

# **Investcorp Credit Management EU Limited**

**Annual report and accounts for the year ended 30 June 2021**

**Registered number: 05655607**



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**DIRECTORS' REPORT  
FOR THE YEAR ENDED 30 JUNE 2021**

The Directors submit their year end report with the audited financial statements for the year ended 30 June 2021.

**Principal activity**

The principal activity of Investcorp Credit Management EU Limited (the "Company") is to provide discretionary investment management advice. It also makes capital investments into 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 mezzanine loans) and has 23 funds under management at 30 June 2021 (30 June 2020: 19 funds) with an AUM of £6.8 billion (30 June 2020: £6.5 billion). The principle activity of the Company will continue for the foreseeable future.

**Directors**

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

P Goody  
J R Ghose  
D J Lopez-Cruz  
C L Sinfield-Hain

**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 shareholders at 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, refer to economic outlook and future development for details.

**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](http://www.investcorp.com) and the Regulatory Disclosures Hosting Service website at [www.pillar3.eu/ICMEUL1800404](http://www.pillar3.eu/ICMEUL1800404).

**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 30 JUNE 2021****Economic outlook and future developments**

The macro-economic environment improved significantly during the period, particularly in the second half of the financial year, due to the initial success of the COVID-19 vaccine roll-out and re-opening of economies across Europe.

Following a review of the Company's holdings of Subordinated Notes in certain of the Collateralised Loans Obligations ("CLO") under management, an aggregate uplift in value of £20.0 million has been made during the year. This reflects the significant improvement in the economic outlook and lower expectations of credit deterioration across the underlying portfolios compared to last year. Details of the review and analysis can be found at Note 10 of the financial statements. However, the longer-term economic consequences remain difficult to forecast accurately as we emerge from the crisis and may still have an impact on the Company's holdings of Subordinated Notes as well as fee income if the current recovery is materially impacted, potentially by a resurgence in COVID-19 cases and 'lockdowns' being re-introduced as a preventative measure.

From an operational perspective, the Company's employees have been able to work efficiently and effectively from home without any material adverse effect on the financial performance of the Company. As we emerge from the crisis, a hybrid working model has been introduced with employees working certain days in the office per week and other days working from home.

The Directors have made an assessment of going concern, taking into account both the current performance and outlook, which considered the impact of the COVID-19 pandemic, using the information available up to the date of issue of these financial statements. The Directors continue to monitor and follow closely the information released from governments, regulatory bodies and health organizations in the countries in which the underlying portfolio companies in the funds under management operate, as well as receiving regular reports on the operational and financial performance of the underlying portfolio companies.

As of 30 June 2021, total equity was £209.5 million and total accessible liquidity was in excess of £85.4 million. The inter-company loan facility matures in April 2022 and is not subject to any financial covenants.

The Directors, in conjunction with the Investcorp Legal & Compliance team, have continued to progress the Investcorp Group's long-term post-Brexit contingency plan to establish a MiFID licensed entity in Luxembourg. In terms of its management of the CLOs, which comprise 90%+ of the Company's managed AUM, the supply of portfolio management services to an Irish CLO vehicle is permitted under the Irish 3rd country recognition system (not EU dependent). Furthermore, portfolio management itself is a London based activity which is reliant on existing FCA permissions. Marketing of the CLO notes is undertaken by the arranging banks so the loss of passporting rights into the EU as a result of Brexit are considered not to be relevant to this business line. The Brexit implications for activities falling outside of the Company's CLO related business (i.e. promotion of existing open-ended funds and new initiatives) have also been assessed and will be addressed in the long term by the Investcorp Group's MiFID licensed entity in Luxembourg (estimated for September 2021).

## DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2021

### Economic outlook and future developments

Assets Under Management (AUM) as at 30 June 2021 were £6.8 billion, an increase of 5% from £6.5 billion in June 2020.

This financial position and liquidity profile provide comfort that the Company has sufficient financial resources for the foreseeable future. Consequently, the Directors believe that the Company is well positioned to manage its business and its liabilities as they fall due.

### SECR compliant disclosure report

Greenhouse gas emissions and energy use data for the financial year 2020 (1 July 2019 to 30 June 2020) and the financial year 2021 (1 July 2020 to 30 June 2021)

	FY 2021 (01/07/20 – 30/06 /21)	FY 2020 (01/07/19 – 30/06 /20)	% Change
<b>Energy consumption (MWh)</b>	<b>326</b>	<b>421</b>	
Natural Gas Consumption on site	162	209	(22)
Purchased electricity	164	212	(23)
<b>Total GHG emissions (tCO<sub>2</sub>eq)</b>	<b>138</b>	<b>567</b>	
<b>Scope 1 GHG emissions</b>	<b>33</b>	<b>45</b>	
▪ Natural Gas Consumption on site	33	45	(26)
▪ Owned / Leased transport <sup>(1)</sup>			
<b>Scope 2 GHG emissions</b>	<b>24</b>	<b>54</b>	
▪ Purchased electricity <sup>(2)</sup>	24	54	(56)
<b>Scope 3 GHG emissions</b>	<b>81</b>	<b>468</b>	
▪ Energy transmission & distribution	8	14	(43)
▪ Business travels – Plane	40	233	(83)
▪ Business travels – Road	14	52	(73)
▪ Business travels – Train	9	132	(93)
▪ Commuting <sup>(3)</sup>	10	37	(73)
<b>Intensity tCO<sub>2</sub>eq per employee</b>	<b>5</b>	<b>22</b>	
<b>Intensity Sc. 1 &amp; 2 tCO<sub>2</sub>eq per k£ revenues</b>	<b>0.001</b>	<b>0.003</b>	

(1) Investcorp's UK operation did not own/lease vehicles during the reported years. All GHG emissions related to business travel are accounted in the Scope 3 categories

(2) Investcorp's UK switched to 100% renewable energy provider from February 2021 onwards

(3) Investcorp's UK operation have been impacted by the Covid-19 pandemic, as such the GHG emissions related to commuting include the employee commuting to the open office for 6 months in FY20 and in 7 months in FY21

**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 30 JUNE 2021****SECR compliant disclosure report (continued)***UK Quantification and reporting methodology*

Investcorp has followed the 2019 HM Government Environmental Reporting Guidelines, the GHG Protocol (GHGP) Corporate Standard and the GHG Protocol Scope 3 Standard as basis for the calculation of its GHG footprint.

All emissions have been calculated using the relevant carbon conversion factors from national and from international databases such as DEFRA, IEA and 2020 UK Government's Conversion Factors for Company Reporting.

Complementary assumptions including on the assessment:

- GHG emissions associated with Employee commuting have been estimated based on the guidance provided in the GHG Protocol Scope 3 Screening Tool

*Measures taken to improve energy efficiency*

- Switched to 100% renewable energy provider in February 2021
- LED lighting upgrade throughout the entire building was completed in April 2021
- Decommissioning of x 1 hot water cylinder to reduce energy consumption was completed in January 2021
- Increased use of motion sensor technology for lighting is gradually integrated across the office

**Duties under Section 172(1)**

The Board of directors consider that they have always managed the business and operations of the Company in such a way as to ensure the long-term success of the business and have acted in good faith in the interests of its members, stakeholders and employees in compliance with section 172 (1)(a-f) of the UK Companies Act 2006.

**Strategic management and decision making**

The Company's objective is to provide high quality discretionary management and portfolio advisory services to non-investment grade credit funds. We hold regular discussions with our sole shareholder with respect to financial and operational performance, growth opportunities and funding requirements. During the period we have considered the continuing impact of Brexit on our CLO and non-CLO business as well as other macro-economic, social and technological factors in conjunction with internal and external counterparties, taking a risk-based approach to decision making.

**Employee engagement and collaboration**

The Company regularly communicates business updates and strategy to its employees, including via offsite meetings. We conducted a confidential employee engagement survey during the period and following a review of responses a follow-up discussion was held to establish key concerns and put in place steps to address (minor) concerns.

**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 30 JUNE 2021**

**Duties under Section 172(1) (continued)**

**Stakeholder relationships**

We maintain strong relationships with our suppliers and conduct ongoing due diligence to ensure third-party systems and performance remains satisfactory. We monitor payment processing time and strive to make payment within 30 days of receiving a supplier invoice. The Company has issued a separate statement with regards to modern slavery having considered the possibility of forced labour and human trafficking in the supply chain. We communicate regularly with our investors and provide detailed statements explaining performance and providing market updates. We maintain an approved list of trading counterparties and monitor quarterly volumes as well as adherence to Best Execution policies.

**Environmental and social impact**

The Company recognises the importance and impact of environmental, social and governance ("ESG") factors in its decision making and has a clear Responsible Investing ("RI") policy which the Company's Investment Committee considers when approving investments. Although the Company has limited, if any, influence on the decisions of the underlying companies, we consider each company's ESG status. Our RI policy excludes investments in all controversial sectors.

**Maintaining high standards of business conduct and ethics**

The Company has extensive compliance and ethics policies as well as stated core values, which every employee is required to adhere to. Each employee's performance with regards to core values as well as diversity, equity and inclusion policies is considered during the appraisal process.

By order of the Board



Peter Goody

Date: 13 October 2021

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

**STRATEGIC REPORT  
FOR THE YEAR ENDED 30 JUNE 2021**

**Results and business review**

The Directors present their strategic report for the year ended 30 June 2021. Total income for the year shown in the statement of profit or loss amounted to £30,807k (loss 30 June 2020: £1,507k). During the year, no interim dividend was paid (30 June 2020: nil). The Directors do not recommend a final dividend for the year (30 June 2020: 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 Holdings B.S.C.'s annual report. The financial risks are discussed in further detail in Note 17.

By order of the Board



Peter Goody

Date: 13 October 2021

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



**STATEMENT OF DIRECTORS' RESPONSIBILITIES  
FOR THE YEAR ENDED 30 JUNE 2021**

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group and the company for that period.

In preparing these financial statements the directors are required to:

- select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in International Accounting Standards ("IASs") is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the group and company financial position and financial performance;
- state whether international accounting standards in conformity with the requirements of the Companies Act 2006, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is appropriate to presume that the Company will not continue in business.

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

Under applicable law and regulations, the directors are also responsible for preparing a strategic report and directors' report, that comply with that law and those regulations. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website.

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**

**Opinion**

We have audited the financial statements of Investcorp Credit Management EU Limited (the "Company") for the year ended 30 June 2021 which comprise Statement of Profit or Loss, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Financial Position, Statement of Cash flows and the related notes<sup>1</sup> to 18, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006.

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 30 June 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

**Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. 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 MEMBER OF INVESTCORP  
CREDIT MANAGEMENT EU LIMITED (CONTINUED)****Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained with the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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 course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

**Opinions 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; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

**Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which 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

**Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors

**INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF INVESTCORP  
CREDIT MANAGEMENT EU LIMITED (CONTINUED)****Responsibilities of directors (continued)**

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.

**Auditor's 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 auditor's 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.

***Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud***

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company. We determined that the most significant are those that relate to reporting framework International Accounting Standards and Companies Act 2006. In addition, the Company is required to comply with relevant Financial Conduct Authority's (FCA) rules and regulations relating to its operations.
- We understood how the Company is complying with those frameworks by making enquiries with management and those responsible for legal and compliance procedures. We corroborated our enquiries through our review of Board minutes and review of Company compliance policies and processes.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the risk of management override and by designating the impairment of investments held at amortised cost and the valuation of investments held at FVOCI as fraud risks. We performed journal entry testing by specific risk criteria, with a focus on journals indicating large or unusual transactions based on our understanding of the business. We have audited the impairment review done by management to ensure that this is in accordance with International Accounting Standards and with the Company's accounting policy. We have agreed the inputs to the impairment and valuation models to the source

**INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF INVESTCORP  
CREDIT MANAGEMENT EU LIMITED (CONTINUED)**

***Explanation as to what extent the audit was considered capable of detecting  
irregularities, including fraud (continued)***

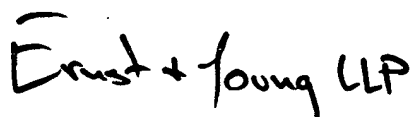
documents. We have also engaged our valuations specialists in reviewing the subjective inputs to the impairment and valuation models.

- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved enquiries of legal counsel and management, review of board minutes to identify any non-compliance with laws and regulations and testing journals identified by specific risk criteria. In addition, we completed procedures to conclude on the compliance of the disclosures in the Annual Report with the requirements of the relevant accounting standards.
- The Company is a regulated manager under the supervision of the FCA. As such, the Senior statutory auditor reviewed the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

**Use of our report**

This report is made solely to the Company's members, 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 members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Ahmer Huda (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
London  
Date: 13 October 2021

**STATEMENT OF PROFIT OR LOSS  
FOR THE YEAR ENDED 30 JUNE 2021**

		30 June 2021	30 June 2020
	Notes	£'000	£'000
Revenue	3	37,333	37,466
Operating expense	4	(20,843)	(18,436)
<b>Operating profit</b>		<b>16,490</b>	<b>19,030</b>
Credit loss reversal / (charge) on financial assets	10	20,041	(21,441)
Interest income		2,420	2,388
Interest expense		(908)	(1,800)
Exchange movements		6,105	3,127
Foreign exchange intercompany offset	13	(6,105)	(3,127)
<b>Profit / (loss) before taxes</b>		<b>38,043</b>	<b>(1,823)</b>
Income taxes	7	(7,236)	316
<b>Profit / (loss) for the year</b>		<b>30,807</b>	<b>(1,507)</b>

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

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2021**

		30 June 2021	30 June 2020
	Note	£'000	£'000
<b>Profit / (loss) for the year</b>		<b>30,807</b>	<b>(1,507)</b>
Other comprehensive income that will be recycled to statement of profit or loss			
Unrealised fair value movement net of tax	10	3,297	(2,818)
Other comprehensive income / (loss)		3,297	(2,818)
<b>Total comprehensive income / (loss)</b>		<b>34,104</b>	<b>(4,325)</b>

The notes and accounting policies on pages 16 to 40 form an integral part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2021**

	Issued share capital	Fair value reserve of financial assets at FVOCI	Other distributable reserve	Total
	£'000	£'000	£'000	£'000
As at 1 July 2019	92,238	(912)	57,402	148,728
Share capital	31,000			31,000
Loss for the year	-	-	(1,507)	(1,507)
Other comprehensive loss	-	(2,818)	-	(2,818)
Total comprehensive loss for the year	-	(2,818)	(1,507)	(4,325)
<b>As at 30 June 2020</b>	<b>123,238</b>	<b>(3,730)</b>	<b>55,895</b>	<b>175,403</b>
Share capital	-	-	-	-
Income for the year	-	-	30,807	30,807
Other comprehensive income	-	3,297	-	3,297
Total comprehensive income for the year	-	3,297	30,807	34,104
<b>As at 30 June 2021</b>	<b>123,238</b>	<b>(433)</b>	<b>86,702</b>	<b>209,507</b>

The notes and accounting policies on pages 16 to 40 form an integral part of these financial statements.

## Investcorp Credit Management EU Limited

No. 05655607

STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2021

		30 June 2021	30 June 2020
	Notes	£'000	£'000
<b>Assets</b>			
<b>Non-current assets</b>			
Investments	10	180,756	179,642
Tangible assets	9	504	593
Deferred tax assets	11	77	1,151
<b>Total non-current assets</b>		<b>181,337</b>	<b>181,386</b>
<b>Current assets</b>			
Trade and other receivables	12	61,191	60,590
Cash and cash equivalents		25,120	45,390
<b>Total current assets</b>		<b>86,311</b>	<b>105,980</b>
<b>Total assets</b>		<b>267,648</b>	<b>287,366</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Trade and other payables	13	(33,451)	(66,521)
<b>Total non-current liabilities</b>		<b>(33,451)</b>	<b>(66,521)</b>
<b>Current liabilities</b>			
Trade and other payables	13	(24,690)	(45,442)
<b>Total current liabilities</b>		<b>(24,690)</b>	<b>(45,442)</b>
<b>Total liabilities</b>		<b>(58,141)</b>	<b>(111,963)</b>
<b>Net assets</b>		<b>209,507</b>	<b>175,403</b>
<b>Equity</b>			
Issued capital	8	123,238	123,238
Fair value reserve		(433)	(3,730)
Other distributable reserve		86,702	55,895
<b>Total equity</b>		<b>209,507</b>	<b>175,403</b>

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

Peter Goody



Director

Date: 13 October 2021

The notes and accounting policies on pages 16 to 40 form an integral part of these financial statements.



**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2021**

	30 June 2021	30 June 2020
	£'000	£'000
<b>Cash flow from operating activities</b>		
Profit / (loss) before tax	38,043	(1,823)
Adjustments for:		
Depreciation	89	97
Amortisation of transaction costs of borrowing	268	180
Credit loss in investments	(20,041)	21,441
Increase in receivables	(582)	(45,685)
Increase in payables	699	(768)
Exchange movements	6,105	3,127
Intercompany offset	(6,105)	(3,127)
Income tax paid	(4,302)	(3,961)
<b>Net cash flow generated from / (used in) operating activities</b>	<b>14,174</b>	<b>(30,519)</b>
<b>Cash flows from investing activities</b>		
Purchase of investments	(4,721)	(1,934)
Return of capital in investments	15,559	15,917
Proceeds from sale of investments	-	-
<b>Net cash flow generated from investing activities</b>	<b>10,838</b>	<b>13,983</b>
<b>Cash flow from financing activities</b>		
Payment of borrowings	(27,524)	-
(Increase) / decrease in loan from group undertakings	(17,758)	13,692
<b>Net cash flow (used in) / generated from financing</b>	<b>(45,282)</b>	<b>13,692</b>
<b>Change in cash and cash equivalents</b>	<b>(20,270)</b>	<b>(2,844)</b>
<b>Cash and cash equivalents at the start of the year</b>	<b>45,390</b>	<b>48,234</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>25,120</b>	<b>45,390</b>

The notes and accounting policies on pages 16 to 40 form an integral part of these financial statements

# **Investcorp Credit Management EU Limited**

## **NOTES TO THE FINANCIAL STATEMENTS**

No. 05655607

### **1. ACCOUNTING POLICIES**

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#### **A. Statement of compliance**

These financial statements have been prepared in accordance with International Accounting Standards ("IAS") in conformity with the requirements of the Companies Act 2006.

#### **B. Basis of preparation**

The financial statements have been prepared on a going concern basis, under historical cost conversion as updated for financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss in accordance with IAS.

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.

#### **Going concern**

The Directors have made an assessment of going concern, taking into account both the current performance and outlook, which considered the impact of the COVID-19 pandemic, using the information available up to the date of issue of these financial statements. The Directors continue to monitor and follow closely the information released from governments, regulatory bodies and health organizations in the countries in which the underlying portfolio companies in the funds under management operate, as well as receiving regular reports on the operational and financial performance of the underlying portfolio companies.

From an operational perspective, the Company's employees have been able to work efficiently and effectively from home and this could continue for as long as necessary without any material adverse effect on the financial performance of the Company.

This financial position and liquidity profile provide comfort that the Company has sufficient financial resources for the foreseeable future. Consequently, the Directors believe that the Company is well positioned to manage its business and its liabilities as they fall due.

Therefore, the preparation of the financial statements on a going concern basis remains appropriate as the Company expects to be able to meet its obligations as and when they fall due for the next 12 months from the date of the approval of the financial statements.

#### **C. Changes in accounting policies and disclosures**

The accounting and reporting policies adopted in the preparation of these financial statements are consistent with those used in the previous financial year.

# Investcorp Credit Management EU Limited

## NOTES TO THE FINANCIAL STATEMENTS

No. 05655607

### 1. ACCOUNTING POLICIES (CONTINUED)

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#### C. Changes in accounting policies and disclosures (continued)

##### ***Standards issued but not yet effective***

Standards issued but not yet effective, which the Company reasonably expects to be applicable at a future date are listed below together with their effective date.

- Amendments to IFRS 4, IFRS 7, IFRS 9, IFRS 16 and IAS 39 – Phase 2 of Interest Rate Benchmark Reform (issued August 2020, effective for annual periods beginning on or after 01 January 2021);
- Amendments to IFRS 3 - Reference to the Conceptual Framework (issued May 2020, effective for annual periods beginning on or after 01 January 2022);
- Amendments to IAS 16 - Proceeds before Intended Use (issued May 2020, effective for annual periods beginning on or after 01 January 2022);
- Amendments resulting from Annual Improvements to IFRS Standards 2018 - 2020 - effective for annual periods beginning on or after 01 January 2022;
- Amendments to IAS 1 - Classification of Liabilities as Current or Non-current (issued January 2020; effective for annual periods beginning on or after 01 January 2023).

The Company's management is currently evaluating the impact but does not anticipate that adopting the above new standard and amendments will have a material impact on the Company's 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 are recognised on an accrual basis. Distribution return from CLO investments and interest payable on credit facility are recognised on net basis. All revenue is derived from operations in Europe.

##### **Revenue from contracts with customers**

Management fees are charged quarterly in arrears on the effective payment dates to the issuers of the Collateral Debt Obligations.

Following the early adoption of IFRS 15, the Company has identified the performance obligations arising from its contracts with issuers of the Collateral Debt Obligations. The portion of the fee relating to such performance obligations is recognised over the investment period.

Investcorp has reviewed and analysed the terms of the contracts that it has entered into with its issuers arising from the issuance of the Collateral Debt Obligations. Based on this review, the Company has determined the performance obligations that it is expected to

# **Investcorp Credit Management EU Limited**

## **NOTES TO THE FINANCIAL STATEMENTS**

No. 05655607

### **1. ACCOUNTING POLICIES (CONTINUED)**

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#### **D. Revenue recognition (continued)**

##### **Revenue from contracts with customers (continued)**

satisfy, including to monitor investment decisions, perform all investment related duties and functions, make and implement investment decisions in relation to the Portfolio.

The Company has allocated the management fee to each of the above performance obligations. The Company completes all its performance obligations described above during the investment period of the Collateral Debt Obligation. Accordingly, the fee relating to this performance obligation is recognised over time which is the period of managing the investment.

#### **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 year. 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 year, 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.

# Investcorp Credit Management EU Limited

## NOTES TO THE FINANCIAL STATEMENTS

No. 05655607

### 1. ACCOUNTING POLICIES (CONTINUED)

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#### H. Other receivables

Assets, other than those specifically accounted for under a separate policy, are stated at their cost less allowance for impairment. 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.

#### J. Investments

Investments are classified, at initial recognition and subsequently measured at amortised cost, fair value through other comprehensive income (OCI) and fair value through profit or loss (FVTPL).

The classification of investments at initial recognition depends on the investment's contractual cash flow characteristics and the Company's business model for managing them. In order for an investment to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. The Company's business model for managing investments refers to how it manages its investments in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the investments, or both.

Purchases or sales of investments that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

#### Subsequent measurement

##### Investments at amortised cost

The Company measures investments at amortised cost if both of the following conditions are met:

- ❖ The investment is held within a business model with the objective to hold investments in order to collect contractual cash flows; and
- ❖ The contractual terms of the investment give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

# Investcorp Credit Management EU Limited

## NOTES TO THE FINANCIAL STATEMENTS

No. 05655607

### 1. ACCOUNTING POLICIES (CONTINUED)

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#### J. Investments (continued)

Investments at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

#### Investments at fair value through OCI

The Company measures debt instruments at fair value through OCI if both of the following conditions are met:

- ❖ The investment is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- ❖ The contractual terms of the investment give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in profit or loss and computed in the same manner as for investments measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- ❖ In the principal market for the asset or liability, or
- ❖ In the absence of a principal market, in the most advantageous market for the asset or liability

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- ❖ Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- ❖ Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- ❖ Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

# Investcorp Credit Management EU Limited

## NOTES TO THE FINANCIAL STATEMENTS

No. 05655607

### 1. ACCOUNTING POLICIES (CONTINUED)

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#### J. Investments (continued)

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Company's policies and procedures for fair value measurement such as unquoted investments comprise of the use of a range of data including the original arranging bank models, credit management internal forecasts and models, trading data, where available and data from third party valuation providers. For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

Fair-value related disclosures for financial instruments that are measured at fair value or where fair values are disclosed, are summarised in Note 10.

#### K. Tangible assets

Lease improvements are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is charged to the statement of comprehensive income on a straight-line basis over the eight and half years.

#### L. Impairment and un-collectability of financial assets

The Company has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

The Company groups its loans into Stage 1, Stage 2 and Stage 3 as described below:

- ❖ Stage 1 - When loans are first recognised, the Company recognises an allowance based on 12-month ECLs. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.
- ❖ Stage 2 - When a loan has shown a significant increase in credit risk since origination, the Company records an allowance for the ECLs. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.
- ❖ Stage 3 - Loans considered credit-impaired. The Company records an allowance for the ECLs.

# **Investcorp Credit Management EU Limited**

## **NOTES TO THE FINANCIAL STATEMENTS**

No. 05655607

### **1. ACCOUNTING POLICIES (CONTINUED)**

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#### **L. Impairment and un-collectability of financial assets (continued)**

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. Further detail is provided in Note 17.

#### **M. Expenses**

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

Any deferred compensation awarded to employees, with vesting conditions, are accounted as an expense over the vesting period as the company recognises such expense when the entity establishes the present legal or constructive obligation to make such payments and has a reliable estimate of the obligation.

### **2. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES & ASSUMPTIONS**

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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 and FVOCI (see Note 10).

#### **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.



# Investcorp Credit Management EU Limited

## NOTES TO THE FINANCIAL STATEMENTS

No. 05655607

### 2. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES & ASSUMPTIONS (CONTINUED)

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 and FVOCI 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 17.

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

#### Fair value measured of financial instruments

When the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be reliably measured based on quoted prices in active market, the fair value is measured using valuation techniques. The inputs to these models are taken from observable markets where possible, but where this is not possible, a degree of judgement is required in establishing the fair value.

### 3. REVENUE

	30 June 2021	30 June 2020
	£'000	£'000
Investment management fees	26,955	26,957
Investment advisory fees	-	70
CLO interests	10,217	10,439
Other income	161	-
<b>Total</b>	<b>37,333</b>	<b>37,466</b>

# Investcorp Credit Management EU Limited

## NOTES TO THE FINANCIAL STATEMENTS

No. 05655607

### 4. OPERATING EXPENSES

	30 June 2021	30 June 2020
	£'000	£'000
Staff costs	12,554	10,645
Auditor's remuneration - audit fees	286	309
Depreciation of tangible fixed assets	89	97
Administrative expenses	7,914	7,385
<b>Total</b>	<b>20,843</b>	<b>18,436</b>

### 5. STAFF COSTS

	30 June 2021	30 June 2020
	£'000	£'000
Wages and salaries	3,750	4,105
Social security costs	468	474
Pension and other costs	388	366
Staff distribution and carry	7,948	5,700
<b>Total</b>	<b>12,554</b>	<b>10,645</b>

The average number of employees during the period was 27 (30 June 2020: 27).

### 6. DIRECTORS' EMOLUMENTS

	30 June 2021	30 June 2020
	£'000	£'000
Salaries and benefits	774	732
Bonuses, incentive fees and performance fees	1,790	1,632
Amounts receivable under long-term incentive plans	-	1,228
<b>Total</b>	<b>2,564</b>	<b>3,592</b>

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 year were £1,669k (30 June 2020: £2,797k), of which nil (30 June 2020: £1,204k) was payable under the long-term incentive arrangements.

**Investcorp Credit Management EU Limited****NOTES TO THE FINANCIAL STATEMENTS**

No. 05655607

**7. INCOME TAXES**

	30 June 2021 £'000	30 June 2020 £'000
<b>Current tax</b>		
UK Corporation Tax	7,238	(332)
Adjustments for prior years	(303)	(387)
<b>Deferred tax</b>		
Origination and reversal of temporary differences	(4)	(2)
Adjustments for prior years	305	405
<b>Total tax</b>	<b>7,236</b>	<b>(316)</b>

**Reconciliation of income taxes in the statement of comprehensive income**

	30 June 2021 £'000	30 June 2020 £'000
Profit before tax	38,043	(1,823)
Profit before tax multiplied by rate of corporation tax in the UK of 19%	7,228	(346)
Expenses not deductible for tax purposes	6	14
Effect of change in deferred tax rate	-	-
Prior year adjustment	2	16
<b>Total</b>	<b>7,236</b>	<b>(316)</b>

# Investcorp Credit Management EU Limited

## NOTES TO THE FINANCIAL STATEMENTS

No. 05655607

### 7. INCOME TAXES (CONTINUED)

	Statement of financial position 30 June 2021 £'000	Statement of comprehensive income 30 June 2021 £'000	Statement of other comprehensive income 30 June 2021 £'000
<b>Deferred income tax asset</b>			
Accelerated capital allowances	(21)	301	-
Long term incentive plan	-	-	-
Unrealised fair value loss	98	-	773
<b>Deferred income tax asset</b>	<b>77</b>	<b>-</b>	<b>-</b>
<b>Deferred income tax charge in the statement of comprehensive income</b>	<b>-</b>	<b>301</b>	<b>-</b>
<b>Deferred income tax credit in the statement of other comprehensive income</b>	<b>-</b>	<b>-</b>	<b>773</b>

	Statement of financial position 30 June 2020 £'000	Statement of comprehensive income 30 June 2020 £'000	Statement of other comprehensive income 30 June 2020 £'000
<b>Deferred income tax asset</b>			
Accelerated capital allowances	(30)	(2)	-
Long term incentive plan	309	405	-
Unrealised fair value loss	872	-	(685)
<b>Deferred income tax asset</b>	<b>1,151</b>	<b>-</b>	<b>-</b>
<b>Deferred income tax charge in the statement of comprehensive income</b>	<b>-</b>	<b>403</b>	<b>-</b>
<b>Deferred income tax credit in the statement of other comprehensive income</b>	<b>-</b>	<b>-</b>	<b>(685)</b>

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase to 25%. This new law has not yet been substantively enacted and therefore the deferred tax assets and liabilities will be calculated using a deferred tax rate of 19% as at the year end.

# Investcorp Credit Management EU Limited

## NOTES TO THE FINANCIAL STATEMENTS

No. 05655607

### 8. SHARE CAPITAL

	Number of shares	Amount £'000
(i) Ordinary shares		
<b>At 30 June 2021</b>		
Called up, allotted and fully paid ordinary shares of £1 each	123,238	123,238
Issued ordinary shares of £1 each	123,238	123,238
Authorised ordinary shares of £1 each	123,238	123,238
<b>At 30 June 2020</b>		
Called up, allotted and fully paid ordinary shares of £1 each	123,238	123,238
Issued ordinary shares of £1 each	123,238	123,238
Authorised ordinary shares of £1 each	123,238	123,238

These shares were ordinary shares with no additional rights attached to them. During the year, no additional capital was raised (30 June 2020: £31m). No dividend was paid during the year (30 June 2020: nil).

### 9. TANGIBLE ASSETS

In May 2018, the Company refurbished the office as leasehold improvement of £792k which depreciation is charged on a straight-line basis over eight and half years.

	Leasehold improvements £'000
Cost:	
At 1 July 2019	792
Additions	-
At 1 July 2020	792
Additions	-
<b>At 30 June 2021</b>	<b>792</b>
Depreciation:	
At 1 July 2019	(102)
Charge	(97)
At 1 July 2020	(199)
Charge	(89)
<b>At 30 June 2021</b>	<b>(288)</b>
New book value:	
<b>At 30 June 2021</b>	<b>504</b>
<b>At 30 June 2020</b>	<b>593</b>

# Investcorp Credit Management EU Limited

## NOTES TO THE FINANCIAL STATEMENTS

No. 05655607

### 10. INVESTMENTS

	CLO investments at FVOCI £'000	CLO investments at amortised cost £'000	CLO warehouse investments at FVTPL £'000	Total £'000
At 30 June 2019	71,691	143,994	-	215,685
Additions	-	1,934	-	1,934
Return of capital	(597)	(15,320)	-	(15,917)
Disposal	-	-	-	-
Foreign exchange movement	1,249	1,621	-	2,870
Unrealised fair value movement	(3,489)	-	-	(3,489)
Credit loss charge	(1,281)	(20,160)	-	(21,441)
<b>At 30 June 2020</b>	<b>67,573</b>	<b>112,069</b>	<b>-</b>	<b>179,642</b>
Additions	-	-	4,721	4,721
Return of capital	(514)	(15,045)	-	(15,559)
Disposal	-	-	-	-
Foreign exchange movement	(4,411)	(7,723)	(25)	(12,159)
Unrealised fair value movement	4,070	-	-	4,070
Credit loss reversal / (charge)	553	19,488	-	20,041
<b>At 30 June 2021</b>	<b>67,271</b>	<b>108,789</b>	<b>4,696</b>	<b>180,756</b>

The unrealized fair value adjustments under CLO investments at FVOCI is subject to deferred tax of £773k (30 June 2020: £685k) which is disclosed in Note 7. The movement of fair value through other comprehensive income is £3,297k net of tax (30 June 2020: £2,818k).

# Investcorp Credit Management EU Limited

## NOTES TO THE FINANCIAL STATEMENTS

No. 05655607

### 10. INVESTMENTS (CONTINUED)

An analysis of changes in the gross carrying amount of the CLO investments measured at amortised cost and the corresponding ECL is, as follows:

	Stage 1 Individual £'000	Stage 2 Individual £'000	Stage 3 £'000	Total £'000
Gross carrying value at 01 July 2019	87,955	57,294	-	145,249
Additions	-	1,934	-	1,934
Return of capital	-	(15,320)	-	(15,320)
Transfers to stage 1	-	-	-	-
Transfers to stage 2	(87,955)	87,955	-	-
Transfers to stage 3	-	-	-	-
Foreign exchange movement	-	1,621	-	1,621
<b>Gross carrying value at 30 June 2020</b>	-	<b>133,484</b>	-	<b>133,484</b>
Additions	-	-	-	-
Return of capital	-	(15,045)	-	(15,045)
Transfers to stage 1	-	-	-	-
Transfers to stage 2	-	-	-	-
Transfers to stage 3	-	-	-	-
Foreign exchange movement	-	(7,723)	-	(7,723)
<b>Gross carrying value at 30 June 2021</b>	-	<b>110,716</b>	-	<b>110,716</b>

# Investcorp Credit Management EU Limited

## NOTES TO THE FINANCIAL STATEMENTS

No. 05655607

### 10. INVESTMENTS (CONTINUED)

An analysis of the ECL amount for CLO investments measured at amortised cost, as follows:

	Stage 1 Individual £'000	Stage 2 Individual £'000	Stage 3 £'000	Total £'000
ECL allowance as at 01 July 2019	-	1,255	-	1,255
Additions	-	-	-	-
Return of capital	-	-	-	-
Transfers to stage 1	-	-	-	-
Transfers to stage 2	-	-	-	-
Transfers to stage 3	-	-	-	-
Impact of year end ECL of exposures transferred between stages during the year	-	20,160	-	20,160
Foreign exchange movement	-	-	-	-
<b>ECL allowance as at 30 June 2020</b>	-	<b>21,415</b>	-	<b>21,415</b>
Additions	-	-	-	-
Return of capital	-	-	-	-
Transfers to stage 1	-	-	-	-
Transfers to stage 2	-	-	-	-
Transfers to stage 3	-	-	-	-
Impact of year end ECL of exposures transferred between stages during the year	-	(19,488)	-	(19,488)
Foreign exchange movement	-	-	-	-
<b>ECL allowance as at 30 June 2021</b>	-	<b>1,927</b>	-	<b>1,927</b>

Reconciliation of investments measured at amortised cost

	30 June 2021 £'000	30 June 2020 £'000
Investments at amortised cost	110,716	133,484
ECL allowance	(1,927)	(21,415)
<b>Total</b>	<b>108,789</b>	<b>112,069</b>



# Investcorp Credit Management EU Limited

## NOTES TO THE FINANCIAL STATEMENTS

No. 05655607

### 10. INVESTMENTS (CONTINUED)

An analysis of changes in the fair value of the CLO investments measured at FVOCI and the corresponding ECL is, as follows:

	Stage 1 Individual £'000	Stage 2 Individual £'000	Stage 3 £'000	Total £'000
Gross carrying value at 01 July 2019	71,691	-	-	71,691
Additions	-	-	-	-
Return of capital	(597)	-	-	(597)
Transfers to stage 1	-	-	-	-
Transfers to stage 2	-	-	-	-
Transfers to stage 3	-	-	-	-
Impact of year end ECL of exposures transferred between stages during the year	(1,281)	-	-	(1,281)
Unrealised fair value movement	(3,489)	-	-	(3,489)
Foreign exchange movement	1,249	-	-	1,249
<b>Gross carrying value at 30 June 2020</b>	<b>67,573</b>	<b>-</b>	<b>-</b>	<b>67,573</b>
Additions	-	-	-	-
Return of capital	-	(514)	-	(514)
Transfers to stage 1	-	68,854	-	68,854
Transfers to stage 2	(68,854)	-	-	(68,854)
Transfers to stage 3	-	-	-	-
Impact of year end ECL of exposures transferred between stages during the year	1,281	(728)	-	553
Unrealised fair value movement	-	4,070	-	4,070
Foreign exchange movement	-	(4,411)	-	(4,411)
<b>Gross carrying value at 30 June 2021</b>	<b>-</b>	<b>67,271</b>	<b>-</b>	<b>67,271</b>

The ECL allowance for CLO investments at FVOCI amounts to £553k (30 June 2020: 1,281k).

The implied average interest rate of these debt instruments is 8% per annum and £10,217k (30 June 2020: £10,439k) of interest income has been recognised during the year.

The comparison of the carrying amounts and fair values of the financial instruments, other than those with carrying amounts that are reasonable approximations of fair values:

# Investcorp Credit Management EU Limited

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### 10. INVESTMENTS (CONTINUED)

	At 30 June 2021		At 30 June 2020	
	Carrying amount £ million	Fair value £ million	Carrying amount £ million	Fair value £ million
CLO investments	109	107	112	111
<b>Total CLO investments</b>	<b>109</b>	<b>107</b>	<b>112</b>	<b>111</b>

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.

#### Description of significant unobservable inputs to valuation:

The significant unobservable inputs used in the fair value measurements categorised within Level 3 of the fair value hierarchy, together with a quantitative sensitivity analysis as at 30 June 2021 are shown below:

	Valuation technique	Significant unobservable inputs	Range (weighted average)	Sensitivity of the inputs to fair value
CLO investments as FVOCI	Discounted cash flow	Credit spread (bps)	200 to 500	50 bp increase (decrease) in credit spread would result in increase (decrease) in fair value by £508k (2020: £1,717k).
		Recovery rate	70% to 80%	10% increase (decrease) in recovery rate would result in increase (decrease) in fair value by £800k (2020: £1,722k).
		Constant default rate	0% to 6%	1% increase (decrease) in default rate would result in increase (decrease) in fair value by £971k (2020: £1,826k).
		Constant prepayment rate	15% to 30%	10% increase (decrease) in prepayment rate would result in increase (decrease) in fair value by £370k (2020: £1,840k).

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### 11. DEFERRED TAX ASSETS

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. Deferred tax is provided in full on temporary timing differences, at the rates of tax expected to apply when these differences crystallise.

	30 June 2021 £'000	30 June 2020 £'000
Deferred tax	77	1,151
<b>Total</b>	<b>77</b>	<b>1,151</b>

### 12. TRADE AND OTHER RECEIVABLES

#### Current assets

	30 June 2021 £'000	30 June 2020 £'000
Prepayments and accrued income	12,792	12,210
Loans with group undertakings	48,399	45,962
Corporate tax receivable	-	2,418
<b>Total</b>	<b>61,191</b>	<b>60,590</b>

During the year the Company has provided an inter-company loan to Group affiliates which pays interest at the rate of 6% per annum.

### 13. TRADE AND OTHER PAYABLES

#### Non-current liabilities

	30 June 2021 £'000	30 June 2020 £'000
Long term credit facility	33,451	66,319
Incentive bonus	-	202
<b>Total</b>	<b>33,451</b>	<b>66,521</b>

Long term credit facility as secured financing related to financing obtained under repurchase transaction arrangements entered into by the Company with underlying assets being CLO investments. The financing carries variable rates of interest. Each financing arrangement has a specified repurchase date at which, the Company will repurchase the underlying CLO asset at a pre-determined repurchase price.

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### NOTES TO THE FINANCIAL STATEMENTS

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#### 13. TRADE AND OTHER PAYABLES (CONTINUED)

##### Current liabilities

	30 June 2021	30 June 2020
	£'000	£'000
Accrued interest from credit facility	598	29
Amounts owed to group undertakings	-	21,917
Loan with group undertakings	14,636	14,145
Incentive bonus	7,974	6,984
Other payables	1,270	2,367
Corporate tax creditor	212	-
<b>Total</b>	<b>24,690</b>	<b>45,442</b>

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 Holdings 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 the year ended 30 June 2021 is £6.1 million (30 June 2020: £3.1 million) and is included in amounts owed to group undertakings.

#### 14. RELATED PARTIES

During the year 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 other lending arrangements

# Investcorp Credit Management EU Limited

## NOTES TO THE FINANCIAL STATEMENTS

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### 14. RELATED PARTIES (CONTINUED)

The Company has an outstanding receivable balance with affiliates of the Group.

	30 June 2021	30 June 2020
	£'000	£'000
Affiliates of the group	43,490	45,962
Parent company	4,909	-
<b>Total</b>	<b>48,399</b>	<b>45,962</b>

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

	30 June 2021	30 June 2020
	£'000	£'000
Parent company	14,636	14,145
Ultimate Parent company	-	21,917
<b>Total</b>	<b>14,636</b>	<b>36,062</b>

### Transactions with key management personnel

	30 June 2021	30 June 2020
	£'000	£'000
Short-term employee benefits	2,564	2,364
Other long term benefits	-	1,228
<b>Total</b>	<b>2,564</b>	<b>3,592</b>

### Loan from related parties

	30 June 2021	30 June 2020
	£'000	£'000
Amount owed to related party	14,636	14,145

### Loan to related parties

Amount due from related party	48,399	45,962
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### 15. 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 Holdings B.S.C., which is incorporated in Kingdom of Bahrain. Copies of its group financial statements, which include the Company, are available online at [www.investcorp.com](http://www.investcorp.com).

# Investcorp Credit Management EU Limited

## NOTES TO THE FINANCIAL STATEMENTS

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### 16. CAPITAL MANAGEMENT

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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.

### 17. FINANCIAL RISK MANAGEMENT

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#### Financial risk

The Company's ultimate parent company is Investcorp Holdings 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](http://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 (Financial Conduct Authority), 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 year.

#### Concentration risk

Concentration risk arises when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographic location.

The Company limits its concentration risk by investing in actively managed CLOs with diversified portfolio of senior secured floating rate loans made to a wide range of corporate borrowers primarily in Europe.

#### 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 £267,069k (30 June 2020: £283,204k). 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.

# Investcorp Credit Management EU Limited

## NOTES TO THE FINANCIAL STATEMENTS

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### 17. FINANCIAL RISK MANAGEMENT (CONTINUED)

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#### **Credit risk (continued)**

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 BBB+ or higher. The Company's investments in CLO structure of tranches with credit rating between AAA and B- for classed notes and subordinated notes with no 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 forecast. 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, price and other historical data are assessed by the third party provider, which are adjusted to reflect the forward looking forecast to assess the estimates of probability of default.

As a practical expedient, 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 an increase in credit risk. Detailed table is stated in Note 10 – Investments highlighting transfers between stages.

#### **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,

## Investcorp Credit Management EU Limited

### NOTES TO THE FINANCIAL STATEMENTS

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#### 17. FINANCIAL RISK MANAGEMENT (CONTINUED)

##### Credit risk (continued)

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 presented to the group financial controller.

##### Assumptions incorporated in the ECL models

The most significant assumptions used for the ECL estimate as at 30 June 2021 and 30 June 2020 are set out below:

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 investments	0.0% - 5.0%	0% - 25%	20% - 30%	15% - 25%



# Investcorp Credit Management EU Limited

## NOTES TO THE FINANCIAL STATEMENTS

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### 17. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### Liquidity risk

The procedure throughout the year 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 Holdings 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 £'000	Due between 1 and 2 years £'000	Due between 2 and 5 years £'000	Due over 5 years £'000	Total £'000
As at 30 June 2021					
Long term credit facility	598	1,009	25,250	7,192	34,049
Incentive bonus	7,974	-	-	-	7,974
Loan with group undertakings	14,636	-	-	-	14,636
Other payables	1,270	-	-	-	1,270
<b>Total</b>	<b>24,478</b>	<b>1,009</b>	<b>25,250</b>	<b>7,192</b>	<b>57,929</b>
As at 30 June 2020					
Long term credit facility	29	17	28,522	37,780	66,348
Incentive bonus	6,984	202	-	-	7,186
Loan with group undertakings	14,145	-	-	-	14,145
Amounts owed to group undertakings	21,917	-	-	-	21,917
Other payables	2,367	-	-	-	2,367
<b>Total</b>	<b>45,442</b>	<b>219</b>	<b>28,522</b>	<b>37,780</b>	<b>111,963</b>

## **Investcorp Credit Management EU Limited**

### **NOTES TO THE FINANCIAL STATEMENTS**

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#### **17. FINANCIAL RISK MANAGEMENT (CONTINUED)**

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##### **Interest rate risk**

The Company is exposed to interest rates on the distribution return from the CLO investments as well as the banking deposits held in the ordinary course of business and money market placements.

A 200 basis points movement, based on the closing balance sheet position for the year ended 30 June 2021, would lead to a change in total comprehensive income of £6,695 (30 June 2020: £2,618k)

##### **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 and deposits. A +/- 10% movement on the Euro against sterling would lead to a net movement of +/- £19,709k (30 June 2020: +/-£18,932k). However, there will be no impact in the statement of comprehensive income given that from 1 April 2017, the Company has managed its foreign exchange exposures through an agreement with an intercompany, ITL, see Note 13.

##### **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 refer to Note 2 for details on COVID-19 impact assessment.

#### **18. EVENTS AFTER THE REPORTING DATE**

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