creditors, amounts owed to group undertakings, taxation and social security, corporation tax payable, accruals and other creditors. Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts owed to group undertakings are amounts due to group undertakings for corporate services performed in the ordinary course of business. Accruals relates to amounts due by the Company for services provided to it which have not yet been invoiced. Corporation tax payable are amounts due to the local tax authorities under which the Company operates.

Notes to the Financial Statements
For the year ended 31 December 2017 (continued)

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:

	2017	2016
	£'000	£'000
Europe	6,321	5,955
USA	27,867	23,240
Total	**34,188**	**29,195**

3. Operating profit

Operating profit is stated after charging/(crediting):

	2017	2016
	£'000	£'000
Cost recharges receivable from/(payable to):		
Bain Capital, Ltd	(1,912)	(1,754)
Bain Capital Private Equity (Europe), LLP	(2,641)	(2,597)
Bain Capital Investments (Europe) Limited	98	135
Bain Capital Credit, LP	6,916	570
Other charges & credits:		
Depreciation	(203)	(207)
Fair value gain/(loss) on investments	508	(1,521)
Foreign exchange gain	1,965	6,000
Fees payable for services provided by the Company's auditor:		
Audit of the Company	(46)	(36)
Other audit-related assurance services	(6)	(6)
Tax advisory and compliance services	-	-
Corporate finance services	(57)	(147)
Other advisory services	-	-

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.

Notes to the Financial Statements
For the year ended 31 December 2017 (continued)

4. Directors' emoluments

The Directors did not receive any remuneration from the Company during the year (2016: £nil). Remuneration for their services is provided elsewhere in the Group, and it is not possible to apportion the amount specific to this entity.

5. Employee Information

	2017 £'000	2016 £'000
Wages, salaries & other short-term benefits	19,539	16,465
Social security costs	2,601	2,391
Post-employment benefits	141	67
Total	**22,281**	**18,923**

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

	2017 Number	2016 Number
Investment	32	33
Administration	18	16
Total	50	49

6. Interest income/(expense)

	2017 £'000	2016 £'000
Bank interest income	5	2
Investment income	2,130	6,649
Interest receivable and similar income	2,135	6,651

	2017 £'000	2016 £'000
Bank interest expense	(21)	-
Interest payable and similar expense	(21)	-

Notes to the Financial Statements
For the year ended 31 December 2017 (continued)

7. Tax on profit

	2017 £'000	2016 £'000
Current tax		
UK Corporation Tax in respect of current year	**1,674**	2,659
Total current tax	**1,674**	**2,659**
Deferred tax		
Origination and reversal of timing differences	**(12)**	90
Effect of changes in tax rates	**(3)**	-
Total deferred tax	**(15)**	**90**
Taxation charge	**1,659**	**2,749**

The tax assessed for the year is lower (2016: higher) than the standard rate of corporation tax in the UK for the year ended 31 December 2017 of 19.25% (2016: 20%). The differences are explained below:

	2017 £'000	2016 £'000
Profit before taxation	**8,624**	13,733
Profit multiplied by the standard rate of tax in the UK of 19.25% (2016: 20.00%)	**1,660**	2,747
Effects of:		
Expenses not deductible for tax purposes	**2**	2
Accelerated capital allowances	**15**	(90)
Origination and reversal of timing differences	**(18)**	90
Taxation charge	**1,659**	**2,749**

The standard rate of corporation tax in the UK changed from 20% to 19% with effect from 1 April 2017.

Notes to the Financial Statements
For the year ended 31 December 2017 (continued)

8. Tangible assets

	Leasehold Improvements	Furniture, Fixtures & Fittings	Information Technology	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 January 2016	970	68	90	1,128
Additions	334	-	-	334
Transfers	(616)	603	13	-
At 31 December 2016	**688**	**671**	**103**	**1,462**
Additions	-	4	-	4
At 31 December 2017	**688**	**675**	**103**	**1,466**
Accumulated Depreciation				
At 1 January 2016	-	25	90	115
Charge for the year	107	96	4	207
At 31 December 2016	**107**	**121**	**94**	**322**
Charge for the year	**103**	**96**	**4**	**203**
At 31 December 2017	**210**	**217**	**98**	**525**
Net book value				
At 31 December 2017	**478**	**458**	**5**	**941**
At 31 December 2016	581	550	9	1,140

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:

1. The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.
2. Inputs other than quoted prices included within Level 1 that are observable (ie developed using market data) for the asset or liability, either directly or indirectly.
3. Inputs are unobservable (ie for which market data is unavailable) for the asset or liability.

The financial assets comprise investments in debt securities which are issued by Newhaven CLO, Ltd., Rye Harbour CLO, Ltd., Newhaven II CLO Designated Activity Company and 2017-1 Euro CLO Designated Activity Company. These financial assets are measured in accordance with Level 3. The investments in the debt securities of 2017-1 Euro CLO, Ltd 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 1g on page 17.

The movement in financial assets during the year is reflected in comprehensive income and can be analysed as follows:

	2017	2016
	£'000	£'000
At 1 January	**41,238**	29,807
Additions	**16,013**	15,381
Disposals	**-**	(7,790)
Fair value gain/(loss)	**508**	(1,521)
Fair value adjustments for foreign exchange	**1,602**	5,361
At 31 December	**59,361**	**41,238**

Notes to the Financial Statements
For the year ended 31 December 2017 (continued)

10. Debtors

	2017 £'000	2016 £'000
Amounts falling due within one year		
Amounts due from Group undertakings	**13,015**	5,187
Other debtors	**2,830**	2,933
Total amounts falling due within one year	**15,845**	**8,120**

Amounts owed by Group undertakings are unsecured, interest free and are repayable on demand. Other debtors, comprising trade receivables and other debtors that are receivable within one year. No amounts recognised are past due.

11. Creditors

	2017 £'000	2016 £'000
Trade creditors	**268**	140
Amounts owed to Group undertakings	**13,633**	3,318
Taxation and social security	**8,273**	2,152
Accruals & deferred income	**126**	91
Deferred tax liability (see note 13)	**70**	85
Total current financial liabilities	**22,370**	**5,786**
Long-term liabilities	**12,789**	-
Total non-current financial liabilities	**12,789**	-

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. No amounts recognised are past due.

The company entered into a repurchase agreement on 12 October 2017 with Robin Issuer Designated Activity Company ("repo counterparty"), to part fund its investment in 2017-1 Euro CLO. The value of the cash received under this agreement was EUR 14,315,000. On 18 October 2030, the settlement date, EUR 14,625,000 will be returned to the repo counterparty.

Notes to the Financial Statements
For the year ended 31 December 2017 (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:

	2017 £'000	2016 £'000
Financial asset investments	59,361	41,238
Cash	9,323	3,634
Total	**68,684**	**44,872**

The financial asset investments comprise investments in the subordinated debt securities of Newhaven CLO, Ltd., Rye Harbour CLO, Ltd., Newhaven II CLO Designated Activity Company and 2017-1 Euro CLO Designated Activity Company. The securities are unrated. Cash represents deposits held at call with the Royal Bank of Scotland, whose credit rating is P1.

(b) Market risk management
(i) Investment risk
The Company has investments in the subordinated debt securities of Newhaven CLO, Ltd., Rye Harbour CLO Ltd., Newhaven II CLO Designated Activity Company and 2017-1 Euro 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 2017, 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 £17,181,000 (2016: £12,284,000), 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 and the repurchase agreement are denominated in Euro. All other assets and liabilities are denominated in pounds sterling.

The Company estimates that, at 31 December 2017, 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 +/- £5,936,000 (2016: £4,124,000), with a corresponding impact on comprehensive income. The same applied to the Company's financial liabilities, would have resulted in a fair value adjustment of +/- £1,279,000 (2016:£nil).

Notes to the Financial Statements
For the year ended 31 December 2017 (continued)

(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.

The value of the cash to be returned to the repo counterparty is fixed under the repurchase agreement, therefore no interest rate risk arising on the Company's debt financing.

(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 liability

	2017	2016
	£'000	£'000
Accelerated capital allowances	**(70)**	**(85)**
At 1 January	**(85)**	5
Deferred tax credit for current year	**12**	(90)
At 31 December	**(70)**	**(85)**

Notes to the Financial Statements
For the year ended 31 December 2017 (continued)

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

Allotted and fully paid	Number	£'000
At 1 January 2017	34,674,603	34,675
At 31 December 2017	**34,674,603**	**34,675**

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

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

	2017 £'000	2016 £'000
Operating profit	6,510	7,082
Adjustments for:		
Tax on profit	(1,659)	(2,749)
Depreciation of tangible assets	203	207
Unrealised gains on investments	(2,110)	(3,840)
Dividend Paid	(5,000)	(2,771)
Decrease in debtors	(7,725)	1,121
Increase in creditors	29,373	4,573
Cash generated from operations	**19,592**	**3,623**

(b) Analysis of changes in cash

	2017 €'000	2016 €'000
As at 1 January	3,634	1,285
Cash inflows	5,689	2,349
As at 31 December	**9,323**	**3,634**

Notes to the Financial Statements
For the year ended 31 December 2017 (continued)

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 2016 are £15,045,000. Its minimum capital requirement under Pillar 1 is £9,994,000 based on the sum of the Company's market and credit risk requirements. 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 £9,323,000; asset backed securities of £59,361,000, which represents both carrying and fair value; and other assets of £16,786,000.

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, an affiliated company, 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 only has four 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 2017.