INVESTCORP

Investcorp Credit Management EU Limited

Annual report and accounts for the period from 1 April 2017 to 30 June 2017

Registered number : 05655607

Investcorp Credit Management EU Limited

Contents

Directors' report

For the period from 1 April 2017 to 30 June 2017

The Directors submit their period ended report with the audited financial statements for the period from 1 April 2017 to 30 June 2017.

Principal activity

The principal activity of Investcorp Credit Management EU Limited (the "Company"), formally known as 3i Debt Management Investments Limited, is to provide discretionary investment management advice. It also makes capital investment in to certain funds under management for regulatory purposes. The Company is domiciled and incorporated in the United Kingdom. The Company acts as a Fund Manager and Investment Advisor for leveraged finance funds (including mezzanie loans and private equity assets), and has 21 funds under management at 30 June 2017 (31 March 2017: 21 funds) with an AUM of £4.4 billion (31 March 2017: £4.4 billion)

Directors

The Directors of the Company during the period and up to the date of this report were :

P Goody
J R Ghose
D J Lopez-Cruz (appointed on 6 April 2017)

Disclosure of information to the Auditors

Pursuant to s418(2) of the Companies Act 2006, each of the Directors confirms that: (a) so far as they are aware, there is no relevant audit information of which the auditors are unaware; and (b) they have taken all steps they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of such information.

Auditors

In accordance with section 487 of the Companies Act 2006, a resolution proposing the reappointment of Ernst & Young LLP as auditors of the Company will be put to the forthcoming Annual General Meeting.

Going concern

The Directors are satisfied that the Company has adequate resources to continue to operate for the foreseeable future. For this reason, they continue to adopt the going concern basis for preparing the financial statements.

Pillar 3 disclosures

The Directors have prepared the Pillar 3 and Remuneration Code disclosures required under the Capital Requirements Directive. These disclosures are available from the Investcorp Group's website, which can be found at www.investcorp.com.

By order of the Board

Peter Goody
Date: 17/10/2017

Registered office:
Investcorp House, 48 Grosvenor St., Mayfair
London W1K 3HW

Strategic report

For the period from 1 April 2017 to 30 June 2017

Results and business review

The Directors present their strategic report for the period from 1 April 2017 to 30 June 2017.

Total profit for the period shown in the statement of comprehensive income amounted to £5,518k (31 March 2017: £47,099k). During the period, no interim dividend was paid (31 March 2017: £87,438k to the previous parent, 3i Debt Management Limited). The Directors do not recommend a final dividend for the period (31 March 2017: nil).

Development

The Directors do not anticipate any change in the Company's core activities for the foreseeable future.

Principal risks and uncertainties

The Company is a subsidiary in the Investcorp Group with the immediate parent being Investcorp S.A. domiciled in Cayman Islands. The Group sets objectives, policies and processes for managing and monitoring risk as set out in Investcorp Bank B.S.C.'s annual report. The financial risks are discussed in further detail in note 18.

By order of the Board

Peter Goody

Date: 17/10/2017

Registered office:
Investcorp House, 48 Grosvenor St., Mayfair
London W1K 3HW

Statement of directors' responsibilities

For the period from 1 April 2017 to 30 June 2017

The Directors are responsible for preparing the Strategic report, Director's report and the financial statements in accordance with applicable United Kingdom law and those International Financial Reporting Standards ("IFRSs") that have been adopted by the European Union.

Under Company Law the Directors must not approve financial statements unless they are satisfied that they give a true and fair value of the financial position, financial performance and cash flows of the Company for that period. In preparing financial statements the Directors are required to:

(a) select suitable accounting policies in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;

(b) present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;

(c) provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance;

(d) state that the Company has complied with IFRSs, subject to any material departures disclosed and explained in the financial statements;

(e) make judgements and estimates that are reasonable; and

(f) prepare the financial statements on the going concern basis unless it is appropriate to presume that the Company will continue in business.

The Directors have a responsibility for ensuring that proper accounting records are kept which 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 financial statements comply with the Companies Act 2006. They have a responsibility for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Independent auditors' report to the member of Investcorp Credit Management EU Limited

We have audited the financial statements of Investcorp Credit Management EU Limited for the period from 1 April 2017 to 30 June 2017 which comprise the Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Financial Position, Statement of Cash Flows, and the related notes 1 to 19. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's member, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's member those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's member as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual report and accounts 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.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2017 and of its profit for the period from 1 April 2017 to 30 June 2017;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Independent auditors' report to the member of Investcorp Credit Management EU Limited

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- 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;
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic report or Directors' report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- 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; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Ernst & Young LLP

Ahmer Huda (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

Date: 17 October 2017

Investcorp Credit Management EU Limited

Statement of comprehensive income

for the period from 1 April 2017 to 30 June 2017

	Notes	30 June 2017 £'000	31 March 2017* £'000
Revenue	3	12,339	62,948
Operating expenses	4	(4,206)	(19,300)
Operating profit		8,133	43,648
Unrealised gain on the revaluation of investments		-	3,619
Realized profit on disposal of investments		-	50
Interest receivable		44	58
Interest payable		(1,364)	(143)
Exchange movements		5,418	12,744
Foreign exchange intercompany offset	14	(5,418)	-
Profit before tax		6,813	59,976
Income taxes	8	(1,295)	(12,877)
Profit for the period/year		5,518	47,099
Total comprehensive income for the period/year		5,518	47,099

All items in the above statement are derived from continuing operations.

*The Company decided to align its year-end date to the financial statement date of the parent which is every end of June. As such the comparative figures are therefore not entirely comparable with the current reporting period.

Statement of changes in equity

for the period from 1 April 2017 to 30 June 2017

	Issued share capital	Share based payment reserve	Other distributable reserve	Total
	£'000	£'000	£'000	£'000
As at 1 April 2016	92,238	318	58,369	150,925
Profit for the year	-	-	47,099	47,099
Share based payments charge	-	(318)	318	-
Dividend paid to parent	-	-	(87,438)	(87,438)
Total change in equity for the year	-	(318)	(40,021)	(40,339)
As at 31 March 2017	**92,238**	**-**	**18,348**	**110,586**
Profit for the period	-	-	5,518	5,518
Share based payments charge	-	-	-	-
Dividend paid to parent	-	-	-	-
Total change in equity for the period	**-**	**-**	**5,518**	**5,518**
As at 30 June 2017	**92,238**	**-**	**23,866**	**116,104**

The notes and accounting policies on pages 9 to 24 form an integral part of these financial statements.

Investcorp Credit Management EU Limited

Statement of financial position

as at 30 June 2017

	Notes	30 June 2017 £'000	31 March 2017 £'000
Assets			
Non-current assets			
Investments held at amortised cost	11	163,993	-
Investments at FVTPL	11	-	179,263
Intangible assets	10	1,175	1,567
Deferred tax assets	12	1,672	1,656
Total non-current assets		166,840	182,486
Current assets			
Trade and other receivables	13	14,866	13,929
Cash and cash equivalents		55,927	25,779
Total current assets		70,793	39,708
Total assets		237,633	222,194
Liabilities			
Non-current liabilities			
Trade and other payables	14	(12,958)	(11,182)
Total non-current liabilities		(12,958)	(11,182)
Current liabilities			
Trade and other payables	14	(108,571)	(100,426)
Total current liabilities		(108,571)	(100,426)
Total liabilities		(121,529)	(111,608)
Net assets		116,104	110,586
Equity			
Issued capital	9	92,238	92,238
Other distributable reserve		23,866	18,348
Total equity		116,104	110,586

The financial statements have been approved and authorised for issue by the Board of Directors.

Peter Goody

Director

Date: 17/10/2017

The notes and accounting policies on pages 9 to 24 form an integral part of these financial statements.

Investcorp Credit Management EU Limited

Statement of cash flows

for the period from 1 April 2017 to 30 June 2017

	30 June 2017	31 March 2017*
	£'000	**£'000**
Cash flow from operating activities		
Profit before tax	6,813	59,976
Adjustments for:		
Amortisation of management contracts	392	1,567
Fair value movement on investments	-	(3,619)
(Increase) / Decrease in receivables	(937)	3,176
(Decrease) / Increase in payables	(7,694)	1,230
Exchange movements	5,418	(12,744)
Intercompany offset	(5,418)	-
Income tax paid	(3)	(9,635)
Net cash flow (used in) / generated from operating activities	(1,429)	39,951
Cash flows from investing activities		
Purchase of investments	(18,210)	(104,091)
Return of capital	38,460	53,159
Net cash flow generated / (used in) investing activities	20,250	(50,932)
Cash flow from financing activities		
Dividends paid	-	(87,438)
Loan from parent	11,327	85,860
Net cash flow generated / (used in) from financing activities	11,327	(1,578)
Change in cash and cash equivalents	30,148	(12,559)
Cash and cash equivalents at the start of the period/year	25,779	38,338
Cash and cash equivalents at the end of the period/year*	55,927	25,779

**Cash and cash equivalents comprise of amounts due from banks on demand.*

*The Company decided to align its year-end date to the financial statement date of the parent which is every end of June. As such the comparative figures are therefore not entirely comparable with the current reporting period.

The notes and accounting policies on pages 9 to 24 form an integral part of these financial statements.

Notes to the financial statements
for the period from 1 April 2017 to 30 June 2017

1. Accounting policies

A Changes in accounting policies
The Company has early adopted IFRS 9 Financial Instruments ahead of its mandatory effective date of 1 January 2018. As permitted by the transitional provisions of IFRS 9, the Company elected not to restate comparative figures. Consequently, for notes disclosures, the consequential amendments to IFRS 7 disclosures have also only been applied to the current period.

The key changes arising from the early adoption of IFRS 9 are the classification and measurement of the Company investments at amortised cost which were previously classified as fair value through profit or loss (FVTPL) and the credit losses are now based on an expected loss model rather than an incurred loss model. Therefore the carrying amount of the investments is adjusted by any expected credit loss allowance recognised and the interest income is calculated using the effective interest rate method. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 'Financial Instruments: Disclosures'.

Classification and measurement of financial instruments

The measurement category and the carrying amount of financial assets in accordance with IAS 39 and IFRS 9 at 1 April 2017 are compared as follows:

	IAS 39		IFRS 9	
	Measurement category	Carrying amount	Measurement category	Carrying amount
		£000		£000
Cash and cash equivalents	Amortised cost	25,779	Amortised cost	25,779
Trade and receivables	Amortised cost	13,757	Amortised cost	13,757
Investments	FVTPL	179,263	Amortised cost	179,263

There were no changes in the carrying amounts on the financial assets and financial liabilities as at 1 April 2017 upon early adoption on IFRS 9.

The Company has chosen to de-designate the Company's investments upon transition to IFRS 9 and measure them at amortised cost as the CLO investments are held within a business model whose objective is to hold assets in order to collect variable contractual cash flows on specified dates. The contractual terms give rise to variable distributions (solely payments of principal and interest) based on the CLO's respective waterfall and priorities of payment. As a consequence of the designation, investments are subject to impairment reviews under the ECL models.

IFRS 9 replaces the "incurred loss" model in IAS39 with an "expected credit loss" model. The new impairment model applies to the debt investments. Under IFRS 9, credit losses are recognised earlier than under IAS 39. See Note 18 for an explanation of how the Company applies the impairment requirement of IFRS 9.

The implied average interest rate of these debt instruments is 7.0% per annum based on the opening value and the projected future cash flows and £2,203k of interest income has been recognised during the period.

Notes to the financial statements (continued)

for the period from 1 April 2017 to 30 June 2017

1. Accounting policies (continued)

For financial assets that have been reclassified to amortised cost, the following table shows the fair value as at 30 June 2017 and the fair value gain or loss that would have been recognised if these financial assets had not been reclassified as part of the transition to IFRS 9:

Reclassifications to amortised cost	30 June 2017 £000
From designated at fair value through profit or loss (IAS 39 reclassification)	
Fair value as at 30 June 2017	168,737
Fair value gain that would have been recognised during the period if the financial asset had not been reclassified	2,505

The Company has also early adopted IFRS 15 Revenue from Contracts with Customers. IFRS 15 establishes a new five-step model to recognise revenue which provides a more structured approach to measure and recognise revenue. Following the guidelines of IFRS 15, the Company has reviewed its policy for recognising revenue to comply with the new requirements of IFRS 15 and has determined that adoption of IFRS 15 did not have any material impact on the financial statements.

B Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and their interpretations issued or adopted by the International Accounting Standards Board as adopted for use in the European Union ("IFRS").

These financial statements have been prepared in accordance with and in compliance with the Companies Act 2006.

The IASB has issued the following standards and interpretations to be applied to financial statements with periods commencing on or after the following dates:

		period beginning on or after
IFRS 16	Leases	1 January 2019

C Basis of preparation

The financial statements have been prepared on a going concern basis, under historical cost conversion in accordance with IFRS.

The financial statements are presented in sterling, the functional currency of the Company.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

D Revenue recognition

Revenue arises from Investment Management fees, Investment Advisory fees and incentive fees as well as distributions from CLO investments and income from the warehouse vehicles used to ramp up CLO funds prior to close. Investment Management, Investment Advisory and Incentive fee income is recognised on an accrual basis. All revenue is derived from operations in Europe.

Notes to the financial statements (continued)

for the period from 1 April 2017 to 30 June 2017

1. Accounting policies (continued)

E Foreign currency transactions

Transactions in currencies different from the functional currency of the Company are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are translated to sterling at the exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to sterling using exchange rates ruling at the date the fair value was determined.

F Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less. For the purposes of the statement of cash flows, cash and cash equivalents comprise cash and short-term deposits as defined above.

G Income taxes

Income taxes represent the sum of the tax currently payable, withholding taxes suffered and deferred tax. Tax is charged or credited to the statement of comprehensive income, except where it relates to items charged or created directly to equity, in which case the tax is also dealt with in equity. The tax currently payable is based on the taxable profit for the period. This may differ from the profit included in the statement of comprehensive income because it excludes items of income and expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

To enable the tax charge to be based on the profit for the period, deferred tax is provided in full on temporary timing differences, at the rates of tax expected to apply when these differences crystallise. Deferred tax assets are recognised only to the extent that it is highly probable that sufficient taxable profits will be available against which temporary differences can be set off. All deferred tax liabilities are offset against deferred tax assets in accordance with the provisions of IAS 12 "income taxes".

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer highly probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

H Other receivables

Assets, other than those specifically accounted for under a separate policy, are stated at their cost less impairment losses. They are reviewed at each statement of financial position date to determine whether there is an indication of impairment. If any such indication exists, the asset's recoverable amount is estimated based on expected discounted future cash flows. Any change in the level of impairment is recognised directly in the statement of comprehensive income. An impairment is reversed at subsequent statement of financial position dates to the extent that the asset's carrying amount does not exceed its original cost.

I Other payables

Liabilities, other than those specifically accounted for under a separate policy, are stated based on the amounts which we consider to be payable in respect of goods or services received up to the statement of financial position date.

Notes to the financial statements (continued)

for the period from 1 April 2017 to 30 June 2017

1. Accounting policies (continued)

J Investments

Investments relate to interests in managed CLOs and associated warehouse vehicles, and are recognised on the date on which the investment is made.

The CLO investments are held within a business model whose objective is to hold assets in order to collect variable contractual cash flows on specified dates. The contractual terms give rise to variable distributions (solely payments of principal and interest) based on the CLO's respective waterfall and priorities of payment.

The investments are carried at amortised cost adjusted by any expected credit loss allowance recognised and described in Note 18. Interest income on these financial assets is recognised using the effective interest rate ("EIR"). In calculating the effective interest rate, the Company estimates future cash flows considering all the contractual terms of the financial assets.

For financial assets that have become credit impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit impaired then the calculation of the interest income reverts to the gross basis.

For financial assets that were credit impaired on initial recognition, interest income is calculated by applying the credit adjusted effective interest rate to the amortised cost of the assets. The calculation of interest income does not revert to a gross basis even if the credit risk of the asset improves.

Prior period accounting policy

Prior to 1 April 2017, the credit management investments were acquired with the intention of a long-term holding period were classified as Fair Value through Profit and Loss (FVTPL) investments. The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. Judgements and estimates include considerations of liquidity and model inputs related to items such as credit risk (both own and counterparty), funding value adjustments, correlation and volatility.

K Incentive fees receivable

The Company earns an incentive fee from funds which it manages on behalf of third parties. These fees are earned when the fund meets certain performance conditions.

The incentive fee is calculated based on the Company's share of profits in excess of the performance conditions, taking into account the cash already returned to fund investors and the fair value of assets remaining in the fund.

At the start of each scheme an estimate of the incentive fee receivable is made and recognised once performance of conditions have been met. At each balance sheet date, the estimate is reassessed. This estimate is based on the most likely amount method.

Notes to the financial statements (continued)

for the period from 1 April 2017 to 30 June 2017

1. Accounting policies (continued)

L Incentive fees payable

Incentive fee payable is accrued if its performance conditions, measured at the balance sheet date, would be achieved if the remaining assets in that scheme were realised at carrying value. An accrual is made equal to the executive's share of profits in excess of the performance conditions in place in the carried interest scheme, discounted to reflect the likely actual cash payment date, which may be materially later than the time of the accrual. The distribution amounts are accrued based on the management incentive deed with 3i Debt Management Investments Limited to allocate to the managers and the benefit of 3i.

M Intangible assets

Fund management contracts are stated at their fair value at the date of acquisition less their accumulated amortisation and impairment losses. Amortisation is charged to the statement of comprehensive income on a straight line basis over the estimated life of the fund, typically 5 years.

N Impairment and un-collectability of financial assets

The Company recognises loss allowances in the statement of comprehensive income for expected credit losses (ECL) on financial assets. The Company measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

1. debt investment securities that are determined to have low credit risk at the reporting date; and
2. other financial instruments on which credit risk has not increased significantly since their initial recognition

The Company considers a debt security to have low credit risk when their credit risk rating is equivalent to the globally understood definition of 'investment grade'.

O Expenses

Expenses are recognised on an accrual basis. Intragroup services relate to investment and back-office services provided to the Company by Investcorp Bank B.S.C.

Notes to the financial statements (continued)

for the period from 1 April 2017 to 30 June 2017

2 Significant accounting judgments, estimates and assumptions

The preparation of the Company's financial statements requires management to make estimates and assumptions that affect the reported amount of financial assets and liabilities at the date of the financial statements. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Estimate

The use of estimates is principally limited to the determination of cash flows which is the basis of assessment of sole payments of principal and interest test on CLO investments which are being carried as debt instruments at amortised cost (see Note 11).

Judgment

In the process of applying the Company's accounting policies, management has made the following judgment with respect to classification of financial assets, apart from those involving estimates, which have the most significant effect on the amounts recognised in the financial statements.

The CLO investments are held within a business model whose objective is to hold assets in order to collect variable contractual cash flows on specified dates. The contractual terms give rise to variable distributions (solely payments of principal and interest) based on the CLO's respective waterfall and priorities of payment.

Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for investments measured at amortised cost is an area that requires the use of complex models and significant assumptions about the future economic conditions and credit behaviour (e.g. probability of defaults and credit default rates). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in Note 18.

A number of significant judgments are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk
- Choosing appropriate models and assumptions for the measurement of ECL
- Establishing the number and relating weightings for forward looking scenarios for each investment and the associated ECL; and
- Establishing groups of similar investments for the purposes of measuring ECL

Notes to the financial statements (continued)
for the period from 1 April 2017 to 30 June 2017

3 Revenue	**30 June 2017**	**31 March 2017**
	£'000	**£'000**
Investment management fees	4,874	24,236
Investment advisory fees	448	3,771
Incentive fee income	-	2,332
CLO interests	5,910	-
CLO distributions	-	32,159
Other income	1,107	450
Total	12,339	62,948

4 Operating expenses	**30 June 2017**	**31 March 2017**
	£'000	**£'000**
Staff costs	2,609	7,813
Auditor's remuneration - audit fees	74	116
Amortisation of intangible assets	392	1,567
Administrative expenses	1,131	9,804
Total	4,206	19,300

5 Staff costs	**30 June 2017**	**31 March 2017**
	£'000	**£'000**
Wages and salaries	799	3,379
Social security costs	102	1,126
Pension and other costs	90	268
Staff distribution and carry	1,618	3,040
Total	2,609	7,813

The average number of employees during the period was 28 (31 March 2017: 28).

6 Directors' emoluments	**30 June 2017**	**31 March 2017**
	£'000	**£'000**
Salaries and benefits	160	843
Bonuses, incentive fees and performance fees	233	933
Amounts receivable under long-term incentive plans	-	2,070
Total	393	3,846

Amounts receivable under long term incentive arrangements include balances accrued on a fair value basis, and which have not yet been realised.

The emoluments of the highest paid director during the period were £257k (31 March 2017: £2,708k), of which none (31 March 2017: £1,688k) was payable under the long term incentive arrangements.

Notes to the financial statements (continued)

for the period from 1 April 2017 to 30 June 2017

7 Share based payment

Deferred share awards

Certain employees receive awards of deferred shares which vest after three years subject to continued service for that period. These awards are not subject to a performance condition. The fair value of the deferred shares is the share price at the date of the award.

Performance based awards

The total cost recognised in the statement of comprehensive income is shown below:

	30 June 2017 £'000	31 March 2017 £'000
Share awards	-	-
Total	-	-

Details of share awards outstanding are as follows:

	30 June 2017 £'000	31 March 2017 £'000
Outstanding at start of the period/year	-	102,237
Forfeited	-	(102,237)
Outstanding at end of the period/year	-	-

There are nil awards outstanding at the end of the period.

8 Income taxes

	30 June 2017 £'000	31 March 2017 £'000
Statement of comprehensive income		
Current tax	1,310	12,190
Deferred tax	(15)	718
Deferred tax adjustment in relation to prior period	-	(31)
Total income taxes in the statement of comprehensive income	1,295	12,877

Reconciliation of income taxes in the statement of comprehensive income

The tax for the period is different to the standard rate of corporation tax in the UK 19% (31 March 2017:20%). The differences are explained below:

	30 June 2017 £'000	31 March 2017 £'000
Profit before tax	6,813	59,976
Profit before tax multiplied by rate of corporation tax in the UK of 19% (31 March 2017:20%)	1,294	11,995
Expenses not deductible for tax purposes	-	951
Effect of change in deferred tax rate	1	(38)
Prior year adjustment	-	(31)
Group relief received for nil consideration	-	-
Total income taxes in the statement of comprehensive income	1,295	12,877

Notes to the financial statements (continued)

for the period from 1 April 2017 to 30 June 2017

8 Income taxes (continued)

Deferred tax

	Statement of financial position	Statement of comprehensive income
	30 June 2017	**30 June 2017**
	£'000	**£'000**
Deferred income tax asset		
Decelerated capital allowances	8	2
Long term incentive plan	1,664	698
Deferred income tax asset	1,672	700
Deferred income tax charge in the statement of comprehensive income	-	700

	Statement of financial position	Statement of comprehensive income
	31 March 2017	**31 March 2017**
	£'000	**£'000**
Deferred income tax asset		
Decelerated capital allowances	11	2
Long term incentive plan	1,645	685
Deferred income tax asset	1,656	687
Deferred income tax charge in the statement of comprehensive income	-	687

The UK Government announced as part of the Finance (No 2) Act 2015, which received Royal Assent on 18 November 2015, that the main rate of corporation tax rate would be reduced from 20% to 19% from 1 April 2017. As part of the Finance Act 2016, a further reduction to 17% with effect from 1 April 2020 was substantively enacted on 6 September 2016. This will affect the rate at which future UK cash tax will be payable and the rate at which deferred tax assets are expected to reverse.

All fixed assets have been fully depreciated and therefore have a carrying value of nil.

9 Share capital	**Number of shares**	**Amount £'000**
(i) Ordinary shares		
Called up, allotted and fully paid ordinary shares of £1 each	92,238	92,238
At 30 June 2017 and 31 March 2017		
Issued ordinary shares of £1 each	92,238	92,238
Authorised ordinary shares of £1 each	92,238	92,238

These shares were ordinary shares with no additional rights attached to them.

During the period, no dividend was paid to the parent (31 March 2017: £87,438k).

Notes to the financial statements (continued)

for the period from 1 April 2017 to 30 June 2017

10 Intangible assets

In August 2012, the Company acquired the rights to manage five European Collateralised Loan Obligations from Invesco Management Incorporated for a consideration of £10,258K.

	30 June 2017	31 March 2017
	£'000	£'000
Opening cost	10,258	10,258
Closing cost	10,258	10,258
Opening accumulated amortisation	8,691	7,124
Charge for the period/ year	392	1,567
Closing accumulated amortisation	9,083	8,691
Net book value	1,175	1,567

11 Investments

	Unquoted CLO fund investments	Unquoted CLO warehouse investments	Total
	£'000	£'000	£'000
At 31 March 2016	112,802	-	112,802
Additions	43,497	60,594	104,091
Return of capital	(22,756)	(30,403)	(53,159)
Foreign exchange movement	12,140	(230)	11,910
Fair value movements	3,619	-	3,619
At 31 March 2017	149,302	29,961	179,263
Additions	18,210	-	18,210
Return of capital	(8,513)	(29,947)	(38,460)
Foreign exchange movement	4,994	(14)	4,980
At 30 June 2017	163,993	-	163,993

Notes to the financial statements (continued)

for the period from 1 April 2017 to 30 June 2017

11 Investments (continued)

The Company classifies financial instruments measured at fair value in the investments according to the following hierarchy

Level	Fair value input description	Financial instruments
Level 1	*Quoted prices (unadjusted) from active markets*	*Quoted equity instruments*
Level 2	Inputs other than quoted prices included in Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices)	
Level 3	Inputs that are not based on observable market data	Unquoted equity instruments and loan instruments

The fair value of the Company's investments at 30 June 2017 was £169m (31 March 2017: £179m)

The Company's investments are all level 3. Level 3 inputs are sensitive to assumptions made when ascertaining fair value as described in accounting policy note J. The fair value of investments are valued using a range of data including original arranging bank models, Credit Management's internal forecasts and models, trading data where available, and data from third-party valuation providers.

For all other financial assets and liabilities, the carrying value is an approximation of fair value, including trade and other receivables; cash and cash equivalents and trade and other payables.

12 Deferred tax assets

	30 June 2017 £'000	31 March 2017 £'000
Deferred tax	1,672	1,656
Total	1,672	1,656

13 Trade and other receivables

Current assets

	30 June 2017 £'000	31 March 2017 £'000
Prepayments and accrued income	6,435	5,726
Corporate tax debtor	3	-
Incentive fee receivable	8,428	8,203
Total	14,866	13,929

Notes to the financial statements (continued)

for the period from 1 April 2017 to 30 June 2017

14 Trade and other payables

Non current liabilities	**30 June 2017 £'000**	**31 March 2017 £'000**
Long term incentive bonus	9,086	7,413
Incentive fee payable	3,872	3,769
Total	12,958	11,182

Current liabilities	**30 June 2017 £'000**	**31 March 2017 £'000**
Amounts owed to group undertakings	11,327	91,174
Loan with group undertakings	91,174	-
VAT payable	-	2
Incentive fee payable	3,591	3,495
Other payables	216	4,802
Corporate tax	2,263	953
Total	108,571	100,426

The Company entered into an inter-company loan agreement with Investcorp S.A, who makes available a revolving credit facility of £100 million until the termination date of 1 April, 2022. The loan may be drawn down by the Company on such dates and in such amounts as may be elected by the company on not less than one business day's prior written notice. Interest shall be payable on such portions of the Loan as are drawn down by the Company at the rate of 6% per annum.

The Company has entered an agreement for foreign exchange contract with Investcorp Trading Limited (ITL), which is the foreign trading arm of Investcorp Bank B.S.C and its consolidated subsidiaries. ITL enters into foreign exchange hedges on behalf of the subsidiaries of the Investcorp Group and agrees to reimburse the Company for any foreign exchange gains and losses that the Company may incur on the foreign currency exposures that it carries on its balance sheet from 1 April 2017. The foreign exchange gain intercompany offset with ITL for this period is £5.5 million and is included in Amounts owed to group undertakings.

Notes to the financial statements (continued)

for the period from 1 April 2017 to 30 June 2017

15 Related parties

During the period the Company entered into transactions, in the ordinary course of business, with other related parties. Those transactions with Directors of the Company are disclosed in note 6. The Company has no other key management personnel. Each of these categories of related parties and their impact on the financial statements is detailed below.

The Company has a service level agreement with the Investcorp Group for the provision of support services to the Company.

The Company has entered an agreement for foreign exchange contract with Investcorp Trading Limited (ITL) to reimburse the Company for any foreign exchange gains and losses on the foreign currency exposures.

Borrowing and foreign exchange arrangements

The Company has an outstanding payable balance with its parent company, ultimate parent company and ITL.

	30 June 2017	**31 March 2017**
	£'000	**£'000**
Payable at the end of the period/year		
Parent company	91,174	91,174
Ultimate parent company	5,909	
Investcorp Trading Limited (ITL)	5,418	-

16 Parent undertaking and controlling party

The Company's immediate parent undertaking is Investcorp S.A.

The Company's ultimate parent undertaking and controlling party is Investcorp Bank B.S.C. which is incorporated in Kingdom of Bahrain and registered in Central Bank of Bahrain as a wholesale bank. Copies of its group financial statements, which include the Company, are available online at www.investcorp.com.

17 Capital management

The Company manages its capital to ensure it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Company consists of equity comprising issued capital, other distributable reserves and retained earnings. The adequacy of the Company's capital is monitored using the rules and ratios established by the Basel Committee on Banking Supervision.

Notes to the financial statements (continued)

for the period from 1 April 2017 to 30 June 2017

18 Financial risk management

Financial risks

The Company's ultimate parent company is Investcorp Bank B.S.C., who sets objectives, policies and processes for managing and monitoring capital and risk as set out in the Investcorp Group annual report which is available at www.investcorp.com. This note provides further information on the specific risks faced by the Company.

The capital structure of the Company consists of equity and cash and cash equivalents. As an investment firm regulated by the FCA, the Company's regulated capital requirement is reviewed regularly by the Board. The last submission to the FCA demonstrated a capital surplus in excess of the FCA's prudential rules. The following risk management policies have been consistently applied throughout the period.

Credit risk

Credit risk is the risk that financial loss arises from the failure of a customer or counterparty to meet its obligations under a contract. The Company's credit exposure is to its investments in CLO funds, debtors and bank balances which amounted to £235 million (31 March 2017: £219 million). The CLO investment is monitored monthly for value loss and debtors and cash balances are frequently monitored for size and age. Subordinate fees that are not expected to be received for the foreseeable future are fully provided for. This situation is monitored closely, and the Board is updated regularly. The Company also manages the credit risk of each fund, and this is controlled by the terms of reference relating to the Investment Committee, the policies and procedures relating to each fund, and the legal documentation to each fund.

The Company's cash is held on demand in AAA rated money market funds and on short-term deposit with banks with a credit rating of A- or higher. The Company's investments in CLO subordinated notes do not have a credit rating.

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Company considers reasonable supportable information that is relevant which includes both quantitative and qualitative information and analysis, based on the Company's historical experience, expert credit assessment and forward-looking information. The assessment on significant increase in credit risk is based on the future cash flow projection of its investments by using an external structured fixed income cash flow models and analytical software called Intex. The key parameters used in the models, such as constant default rate, recovery rate, recovery lag, spread, maturity and price are derived from internally developed statistical models and other historical data, which assessed by the third party provider. They are adjusted to reflect the forward looking information to assess the estimates of probability of default.

IFRS 9 provides a low credit risk ('LCR') operational simplification that if a financial instrument has low credit risk i.e. an investment grade credit rating, the Company is allowed to assume at the reporting that no significant increase in credit risk. The Company considers the investments to have low credit risk when their credit risk rating is equivalent to the globally understood definition of 'investment grade' and measures loss allowances as 12 month expected credit loss (ECL) with no significant increase in credit risk.

The investments of the Company are collateralised by the underlying investments, the Company therefore considers fair-value movements of such investments and management judgement to assess whether there has been a significant increase in credit risk. Given that the fair values of the Company's investments were treated as the gross carrying amounts for amortised cost at 1 April 2017, therefore any significant increase in credit risk for the following 12 months was taken into consideration in the fair value. As a result the Company assumes that there is no ECL for the three months period ending 30 June 2017.

Notes to the financial statements (continued)
for the period from 1 April 2017 to 30 June 2017

18 Financial risk management (continued)

Measurement of ECL

The Company measures credit risk using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD).

PD represents the likelihood of a borrower defaulting on its financial obligation, which are calculated based on internal compiled data and market data as benchmark when it is available. Historical constant default rates and market conditions have direct impact to the forward looking constant default rate used in the estimate of projection cash flow. The constant default rate represents the percentage of outstanding principal balances in the pool that are in default.

EAD represents the expected exposure in the event of a default. The Company derives the EAD from the current exposure to the counterparty and potential changes to the current amount which are based on historical observations and forward looking forecasts.

LGD represents the Company's expectation of the extent of loss on the exposure. The Company estimates LGD based on historical recovery rate of claims against defaulted counterparties. The LGD models consider the structure, projected collateral values, seniority of payment, counterparty industry and recovery costs observed that is integral to the financial asset.

The Company defines a financial asset as in default when the borrower is more than 90 days past due on its contractual payments, which is in line with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the PD, EAD and LGD throughout the measurement of ECL.

The Company recognises loss allowances in profit or loss for ECL on the investments. The Company writes-off exposures if there is no reasonable expectation of recovery, subject to the appropriate regulatory approvals. The measurement of ECL is reviewed on quarterly basis and to be presented to the group financial controller and the board of directors.

Assumptions incorporated in the ECL models

The most significant assumptions used for the ECL estimate as at 30 June 2017 are set out below:

Ramp-up Period	6 months
Recovery lag	6 months
Default lockout for newly purchased assets	12 months
Asset Call Price	100%
Clean-up call	20% of CPA

Parameters used to develop various credit loss scenarios for the underlying pool of financial instruments:

Description of investment	**Range of Credit Default Rates**	**Range of Probability of Default**	**Range of Loss Given Default**	**Range of Prepayment Rate**
CLO Equity Subordinate Tranche	0.0% - 6.0%	0% - 25%	20% - 30%	15% - 25%

Notes to the financial statements (continued)

for the period from 1 April 2017 to 30 June 2017

18 Financial risk management (continued)

Liquidity risk

The procedure throughout the period has been to maintain sufficient liquidity in line with FCA regulations. Liquidity risk is managed at the Group level as discussed in the Management Discussion and Analysis in the Investcorp Bank annual report. The Company's current liabilities are principally amounts owed to Group undertakings and staff remuneration.

The table below shows the maturity of the Company's financial liabilities

	Due within 1 year	Due between 1 and 2 years	Due between 2 and 5 years	Total
	£'000	£'000	£'000	£'000
As at 30 June 2017				
Long term incentive plan	4,221	2,423	2,442	9,086
Incentive fee payable	3,591	813	3,059	7,463
Loan with group undertakings	91,174	-	-	91,174
Amounts owed to group undertakings	11,327	-	-	11,327
Other payables	216	-	-	216
	110,529	**3,236**	**5,501**	**119,266**
As at 31 March 2017				
Long term incentive plan	2,297	2,276	2,840	7,413
Incentive fee payable	3,495	792	2,977	7,264
Amounts owed to group undertakings	91,174	-	-	91,174
Other payables	2,505	-	-	2,505
	99,471	3,068	5,817	108,356

Interest rate risk

The Company is exposed to interest rates on banking deposits held in the ordinary course of business and money market placements.

A 100 basis points movement, based on the closing balance sheet position over a 3 month period, would lead to a change in total comprehensive income of £485k (31 March 2017: £257k).

Foreign exchange risk

The Company's revenue is denominated in USD and Euros, and is subject to exchange rate risk. The exchange rate and non-sterling cash balances are monitored regularly to mitigate this risk. The Company's market risk is predominantly due to the Euro currency exposure relating to its Euro CLO investment, management fee receivables, deposits and forward foreign exchange contracts. A +/- 10% movement on the Euro against sterling would lead to a net +/-£16,816k (2017 March: +/-£18,660k) impact in the statement of comprehensive income. From 1 April 2017, the Company manages it foreign exchange exposures through an agreement with an intercompany, ITL, see Note 14.

Operational risk

Operational risk is mitigated by the Company through the application of written procedures, and the adoption of operational risk monitoring and measurement standards. Furthermore, the Company is also subject to independent internal audit monitoring.

19 Events after the reporting date

There are no events after the reporting period that require adjustments or disclosures to the financial statements.