CVC Credit Partners European Opportunities Limited

Annual Financial Report 2018

CVC CREDIT PARTNERS

CONTENTS

SUMMARY

Key performance indicators summary

As at 31 December 2018, CVC Credit Partners European Opportunities Limited's (the "Company") Euro and Sterling Net Asset Value ("NAV") per share was €1.0404 and £1.0762 respectively and Euro and Sterling share price (bid price)[1] was €1.0600 and £1.0750 respectively, representing a 1.88% premium and 0.11% discount to NAV. The Company's[2] ongoing charges ratio was from 1.19% as at 31 December 2017 to 1.07% as at 31 December 2018. The Company successfully met its dividend target of €0.0550 per Euro Share and £0.0550 per Sterling Share.

Further information in respect of the Company's key performance indicators can be found in the Financial Highlights and Performance Summary section on pages 4 to 6, within the Strategic Report on pages 13 and 14 and within the Useful Information for Shareholders on pages 90 and 91.

Significant events during the year ended 31 December 2018

The Company issued a total of 7,046,442 Euro Shares and 42,771,199 Sterling Shares from treasury[3] and further undertook several capital transactions through scrip dividend issues, voluntary conversions and Contractual Quarterly Tenders.

On 16 November 2018, shareholders approved a resolution to increase the Company's authority to issue shares on a non-pre-emptive basis of up to 500 million Shares to be issued pursuant to a placing programme to be launched by the Company. Refer to pages 9 to 11 for further details of significant events during the year ended 31 December 2018.

Investment objective and policy

The Company's investment policy was amended during the year, whereby the minimum level of the Investment Vehicle's gross assets invested in obligations of companies/borrowers domiciled, or with material operations, in Western Europe was reduced from 70 per cent to 60 per cent. The investment objective was unchanged. Refer to pages 11 to 13 for the Company's full investment objective and policy.

Going concern and viability

The Directors consider it appropriate to adopt the going concern basis in preparing the financial statements and have a reasonable expectation that the Company will be viable for a period of at least three years. Refer to pages 17 and 18 for further details.

Board members

There were no changes to the Board members during the year. On 21 February 2019, Stephanie Carbonneil was appointed as a non-executive Director of the Company. Each Board member's biography can be found on pages 19 and 20.

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[1] - Source: Bloomberg

[2] - The Company's ongoing charges are calculated according to the methodology outlined on pages 90 and 91 and differ to the costs disclosed within the Company's Key Information Documents ("KIDs") which follows the methodology prescribed by EU rules. The Company's most current KIDs are available on the Company's website (www.ccpeol.com/investor-information/documents).

[3] - Excluding treasury shares sold to the Conversion SPV Limited. Refer to pages 10 and 11 for further details.

SUMMARY (CONTINUED)

Investment Vehicle Manager's Report

The Investment Vehicle Manager remains optimistic with regards to opportunities within the Performing Credit and Credit Opportunities segments of the portfolio. Wider credit spreads and volatility are anticipated to allow for active portfolio management to manage the risk profile in large liquid capital structures with a focus on senior secured floating rate assets. For the full Investment Vehicle Manager's Report, refer to pages 21 to 25.

Directors' and Corporate Governance Report and Report of the Audit Committee

Refer to pages 26 to 35 for the Directors' and Corporate Governance report and pages 36 to 39 for the Report of the Audit Committee.

Directors' remuneration

There have been no changes to Directors' remuneration during the year. Refer to pages 41 and 42 for details of the Directors' current remuneration.

Financial statements

The Company's full financial results can be found in the accompanying financial statements on pages 50 to 89.

STRATEGIC REPORT
FINANCIAL HIGHLIGHTS AND PERFORMANCE SUMMARY

Key performance indicators

NAV, share price and premium / discount*

	As at 31 December 2018	As at 31 December 2017
NAV per Euro Share	€1.0404	€1.0933
Euro Share price (bid price)[1]	€1.0600	€1.1000
Premium to NAV (based on published NAV)	1.88%	0.61%
NAV per Sterling Share	£1.0762	£1.1190
Sterling Share price (bid price)[1]	£1.0750	£1.1250
(Discount)/premium to NAV (based on published NAV)	(0.11)%	0.53%

Period highs and lows

	2018 High	2018 Low	2017 High	2017 Low
NAV per Euro Share	€1.1071	€1.0404	€1.1085	€1.0560
Euro Share price (bid price)[1]	€1.1200	€1.0500	€1.1300	€1.0080
NAV per Sterling Share	£1.1393	£1.0762	£1.1314	£1.0720
Sterling Share price (bid price)[1]	£1.1600	£1.0700	£1.1550	£1.0200

*– The Company considers share price premium / discount, NAV total return and ongoing charges to be Alternative Performance Measures. Further details of these can be found on pages 90 and 91.

[1] – Source: Bloomberg

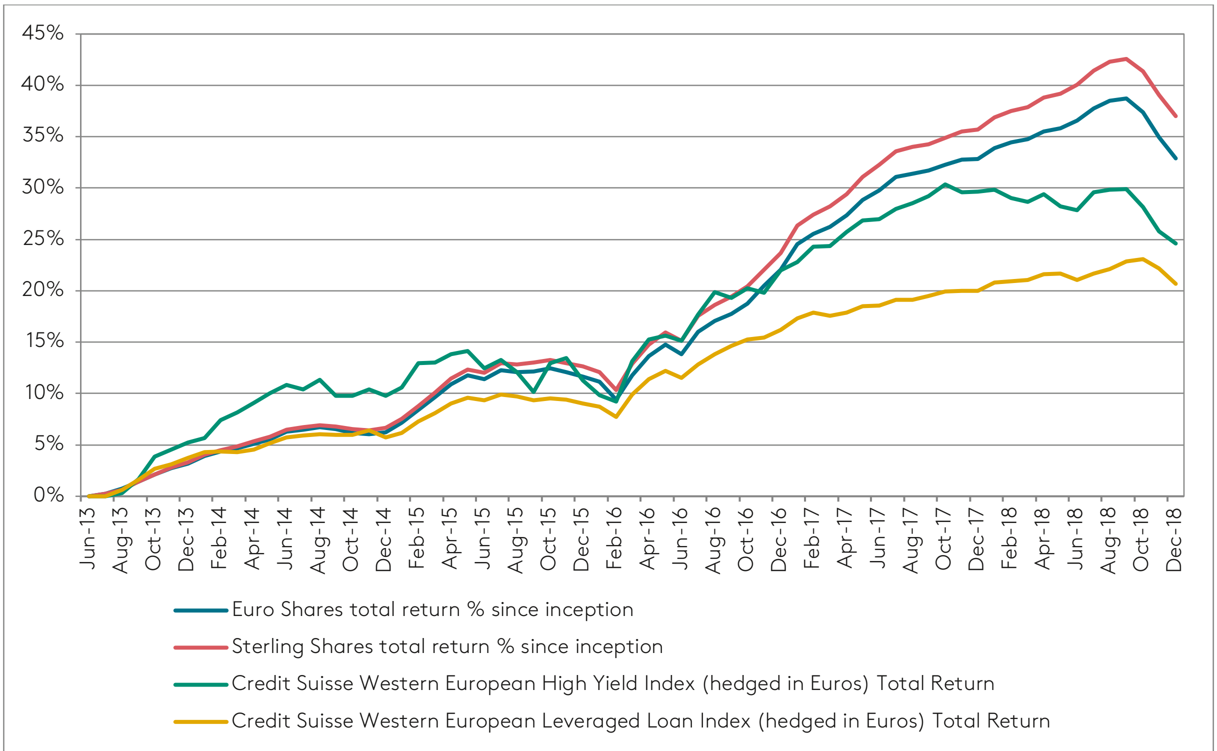
STRATEGIC REPORT (CONTINUED)
FINANCIAL HIGHLIGHTS AND PERFORMANCE SUMMARY (CONTINUED)

Key performance indicators (continued)

NAV total return* vs benchmark

NAV total return[2] increased by 32.91% for Euro Shares and 37.03% for Sterling Shares from Initial Public Offering ("IPO"). NAV total return is net of issue costs and includes dividends. Any dividends received by a shareholder are assumed to have been reinvested in the Company's assets.

Please refer below for NAV total return for Euro and Sterling Shares versus Credit Suisse Western European High Yield Index (hedged in Euros) Total Return and Credit Suisse Western European Leveraged Loan Index (hedged in Euros) Total Return:



Ongoing charges*

The ongoing charges ratio is calculated according to the Association of Investment Companies (AIC) methodology using the actual costs incurred in the year which are likely to recur in the foreseeable future and which relate to the operation of the Company[3], divided by the average net assets during the period. The ongoing charge for the year ended 31 December 2018 was 1.07% (2017: 1.19%).

*– The Company considers share price premium / discount, NAV total return and ongoing charges to be Alternative Performance Measures. Further details of these can be found on pages 90 and 91.

[2] – Sources: BNP Paribas Securities Services, Bloomberg

[3] – The Company's ongoing charges are calculated according to the methodology outlined on pages 90 and 91 and differ to the costs disclosed within the Company's KIDs which follows the methodology prescribed by EU rules. The Company's most current KIDs are available on the Company's website (www.ccpeol.com/investor-information/documents).

STRATEGIC REPORT (CONTINUED)
FINANCIAL HIGHLIGHTS AND PERFORMANCE SUMMARY (CONTINUED)

Key performance indicators (continued)

Dividend history

Year ended	Total dividend paid per Euro Share	Total dividend paid per Sterling Share
2014	€0.0350	£0.0350
2015	€0.0500	£0.0500
2016[4]	€0.0625	£0.0625
2017[5]	€0.0525	£0.0525
2018	€0.0550	£0.0550

Dividends paid during the year ended 31 December 2018

Payment date	Dividend paid per Euro Share	Dividend paid per Sterling Share
16/03/2018	€0.01375	£0.01375
15/06/2018	€0.01375	£0.01375
21/09/2018	€0.01375	£0.01375
14/12/2018	€0.01375	£0.01375

Please refer to note 16 for further information subsequent to the reporting year.

[4] – As a result of the Company amending the frequency of its dividend payments to a quarterly basis rather than a semi-annual basis during 2016, shareholders received an additional €0.0125 and £0.0125 dividend per Euro and Sterling Share respectively.

[5] – During the course of 2017, the Company increased its target annual dividend to 5.5 cents per Euro Share and 5.5 pence per Sterling Share.

STRATEGIC REPORT (CONTINUED)
CHAIRMAN'S STATEMENT

Introduction

2018 proved to be a more challenging year for the Company, after two years of strong performance. The EUR and GBP class net asset values per share decreased by 4.84% and 3.82% respectively over the period, having given up much of the year's progress during Q4, which as investors will remember was a period of significant weakness for all risk assets. A detailed analysis of the performance of the Investment Vehicle's portfolio is set out in the Investment Vehicle Manager's report on pages 21 to 25, which provides more background on the impact of this market weakness.

Performance in Context

I noted at this time last year that central bankers' decisions on monetary policy adjustments during 2018 were expected to have a significant bearing on the direction of risk assets. This assessment was based on apparent macro strength across developed markets and the worry was that central bankers would seek to choke off inflationary effects through overly aggressive monetary tightening, with adverse impacts on risk assets whose values continue to be supported by abundant cheap money. However, things haven't really worked out that way. As I write, much economic commentary is directed towards a slowing global growth environment, driven at least in part by negative geopolitical influences in the US and Europe. Not only are such factors inhibiting current activity, but they also appear to be curbing capital formation, with a potential continuation of the "lower for longer" rate environment now appearing far more likely than was the case even as recently as Q3 of 2018. It is far too early to call the end of the current expansionary phase, but statistical evidence will be keenly watched in the coming quarters, particularly if the world's larger trade blocs are unable to achieve a meeting of minds.

Market reactions to the perceived changing environment in Q4 led to substantial outflows from the asset class in the US, and to a lesser extent in Europe, and a sharp retracement in Company performance in as secondary market yields rapidly expanded. To give an idea of the deepness of the correction, by the end of December 2018 European sub-investment grade yields were trading at or around the highest levels seen since 2013. The widening of yields offered the Investment Vehicle Manager an opportunity to redeploy liquidity at attractive entry points as the quarter progressed, and there is a continued focus on redeployment into the new year, although it is notable that there has been a significant rally in high yield assets during January 2019, with the Credit Suisse Western European High Yield Index hedged to Euro and the Credit Suisse European Leveraged Loan Index hedged to Euro returning 2.49% and 1.15% for the month respectively, suggesting that many investors viewed the Q4 weakness as being excessive when considering expectations of a stable credit environment through 2019. 2019 might therefore be reasonably expected to offer greater pricing volatility than that seen in the recent past, with attendant mispricing opportunities arising from time to time.

It is also incumbent of me to say a few words about the United Kingdom's ongoing process of separation from the European Union, and the heightened risk that such separation occurs in an uncontrolled manner. To be clear, our base case is that the separation process will still complete in a broadly consensual and controlled manner, albeit probably not within the initially envisaged timeline, but the possibility of a so-called "no deal" separation cannot be easily discounted.

STRATEGIC REPORT (CONTINUED)
CHAIRMAN'S STATEMENT (CONTINUED)

Performance in Context (continued)

Your Board sees the potential impact of the latter outcome on the Company as being predominantly in respect of certain segments of the underlying asset class, given that the Company accounts for its activities in Euros and hedges its foreign currency exposure back to the native currencies of its issued share class denominations. It is inevitable, in that circumstance (and to a lesser extent even if the Brexit process is ultimately consensual) that some issuers within our investable universe who have direct exposure to cross border trade between the UK and Continental Europe would be impacted negatively (and those issuers are just as likely to be domiciled within and outside of the UK). Assessment of this risk has formed part of the Investment Vehicle Manager's process for some considerable time, and thus the Company is not materially exposed to those issuers that carry large scale "Brexit risk". There is inevitably some degree of risk to the market beta and potential for market volatility, although our view is that the market has already to a great extent factored such risk into secondary prices and primary issuance yield premia. We anticipate that the ultimate shape of the UK's future trade, and indeed political, relationship with the EU will likely offer opportunities for some issuers, as well as risk to others, and it may be that opportunities will arise to take advantage of these asymmetrical effects within the future underlying portfolio construction. In short, therefore, we do not presently see a significant risk to the Company or its net asset value as a result of either the Brexit process itself or the ultimate form that it takes.

Corporate Activities

The Company has continued to grow its market capitalisation during 2018, as demand for its shares has continued to exceed supply in the secondary market. The market capitalisation at 31 December 2018 stood at €540,974,315 compared to €510,483,535 one year previously. The board's intention is to continue to expand the Company's market capitalisation and diversify the share register, should market conditions permit, whilst maintaining capital management discipline through the operation of the Company's quarterly tender facility.

Dividend yield

The directors continue to be comfortable that the level of annual dividends paid are well covered by the performance of the underlying portfolio. The pro forma yield based on share prices as at 31 December 2018, was 5.12% for the Sterling Shares and 5.19% for the Euro Shares respectively.

Corporate Governance

I am delighted that Stephanie Carbonneil has recently agreed to join the board of directors of the Company. She brings with her nearly 20 years of investment banking, portfolio management and distribution skills and currently serves as Managing Director and Head of Investment Trusts at Allianz Global Investors in London. I look forward to her making a significant contribution to the Company's governance environment and future growth.

As always, I would like to thank my fellow Directors, the portfolio management team at the Investment Vehicle Manager, our advisors and investment bankers for their support and wise counsel, and would also like to extend thanks to all of our shareholders for your continuing commitment to the Company.

Richard Boléat
Chairman
28 February 2019

STRATEGIC REPORT (CONTINUED)
EXECUTIVE SUMMARY

This Executive Summary is designed to provide information about the Company's business and results for the year ended 31 December 2018. It should be read in conjunction with the Chairman's Statement and the Investment Vehicle Manager's report which gives a detailed review of investment activities for the year and an outlook for the future.

Corporate summary

The Company is a closed-ended investment company limited by shares, registered and incorporated in Jersey under the Companies (Jersey) Law 1991 on 20 March 2013, with registration number 112635. The Company's share capital is denominated in Euro and Sterling and consists of Euro Shares and Sterling Shares. The Company's Euro and Sterling Shares are listed on the Official List of the UK Listing Authority and admitted to trading on the Main Market of the London Stock Exchange. Details of the shares in issue are detailed within the Directors' and Corporate Governance Report on page 27.

The Company is self-managed and the Directors have invested the proceeds from its share issues into Compartment A (the "Compartment") of an existing European credit opportunities investment vehicle, CVC European Credit Opportunities S.à r.l. (the "Investment Vehicle"), managed by CVC Credit Partners Investment Management Limited (the "Investment Vehicle Manager").

The Company is a member of the AIC and is regulated by the Jersey Financial Services Commission.

Significant events during the year ended 31 December 2018

Sale of treasury shares

Excluding treasury shares sold to Conversion SPV Limited (the "Conversion Vehicle") and shares sold as part of the placing of treasury shares which completed in July 2018, as detailed on pages 10 and 11, the Company completed the following sale of Euro and Sterling treasury shares during the year. All treasury shares were sold at a premium to the relevant published NAV.

	Euro Shares	Sterling Shares
Treasury shares sold	6,550,000	22,107,240
Gross proceeds received	€7,233,528	£25,142,172

Contractual quarterly tenders

During the year ended 31 December 2018, the Company completed the following tenders under its Contractual Quarterly Tender mechanism. All of the shares tendered were transferred into the Company's name and held in treasury.

Quarterly tender	Settlement date	Euro Shares tendered	Euro Share tender price	Sterling Shares tendered	Sterling Share tender price
December 2017	12/02/2018	-	-	14,660	£1.1090
March 2018	15/05/2018	3,933,091	€1.0855	24,433	£1.1135
June 2018	17/08/2018	25	€1.0862	608	£1.1173

On 10 August 2018, the Company announced that it had received no tender applications for the September 2018 tender.

On 15 November 2018, the Company announced that it had received tender applications in respect of the December 2018 tender for 144,501 Sterling Shares. The Company did not receive any tender applications for Euro Shares. Refer to note 16 for details regarding the settlement of the December 2018 tender.

STRATEGIC REPORT (CONTINUED)
EXECUTIVE SUMMARY (CONTINUED)

Significant events during the year ended 31 December 2018 (continued)

Voluntary conversions

Following requests made by shareholders, the Company converted a total of 1,435,149 Euro Shares into 1,236,403 Sterling shares and 149,325 Sterling Shares into 173,268 Euro Shares under the monthly conversion facility during the year ended 31 December 2018.

Dividends

The Company announced and paid four quarterly dividends totalling €0.0550 and £0.0550 (2017: €0.0525 and £0.0525) per Euro Share and Sterling Share respectively in 2018. Refer to note 12 for full details of each quarterly dividend.

Scrip dividend

The Company issued the following shares under the scrip dividend scheme during the period.

Scrip share issue date	Euro scrip reference price	Euro Shares issued	Sterling scrip reference price	Sterling Shares issued
16/03/2018	€1.1020	311,042	£1.1275	105,310
15/06/2018	€1.0930	71,534	£1.1340	20,912
21/09/2018	€1.1120	308,921	£1.1380	450,777
14/12/2018	€1.1180	314,613	£1.1580	34,641

Treasury share convertor mechanism

At the 2016 Annual General Meeting the Company requested, and received, shareholder approval to create a mechanism whereby treasury shares held by the Company be converted from one currency denomination to another in accordance with the procedure set out in the Articles. As the conversion cannot take place while the treasury shares are held by the Company, it was proposed that a facility be created so that some or all of the treasury shares be sold to a related party, who would be willing to facilitate the conversion of the treasury shares from one currency denomination to another. The treasury share convertor mechanism was put in place to provide the Company with a means of converting one class into another to meet demand in the market from time to time.

Accordingly, on the 11 September 2017, the Company established the CCPEOL Purpose Trust (the “Trust”), a business purpose trust established under Jersey law. The purpose of the Trust is the facilitation of the conversion of the treasury shares by the incorporation of a company, Conversion SPV Limited (the “Conversion Vehicle”), who would purchase treasury shares from the Company, convert them into shares of the other currency denomination and sell those converted shares back to the Company. The Chairman of the Company was appointed as the enforcer of the Trust.

The Company completed the following share conversions under the treasury share convertor mechanism during the period:

On 21 June 2018, the Company announced the sale of 41,564,426 Euro treasury shares to the Conversion Vehicle, which completed on 22 June 2018. Subsequently, the Company issued a facilitation request pursuant to the Share Subscription, Conversion and Repurchase Agreement to the Conversion Vehicle requiring the Conversion Vehicle to convert those 41,564,426 Euro Shares held by it into Sterling Shares. The 41,564,426 Euro Shares were converted into 35,477,357 Sterling Shares at a ratio of 0.853551, calculated in accordance with the share conversion provisions appearing in the Company's Articles.

STRATEGIC REPORT (CONTINUED)
EXECUTIVE SUMMARY (CONTINUED)

Significant events during the year ended 31 December 2018 (continued)

Treasury share convertor mechanism (continued)

On 28 June 2018 the conversion process was completed, with the Company purchasing 35,477,357 Sterling Shares from the Conversion Vehicle and holding them in treasury. The transactions had no material impact on the Company's liquidity or its NAV.

Announcement of placing of treasury shares

On 5 June 2018, the Company announced a placing of the Company's shares that were held in treasury. Ahead of the placing close, the Company converted all but 10,000,000 Euro treasury shares into Sterling Shares (see above).

On 5 July 2018, the Company sold 496,442 Euro treasury shares and 20,663,959 Sterling treasury shares at a price of €1.1086 per Euro treasury share and £1.1397 per Sterling treasury share respectively.

Placing Programme

On 25 October 2018, the Company published a circular convening an extraordinary general meeting to vote on resolutions concerning the renewal of the Board's authority to issue shares in the capital of the Company on a non-pre-emptive basis, both in respect of a general issuance authority and in respect of up to 500 million shares to be issued pursuant to a placing programme (the "Placing Programme") to be launched by the Company.

On 16 November 2018, the Company announced that the two above resolutions were passed. The Company expects to publish a prospectus in relation to the Placing Programme in the coming months.

Investment objective and policy

Company investment objective

The Company's investment objective is to provide shareholders with regular income returns and capital appreciation from a diversified portfolio of predominantly sub-investment grade debt instruments.

Company asset allocation

On 26 June 2018, shareholders approved an amendment to the Company's investment policy whereby the minimum level of the Investment Vehicle's gross assets invested in obligations of companies/borrowers domiciled, or with material operations, in Western Europe was reduced from 70 per cent. to 60 per cent. The revised investment policy is detailed below:

"The Company's investment policy is to invest predominantly in companies domiciled, or with material operations in Western Europe across various industries. The Company's investments are focused on senior secured obligations of such companies but investments are also made across the capital structure of such borrowers."

STRATEGIC REPORT (CONTINUED)
EXECUTIVE SUMMARY (CONTINUED)

Investment objective and policy (continued)

Company asset allocation (continued)

The investment policy of the Investment Vehicle is subject to the following limits (the "investment limits"):

- A minimum of 50 per cent. of the Investment Vehicle's gross assets will be invested in senior secured obligations (which, for the purposes of this investment limit will include cash and cash equivalents).
- A minimum of 60 per cent. of the Investment Vehicle's gross assets will be invested in obligations of companies/borrowers domiciled, or with material operations, in Western Europe.
- A maximum of 7.5 per cent. of the Investment Vehicle's gross assets will be invested at any given time in obligations of a single borrower subject to a single exception at any one time permitting investment of up to 15 per cent. in order to participate in a loan to a single borrower, provided the exposure is sold down to a maximum of 7.5 per cent. within 12 months of acquisition.
- A maximum of 7.5 per cent. of the Investment Vehicle's gross assets will be invested in credit loan obligation securities.
- A maximum of 25 per cent. of the Investment Vehicle's gross assets will be invested in CVC Capital Portfolio Company debt obligations calculated as invested cost as a percentage of the Investment Vehicle's gross assets.

The Investment Vehicle is permitted to borrow up to an amount equal to 100 per cent. of the NAV of the Investment Vehicle at the time of borrowing (the "borrowing limit"). As at 31 December, the Investment Vehicle's borrowings as a percentage of the Company's NAV[1] stood at 22.29% (2017: 24.52%).

General

The investment objective and investment policy of the Investment Vehicle are consistent with the investment objective and investment policy of the Company. In the event that changes are made to the investment objective or investment policy of the Company or of the Investment Vehicle (including the investment limits and/or the borrowing limit), the Directors will seek Shareholder approval for changes which are either (a) material in their own right or, (b) when viewed as a whole, together with previous non-material changes, constitute a material change from the published investment objective or policy of the Company.

Company borrowing limit

The Company may borrow up to 15 per cent. of the NAV of the Company for the sole purpose of purchasing or redeeming its own shares otherwise than pursuant to Contractual Quarterly Tenders.

Investment strategy and approach

The Company has given effect to its investment policy by subscribing for Preferred Equity Certificates, (the "PEC's"), Series 4 and 5, issued by the Investment Vehicle. Series 4 and 5 PECs are denominated in Euro and Sterling respectively and are income distributing.

The Investment Vehicle Manager's investment strategy for the Investment Vehicle is to make loan or bond investments in companies based on detailed fundamental analysis of the operations and market position of each company and its capital structure.

[1] – pro-rated for the Company's interest in the Preferred Equity Certificates issued by the Investment Vehicle of 68.91% (2017: 71.65%).

STRATEGIC REPORT (CONTINUED)
EXECUTIVE SUMMARY (CONTINUED)

Investment objective and policy (continued)

Investment strategy and approach (continued)

The Investment Vehicle invests in the debt of larger companies which offer a number of differing characteristics relative to the broader market, including but not limited to:

(i) larger, more defensive market positions;

(ii) access to broader management talent;

(iii) multinational operations which may reduce individual customer, sector or geographic risk and provide diverse cashflow;

(iv) working capital and capital expenditure which can be managed in the event of a slowdown in economic growth; and

(v) wider access to both debt and equity capital markets.

Based on the market opportunity and relative value, the Investment Vehicle invests in a range of different credit instruments across the capital structure of target companies (including, but not limited to, senior secured, second lien and mezzanine loans and senior secured, unsecured and subordinated bonds).

Assets are sourced in both the new issue and secondary markets, using the sourcing networks of the Investment Vehicle Manager and CVC Group generally.

The Investment Vehicle Manager's access to deals is supported by the network of contacts and relationships of its leadership team and investment professionals, as well as the strong positioning of the CVC Group in the European leveraged finance markets. The Investment Vehicle Manager analyses the risk of credit loss for each investment on the basis it will be held to maturity but takes an active approach to the sale of investments once the investment thesis has been realised.

The liquidity terms of the Investment Vehicle are also an important factor considered in determining the composition of the investment portfolio.

Further information in respect of the Investment Vehicle portfolio and performance as at 31 December 2018 can be found in the Investment Vehicle Manager's report on pages 21 to 25.

Director interests

Information on each Director is shown on pages 19 and 20.

No Director has any other interest in any contract to which the Company is a party and no Director has held or holds any management or ordinary shares in the Company.

Key performance indicators ("KPIs")

The Board meets regularly to review performance and risk against a number of key measures.

NAV total return

The Board regularly reviews and compares the NAV and share price of the Company. The Directors regard the Company's NAV total return as being the overall measure of value delivered to shareholders over the long term.

Total return reflects both NAV growth of the Company and also dividends paid to shareholders. The Company is targeting a NAV total return of 8%-12% per annum over the medium term.

STRATEGIC REPORT (CONTINUED)
EXECUTIVE SUMMARY (CONTINUED)

Key performance indicators ("KPIs") (continued)

NAV total return (continued)

The NAV total return for Euro Shares and Sterling Shares has increased by 32.91% and 37.03% respectively from IPO. The Euro Shares and Sterling Shares NAV total return for the year ended 31 December 2018 was 0.07% (2017: 8.84%) and 1.00% (2017: 9.69%) respectively. Please refer to the Financial Highlights and Performance Summary on page 5 for the Euro Shares and Sterling Shares NAV total return analysis. The divergence in NAV per share performance between share classes principally derives from interest rate differentials between Euro and Sterling.

Dividend

The Company is targeting annual dividends of around €0.0550 and £0.0550 per Euro Share and Sterling Share respectively.

As a result of the Company amending its target annual dividend during the course of 2017, shareholders received total dividends of €0.0550 and £0.0550 (2017: €0.0525 and £0.0525) per Euro Share and Sterling Share respectively. Please refer to page 6 for the Company's dividend history from inception.

Ongoing charges

The Board reviews and compares the Company's operating expenses against budget on a monthly basis and performs an analysis of deviations. On a quarterly basis, the Board reviews the ongoing charges solely for the Company[1] (exclusive of the Investment Vehicle management fee) and reviews the ongoing charges of the Investment Vehicle on an annual basis.

The Company's ongoing charges for the year ended 31 December 2018 were 1.07% (2017: 1.19%). With the exception of the Investment Vehicle management fee, the above ongoing charges figure does not reflect any other costs of the Investment Vehicle.

Premium/discount

The Directors review the trading prices of the Company's Euro Shares and Sterling Shares and compare them against their respective NAVs to assess volatility in the discount or premium of the share prices to their NAVs. As at 31 December 2018, the Company's premium to NAV per Euro Share was 1.88% (2017: 0.61% premium) and discount to NAV per Sterling Share was 0.11% (2017: 0.53% premium) respectively. Please refer to the Financial Highlights and Performance Summary on page 4 for NAV and share price analysis.

Please refer to pages 90 and 91 for further information on the calculation methodology applied to these KPIs.

Other measures

In addition to the above KPIs, the Board meets regularly to review the performance and risk against the below other measures:

Diversification

The Directors review the geographical, industry, asset and currency diversification of the underlying Investment Vehicle to ensure that holdings are in line with the prospectus and also to monitor the diversification risk of the underlying portfolio. Please refer to the Investment Vehicle Manager's Report and pages 70 to 73 for analysis of the Investment Vehicle portfolio and note 8 for further details regarding the Investment Vehicle's risk diversification policies.

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[1] – The Company's ongoing charges are calculated according to the methodology outlined on pages 90 and 91 and differ to the costs disclosed within the Company's KIDs which follows the methodology prescribed by EU rules. The Company's most current KIDs are available on the Company's website (www.ccpeol.com/investor-information/documents).

STRATEGIC REPORT (CONTINUED)
EXECUTIVE SUMMARY (CONTINUED)

Other measures (continued)

Default rates in Europe and US

The Directors regularly discuss with the Investment Vehicle Manager default rates in Europe and the US to help assess and understand the performance and prospective performance of the Company. Performance of the Company may be affected by the default or perceived credit impairment of investments held by the Investment Vehicle. An economic downturn and/or rising interest rates could severely disrupt the European and US markets which could impact the ability of issuers to repay principal and interest and could adversely affect the value of the Company's investment in the Investment Vehicle and by extension, the Company's NAV and/or the market price of the Company's Shares. The Directors receive monthly performance reports from the Investment Vehicle Manager to assist in monitoring the above indicator.

Principal risks and uncertainties

When considering the total return of the Company, the Directors take account of the risk which has been taken in order to achieve that return. The Directors have carried out a robust assessment of the principal risks facing the Company including those which would threaten its business model, future performance, solvency or liquidity. An overview of this is set out below:

Supply and demand

The value of the investments in which the Company indirectly invests are affected by the supply of primary and secondary issuers on the one hand and the continued demand for such instruments from buy side market participants on the other. A change in the supply of, or demand for, underlying investments may materially affect the performance of the Company. The Directors are in regular communication with the Investment Vehicle Manager and receive monthly performance reports and independent data to assist in monitoring the performance of the Investment Vehicle. It is the Investment Vehicle's performance which is the main driver of the Company's performance.

Investment portfolio concentration

Risk is concentrated in sub-investment grade European corporate issuers and therefore credit risk is greater than would be the case with investments in investment grade issuers.

Whilst the investment policies of the Company and the Investment Vehicle do not include any specific limits placed on exposures to any industry sector, the Company and the Investment Vehicle do have investment limits and risk diversification policies in place to mitigate concentration risk. Please refer to the Investment Vehicle Manager's Report and pages 70 to 73 for analysis of the Investment Vehicle portfolio.

Liquidity

The Company is subject to a number of liquidity constraints as follows:

The PECs in which the Company invests are inherently illiquid. The Company relies on the periodic redemption mechanism offered by the Investment Vehicle to realise its investment in PECs, and on that mechanism operating in a timely and predictable manner.

The Investment Vehicle's underlying investments are not inherently liquid. Investments are generally bought and sold by market participants on a bilateral basis and any reduction in liquidity caused by a reduction of demand or market dislocation may have a negative impact on the Company's ability to effectively conduct its Contractual Quarterly Tenders.

The Board holds periodic meetings at which extensive discussion of the Investment Vehicle's portfolio takes place. This includes consideration of portfolio liquidity. Please refer to note 8.2 for further details.

STRATEGIC REPORT (CONTINUED)
EXECUTIVE SUMMARY (CONTINUED)

Principal risks and uncertainties (continued)

Foreign exchange risk

Foreign exchange risk is the risk that the values of the Company's and Investment Vehicle's assets and liabilities are adversely affected by changes in the values of foreign currencies by reference to the Company's base currency, the Euro.

The effect of foreign exchange risk at the Investment Vehicle level is actively managed by the board of the Investment Vehicle and its advisors through hedging arrangements as detailed in note 8.6. The Board monitors the NAV per share divergence between the Sterling and Euro share classes in order to identify the impacts of flow through foreign exchange risk and is satisfied that the divergence has remained at reasonable levels throughout the year. The Company itself has not entered into any foreign exchange hedging arrangements during the year.

Macro-economic factors

Adverse macro-economic conditions may have a material adverse effect on the performance of the Investment Vehicle's underlying assets and liabilities and on the ability of underlying borrowers to service their ongoing debt obligations. The Board is reliant on the active portfolio management of the Investment Vehicle Manager which monitors and manages each investment on an ongoing basis. Part of this monitoring includes considering macro-economic, credit specific and event-driven factors in respect of each investment. This analysis helps inform the Investment Vehicle Manager's decision to buy, sell or hold each investment. The Directors are in regular communication with the Investment Vehicle Manager and receive monthly performance reports to assist in monitoring these factors.

Capital management risks

Shareholders may seek to redeem their shareholdings in the Company using the Contractual Quarterly Tender facility, subject to restrictions as detailed in note 12, which could result in the NAV of the Company falling below €75 million and as such trigger the requirement for the Directors to convene an extraordinary general meeting and propose an ordinary resolution that the Company continues its business as a closed-ended investment company. There is a risk that a continuation resolution will not be passed which could result in the redemption by the Company of its entire holding in the Investment Vehicle. The NAV of the Company remains significantly above the €75 million threshold.

Environmental and social issues

The Company is a closed-ended investment company which has no employees and so its own direct environmental impact is minimal. The Board notes that the companies in which the Investment Vehicle invests will have a social and environmental impact over which the Company has no control. Given that the Board holds all board meetings in Jersey, where the majority of the Directors are based, the Company's greenhouse gas emissions and environmental footprint are negligible.

Life of the Company

The Company has an indefinite life. In accordance with the Articles, the Directors are required to propose an Ordinary Resolution that the Company continues its business as a closed-ended investment company (the "Continuation Resolution") if the following occur:

(i) the Company NAV falls below €75 million; or

(ii) the Directors are required to convene "class closure meetings" for all classes of shares in issue. A class closure meeting is required if a share class is delisted for any reason, or, if in any rolling 12 month period, the average daily closing market price (as derived from the market data published by Bloomberg or any successor market data service thereto) of any class of shares during such 12 month period is 10 per cent. or more below the average NAV per Share (calculated inclusive of current year income).

STRATEGIC REPORT (CONTINUED)
EXECUTIVE SUMMARY (CONTINUED)

Life of the Company (continued)

If a Continuation Resolution is not passed, the Directors are required to put forward proposals within six months for the reconstruction or reorganisation of the Company to the shareholders for their approval.

These proposals may or may not involve winding up the Company and, accordingly, failure to pass the Continuation Resolution will not necessarily result in the winding up of the Company. A failure to pass a Continuation Resolution may result in the redemption by the Company of its entire holding of PECs.

Future strategy

The Board continues to believe that the investment strategy and policy adopted by the Investment Vehicle is appropriate for and is capable of meeting the Company's objectives.

The overall strategy remains unchanged and it is the Board's assessment that the Investment Vehicle Manager's resources are appropriate to properly manage the Investment Vehicle's portfolio in the current and anticipated investment environment.

Please refer to the Investment Vehicle Manager's report for detail regarding performance of the Investment Vehicle's investments and the main trends and factors likely to affect the future development, performance and position of those investments.

Going concern

Under the Listing Rules, the AIC Code of Corporate Governance ("AIC Code") and applicable regulations, the Directors are required to satisfy themselves that it is reasonable to assume that the Company is a going concern from the date of approval of the financial statements.

After reviewing the Company's budget and cash flow forecast for the next financial year, the Directors are satisfied that, at the time of approving the financial statements, no material uncertainties exist that may cast significant doubt concerning the Company's ability to continue for a period of at least twelve months from the date of approval of the financial statements. The Directors consider it is appropriate to adopt the going concern basis in preparing the financial statements.

Viability statement

Under the AIC Code, the Directors are required to make a "viability statement" which explains how they have assessed the prospects of the Company, over what period they have done so and why they consider that period to be appropriate, taking into account the Company's current financial position and principal risks. The principal risks faced by the Company are described on pages 15 and 16.

The prospects of the Company are driven by its investment objectives, investment policy and investment strategy as summarised on pages 11 to 13, and also by the conditions existing in the markets in which the Company's ordinary shares trade and in which the Investment Vehicle invests and financial markets generally.

STRATEGIC REPORT (CONTINUED)
EXECUTIVE SUMMARY (CONTINUED)

Viability statement (continued)

In assessing the prospects of the Company, the Directors have, in addition to taking into account the principal risks facing the Company, taken into account the Company's current financial position. Their assessment has included a robust process encompassing an examination of the:

(i) Investment Vehicle Manager's view of the investment opportunity and the conditions existing in the markets in which the Investment Vehicle is exposed and financial markets generally, including scenario analysis, stress tests and volatility and return comparisons;

(ii) liquidity and fundamental prospects of the underlying positions of the Investment Vehicle;

(iii) extent to which the Company directly or indirectly uses gearing;

(iv) liquidity of the PECs in which the Company invests; and

(v) impact on the Company's viability under scenarios stemming from the application of the Contractual Quarterly Tender facility.

Based on the results of their assessment of the above processes, and in the absence of any unforeseen circumstances, the Directors have concluded that a period of three years from the date of this statement is an appropriate period over which to assess the prospects of the Company as the principal risks, mitigating controls and investment strategy and policy are not expected to materially change over this period. This period reflects the effect of significant redemption requests received from shareholders under the Contractual Quarterly Tender mechanism, coupled with no further issuances of ordinary shares by the Company, before a Continuation Resolution would be proposed as a result of the NAV falling below €75 million.

The Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due within at least this period of assessment. The Directors are also of the opinion that given the information available to them at the date of these financial statements, the Company will be able to continue to conduct its commercial activities in a manner consistent with its investment objectives for the foreseeable future.

This Strategic Report was approved by the Board of Directors on 28 February 2019 and signed on its behalf by:

Richard Boléat
Chairman

Mark Tucker
Audit Committee Chairman

BOARD MEMBERS

All the Directors are independent and non-executive.

CHAIRMAN

Richard Michael Boléat, aged 55

Appointed 20 March 2013

Richard qualified as a Chartered Accountant with Coopers & Lybrand in the United Kingdom in 1987 and subsequently worked in the Middle East, Africa and the United Kingdom for a number of commercial and financial services groups, during which time he acted as a buy-side high yield credit analyst for an Arabian investment bank.

From 1996 he was a Principal of Channel House, a Jersey based financial services group, which was acquired by Capita Group plc in September 2005 and led their financial services client practice in Jersey until September 2007.

He currently acts as a non-executive director of a number of substantial collective investment and investment management entities and is active in a number of asset classes including global macro and high yield credit. In addition to his role with the Company, he presently acts as Chairman of Funding Circle SME Income Fund Limited and Audit Committee Chairman at M&G Credit Income Investment Trust plc, both of which are listed on the London Stock Exchange. He is personally regulated by the Jersey Financial Services Commission in the conduct of financial services business and is a member of the Alternative Investment Management Association (AIMA).

DIRECTORS

Mark Richard Tucker, aged 56

Appointed 20 March 2013

In 1997 Mark joined Arborhedge Investments, Inc. (formally HFR Investments, Inc.) a Chicago based, boutique broker dealer specialising in the placement of hedge fund interests to institutions globally. Mark served as the President and Chief Executive Officer of Arborhedge until his return to Jersey in 2002, after which he remained a director and shareholder until 2012. Previously, Mark held a variety of retail and private banking roles in Jersey with both HSBC and Cater Allen Bank.

In 1988 Mark relocated first to London, where he joined GNI Limited in a financial futures business development role, and later to New York where he was responsible for the alternative investment program of Gresham Asset Management, Inc. and later for the asset allocation and manager selection activities of Mitsui & Company.

Mark is personally regulated by the Jersey Financial Services Commission in the conduct of financial services business, and is an Associate of the Chartered Institute of Bankers, a Chartered Fellow of the Chartered Institute for Securities and Investment and a member of the Institute of Directors. Mark also serves as a non-executive director to several other offshore structures.

BOARD MEMBERS (CONTINUED)

DIRECTORS (CONTINUED)

David Alan Wood, aged 64

Appointed 20 March 2013

David was a founding partner of CVC Cordatus (a predecessor to CVC Credit Partners Group) in 2006, but retired in April 2012. He was a member of CVC Credit Partners Advisory Board until April 2015. With 36 years of industry experience, David joined from Deutsche Bank where he was Co-Head of European Leveraged Finance. Prior to this, he was a Managing Director at JP Morgan/Chase Manhattan where he worked in leveraged finance and corporate banking. Mr Wood continues to sit on the CVC Credit Partners Conflicts Committee.

Stephanie Carbonneil, aged 44

Appointed 21 February 2019

Stephanie is a senior investment professional and is currently Head of Investment Trusts at Allianz Global Investors. She has experience in portfolio management specifically in institutional funds of funds and private wealth management. She also has broad experience in management of multi-asset funds and manager selection across European Equities, US and Emerging Equities, Global Emerging Equities, High Yield and European Fixed Income.

Stephanie has extensive knowledge of best practices in asset management through the implementation of a disciplined selection process and capital allocation to best in class managers. She has particularly strong experience in business development based on the combination of strong asset management technical expertise and experience as fund allocator. She also has been involved in implementing a diversity program whilst in a previous role at Architas.

INVESTMENT VEHICLE MANAGER'S REPORT

Summary

The Investment Vehicle Manager remains optimistic with regards to the growing opportunity within the Performing Credit and Credit Opportunities segments of the portfolio. Wider credit spreads and anticipated volatility will allow for active portfolio management to manage the risk profile in large liquid capital structures with a focus on senior secured floating rate assets.

Portfolio

As at 31 December 2018 the Investment Vehicle portfolio was invested in-line with the investment policy, was diversified with 86 issuers[1] (2017: 67) across 28 (2017: 26) different industries and 17 (2017: 11) different countries, and had exposure of no more than 2.8% (2017: 5.1%) to any single issuer.

Portfolio Statistics[2]

	As at 31 December 2018	As at 31 December 2017
Percentage of Portfolio in Floating Rate Assets	86.5%	87.6%
Percentage of Portfolio in Fixed Rate Assets	12.8%	12.3%
Percentage of Portfolio in Other	0.7%	0.1%
Weighted Average Price[3]	90.4	94.9
Yield to Maturity ("YTM")	7.7%	7.1%
Current Yield	5.8%	5.8%
Weighted Average Fixed Rate Coupon	7.9%	7.1%
Weighted Average Floating Rate plus Margin	5.1%	5.0%

5 Largest Issuers as at 31 December 2018

Issuer	% of Gross Assets	Industry	Country
Dubai World	2.8	Diversified/Conglomerate Service	UAE
Civica	2.7	Electronics	UK
Celsa	2.6	Metals and Mining	Spain
Nidda Healthcare	2.6	Healthcare & Pharmaceuticals	Germany
Ambac	2.2	Finance	U.S.

5 Largest Issuers as at 31 December 2017

Issuer	% of Gross Assets	Industry	Country
Saur	5.1	Ecological	France
Camaieu	3.2	Retail	France
Ambac	3.0	Finance	U.S.
Ceva	2.9	Transport & Logistics	UK
Dubai World	2.9	Diversified/Conglomerate Service	UAE

[1] – Excludes 12 (2017: 11) structured finance positions.

[2] – Note: all metrics exclude cash unless otherwise stated.

[3] – Average market price of the portfolio weighted against the size of each position.

INVESTMENT VEHICLE MANAGER'S REPORT (CONTINUED)

Portfolio Statistics[2] (continued)

5 Largest Industry Positions as at 31 December 2018[1]

Healthcare & Pharmaceuticals	12.3%
Retail Store	9.9%
Broadcasting and Entertainment	8.8%
Diversified/Conglomerate Service	8.5%
Chemicals, Plastics and Rubber	7.9%

5 Largest Industry Positions as at 31 December 2017[1]

Diversified/Conglomerate Service	11.1%
Retail Store	11.1%
Electronics	10.0%
Finance	6.3%
Ecological	6.2%

Geographical Breakdown by issuer country[1]

	As at 31 December 2018	As at 31 December 2017
UK	22.6%	21.8%
U.S.	16.9%	22.8%
Germany	12.3%	6.3%
France	11.9%	24.0%
Netherlands	10.9%	7.1%
Luxembourg	8.2%	4.9%
Spain	6.0%	5.6%
UAE	3.4%	3.5%
Other	7.8%	4.0%

Currency Breakdown

	As at 31 December 2018	As at 31 December 2017
EUR	54.3%	43.1%
USD	30.6%	39.8%
GBP	15.1%	17.1%

[1] – Excludes 12 (2017: 11) structured finance positions.

[2] – Note: all metrics exclude cash unless otherwise stated.

INVESTMENT VEHICLE MANAGER'S REPORT (CONTINUED)

Portfolio Statistics[2] (continued)

Asset Breakdown

	As at 31 December 2018	As at 31 December 2017
Loans (1st Lien)	62.0%	59.1%
Cash	15.3%	14.3%
Senior Secured Bonds	14.6%	11.4%
Loans (2nd Lien)	6.2%	8.9%
Structured	2.3%	3.6%
Payment in Kind	-	2.9%
Senior Unsecured Bonds	5.1%	0.5%
Other	0.8%	2.1%
Shorts	-6.3%	-2.8%

Performance

The Investment Vehicle Manager was pleased with the performance through 2018. The portfolio's total return (net of fees, including dividends reinvested) was 0.1% to Euro investors and 1.0% to Sterling investors.

By strategy: (i) The Core Income segment of the portfolio delivered 3.4% to gross portfolio performance; and (ii) the Credit Opportunities segment of the portfolio delivered a gross -3% return, which equates to a -1.5% gross portfolio performance contribution based on a 45% average allocation of the portfolio.

The Credit Suisse Western European High Yield Index hedged to Euro was down (3.85)% for the year to date and the Credit Suisse European Leveraged Loan Index hedged to Euro was up 0.55% for the year to date.

Market Review and Outlook

The second half of 2018 can be clearly defined into two periods:

Q3: a strong US economy (highest level of consumer confidence since 2008, lowest unemployment level since 1969) which built upward pressure on Treasury yields also supporting higher US equities. In Europe, economic signals remained mixed. A slowdown in new export orders for manufacturing came from a sharp reduction in exports to China. Despite falling unemployment, weaker exports and higher energy prices impacted consumer confidence which had fallen steadily since the start of the year, particularly in France. In addition, Italian political developments continued to be an area of concern with the pending approval of a new budget.

As the quarter ended, the Credit Suisse European Leveraged Loan Index hedged to Euro was up 2.37% year to date.

[2] – Note: all metrics exclude cash unless otherwise stated.

INVESTMENT VEHICLE MANAGER'S REPORT (CONTINUED)

Market Review and Outlook (continued)

Q4: The final quarter of 2018 was difficult for all risk assets globally, due to, amongst other things, the impact of rising US Central Bank interest rates, a sharp slowdown in Eurozone business confidence, weaker Chinese growth, and rising geopolitical concerns (including Brexit, Italian politics and the ongoing trade conflict between the US and China). All of these elements resulted in the volatility experienced, in particular through November and December.

Against this backdrop, credit markets struggled into year end, with the combination of Q4 2018 being the most illiquid as dealers and arrangers experienced slow activity, and outflows across risk assets (High Yield ("HY") and Loans in the US in particular). This negative technical across the market heightened volatility. Loan markets across the US and Europe generally experienced a significant decrease in assets trading above par.

As the year ended, the Credit Suisse European Leveraged Loan Index hedged to Euro was down (1.78)% for the quarter albeit up 0.55% for 2018.

Year to date ("YTD") issuance of €159.4bn (2017: €214.0bn) comprises €95.9bn loans (2017: €120.4bn) and €63.5bn HY (2017: €93.6bn). YTD loan volumes have been 71% acquisition, 20% refinancing with the balance being recaps. YTD bond volumes have been 54% refinancing, 33% acquisitions with the balance being recaps and general corporate purposes.[a]

Term Loan B new issue spreads leading into the end of 2018 were E+381 (being EURIBOR plus 381 basis points) which is wider than E+364 at the start of the year (Dec'18 YTM 4.12% versus 3.75% Jan'18). Total leverage was at 5.51x, which is in line with 5.56x at the start of the year, despite having seen this drop to 5.28x during the year.[a]

In the HY space, single B new issue YTM on a rolling 3-month basis ended the year 143bps wider, at 6.74%, than where we started the year, at 5.31%. BB new issue started the year at a YTM of 2.91%, and now sits at 3.95%, up 104bps over the 12 months. The BB - B spread differential had widened to c. 300bps compared to its historic 200 - 250bps range, and now sits at 279bps.[a]

Market Opportunity

As highlighted throughout 2018, the Investment Vehicle Manager continues to identify opportunities in the credit markets. The volatility of the last quarter of trading was very sharp and as such impacted the portfolio across strategies on a mark to market basis. 2018 will be a year remembered as the worst performing year in credit since 2008 where both Investment Grade and HY across Europe and the US resulted in negative performance for the year.

The outlook for the strategy remains positive and the recent volatility in the capital markets will allow for: (i) the Performing Credit portfolio to seek to increase credit spreads across the new primary issuance market to enhance the yield profile of the portfolio; and (ii) actively trade the portfolio in the Credit Opportunities segment of the portfolio which now has a larger opportunity set given the change in risk sentiment across the market. The ongoing market opportunity is driven by continued disposition activity from European bank balance sheets; sustained divergence in monetary policy between the USA, EU, Japan and UK and a US economy which is showing signs of moving towards a late credit cycle where higher rates (although mitigated by fiscal reforms and a possible slowing in rate increases) may build stress on levered balance sheets as the cycle continues to mature and corporates adjust.

Sources
[a] – S&P LCD – January 2019

INVESTMENT VEHICLE MANAGER'S REPORT (CONTINUED)

Conclusion

The portfolio has once again outperformed broader market indices. The combination of Performing Credit providing stable yield exposure alongside the higher yielding Credit Opportunities strategy provides a balanced portfolio risk profile in differing market environments.

In this environment, the active approach to portfolio management of this strategy and divergence of opportunity will allow the portfolio to benefit from an increase in global yields in the Performing Credit portfolio as well as to take advantage of volatility to increase the upside through the Credit Opportunities exposure underpinning our return targets. In addition, by utilising the growing CVC global network, the Investment Vehicle Manager expects to be able to continue to identify investment opportunities and deploy capital for this strategy.

CVC Credit Partners Investment Management Limited
Investment Vehicle Manager

Andrew Davies
Head of Europe
28 February 2019

The indices referred to herein (including the Credit Suisse Western European HY Index hedged to Euro and the Credit Suisse Western ELLI hedged to Euro) are widely recognised, unmanaged indices of market activity and have been included as general indicators of market performance. The Credit Suisse Western European HY Index is a market cap weighted benchmark index designed as an objective proxy for the investable universe of the Western European high yield debt market. The Credit Suisse Western European Leveraged Loan indices are designed to mirror the investable universe of the Western European leveraged loan market. There are significant differences between the types of investments made or expected to be made by the Investment Vehicle and the investments covered by the indices, and the methodology for calculating returns. For example, the Credit Suisse Western European HY Index does not take transaction costs (bid-offer spreads) into account and for the month during which a coupon is paid, the cash flow is reinvested at a fixed money-market rate until the end of the month. Additionally, the Credit Suisse Western ELLI assumes that coupon payments are reinvested into an index at the beginning of each period. In contrast, the Investment Vehicle Manager may have discretion whether to reinvest such payments during any relevant investment period. It should not be assumed that the Investment Vehicle will invest in any specific equity or debt investments, such as those that comprise the indices, nor should it be understood that there will be a correlation between the Investment Vehicle's returns and those of the indices. It should not be assumed that correlations to the indices based on historical returns will persist in the future. No representation is made that the Investment Vehicle will replicate the performance of any of the indices. The indices are included for general, background informational purposes only and recipients should use their own judgment to appropriately weight or discount their relevance to the Investment Vehicle.

DIRECTORS' AND CORPORATE GOVERNANCE REPORT

The Directors present the Annual Financial Report for the Company for the year ended 31 December 2018. The results for the year are set out in these accounts.

Statement as to disclosure of information to the auditor

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware and that they have taken the steps that they ought to have taken as Directors to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Director interests

Information for each Director is shown on pages 19 and 20.

No Director has any other interest in any contract to which the Company is a party and no Director holds any management or ordinary shares in the Company.

Financial risk management objectives and policies

The Board is responsible for the Company's system of risk management and internal control and meets regularly in the form of periodic Board meetings to assess the effectiveness of such controls in managing and mitigating risk.

The Board confirms that it has reviewed the effectiveness of the Company's system of risk management and internal control for the year ended 31 December 2018, and to the date of approval of this Annual Financial Report. The Board has taken into consideration the Financial Reporting Council (FRC)'s, "Guidance on Risk Management, Internal Control and Related Financial and Business Reporting" to ensure that the Company's system of risk management and internal control is designed and operated effectively, in line with best practice guidance provided by the FRC.

The key financial risks that the Directors believe the Company is exposed to include credit risk, liquidity risk, market risk, interest rate risk, valuation risk and foreign currency risk. Please refer to note 8 for reference to financial risk management disclosures, which explains in further detail the above risk exposures and the policies and procedures in place to monitor and mitigate these risks.

The Company has appointed BNP Paribas Securities Services S.C.A. to act as administrator (the "Administrator"). The Administrator has established an internal control framework to provide reasonable but not absolute assurance on the effectiveness of the internal controls operated on behalf of its clients. The effectiveness of these controls is assessed by the compliance and risk departments on an on-going basis and by periodic review by external parties. The Company's Compliance Officer presents an assessment of their review to the Board in line with the compliance monitoring program on a quarterly basis which has revealed no matters of concern.

Fair, balanced and understandable

In assessing the overall fairness, balance and understandability of the Annual Financial Report and Financial Statements the Board has performed a comprehensive review to ensure consistency and overall balance.

Borrowing limits

The Company does not have any external borrowings. The Directors may, if they feel it is in the best interests of the Company, borrow funds subject to the appropriate resolutions of shareholders. The Investment Vehicle holds external loans and borrowings as disclosed in note 7.

DIRECTORS' AND CORPORATE GOVERNANCE REPORT (CONTINUED)

Greenhouse gas emissions

Please refer to the Strategic Report – "Environmental and social issues" for disclosure regarding greenhouse gas emissions on page 16.

Share capital and voting rights

The Company has two classes of ordinary shares, being Euro Shares and Sterling Shares.

The Company held the following number of shares in treasury as at 31 December 2018:

- 5,178,583 (2017: 49,856,335) Euro Shares held as treasury shares
- 18,555,899 (2017: 25,810,040) Sterling Shares held as treasury shares

Excluding shares held in treasury, the Company had the following number of shares in issue as at 31 December 2018:

- 125,830,138 Euro Shares (31 December 2017: 122,972,583 Euro Shares)
- 340,632,066 Sterling Shares (31 December 2017: 296,201,850 Sterling Shares)

Each Euro Share holds 1 voting right, and each Sterling Share holds 1.17 voting rights. As at 31 December 2018, the total number of voting rights of the Euro Shares of no par value is 125,830,138 (representing 24% of the total voting rights) and of the Sterling Shares is 398,539,517 (representing 76% of the total voting rights). The total number of voting rights in the Company is 524,369,655.

Acquisition of own shares

The Board has the authority to purchase its own shares under the terms and conditions of the Contractual Quarterly Tender facility as summarised in note 12. Details of the shares tendered and repurchased during the year are given in the Strategic Report on page 9.

Shareholders' interests

As at 31 December 2018, the Company had been notified in accordance with Chapter 5 of the Disclosure Guidance and Transparency Rules ("DTRs") (which covers the acquisition and disposal of major shareholdings and voting rights), of the following shareholders that had an interest of greater than 5% in the Company's issued share capital.

	Percentage of total voting rights (%)
Quilter plc	20.43
Investec Wealth & Investment Limited	6.77
Canaccord Genuity Group Inc	5.88
FIL Limited	5.27

Between 31 December 2018 and 28 February 2019, no additional notifications were received.

Independent auditor

Ernst & Young LLP (the "Auditor") has indicated its willingness to continue in office as Auditor and a resolution proposing re-appointment and to authorise the Directors to determine its remuneration will be proposed at the forthcoming Annual General Meeting.

DIRECTORS' AND CORPORATE GOVERNANCE REPORT (CONTINUED)

Events after the reporting date

The NAV total return Euro Shares and Sterling Shares from 1 January 2019 to 15 February 2019 has decreased by 0.56% and 0.35% respectively. The Directors are not aware of any other matters that might have a significant effect on the Company in subsequent financial periods not already disclosed in this report or the attached financial statements under note 16.

Annual General Meeting ("AGM")

The Company will hold the 2019 AGM on 24 April 2019. The notice and details of the resolutions being proposed will be circulated in a separate letter and will be available shortly afterwards on the Company's website https://www.ccpeol.com/investor-information/documents.

Corporate governance statement

a) Corporate governance codes

The Code of Corporate Governance issued by the Association of Investment Companies ("AIC") in July 2016 ("AIC Code") provides specific corporate governance guidelines to investment companies.

During February 2019, the AIC released an updated AIC Code of Corporate Governance for accounting periods beginning on or after 1 January 2019. Within this statement, the Company has reported against the AIC Code issued in July 2016 and will report against the revised AIC Code in the 2019 Annual Financial Report.

The Board considers that reporting against the principles and recommendations of the AIC Code and by reference to the AIC Guide (which incorporates the UK Code), enables shareholders to make a comprehensive assessment of the Company's governance principles.

The AIC Code requires listed companies to disclose how they have applied the principles and complied with the provisions of the UK Corporate Governance Code (UK Code) as issued by the Financial Reporting Council.

The FRC has confirmed that AIC member companies who report against the AIC Code and who follow the AIC Guide will be meeting obligations in relation to the UK Code, paragraph 9.8.6 of the Listing rules and associated disclosure requirements of the DTRs.

Copies of the AIC Code, the AIC Guide and the UK Code can be found on the respective organisations' websites www.theaic.co.uk and www.frc.org.uk.

b) Statement of compliance

The AIC Code comprises 21 principles and the Directors believe that during the period under review they have complied with all of the recommendations of the AIC Code and the relevant provisions of the UK Code insofar as they apply to the Company's business except for:

- The role of the Chief Executive;
- The appointment of a Senior Independent Director;
- Executive directors' remuneration;
- The need for an internal audit function; and
- The board should agree policies with the manager covering key operational issues.

DIRECTORS' AND CORPORATE GOVERNANCE REPORT (CONTINUED)

Corporate governance statement (continued)

b) Statement of compliance (continued)

The Board considers these provisions are not relevant to the position of the Company, being a self-managed investment company. In particular, all of the Company's day-to-day administrative functions are outsourced to third parties. The Company has no executive directors, direct employees or internal operations. The Company has therefore not reported further in respect of these provisions.

As a self-managed investment company, the Company does not have a manager and for this reason the Board considers that under principle 16 of the AIC Code, "The board should agree policies with the manager covering key operational issues", is not relevant to the Company.

Mark Tucker, as the Chairman of the Audit Committee, acts as a channel of communication for shareholders in the event that a shareholder's contact with the Chairman of the Company fails to satisfactorily resolve a concern. On this basis the Board believes that Mark Tucker already fulfils the role of a Senior Independent Director.

The Company complies with the corporate governance statement requirements pursuant to DTRs by virtue of the information included within this corporate governance statement.

c) The Board

The Board
The members of the Board consist of four Directors, three of which were appointed on 20 March 2013 and one of which was appointed on 21 February 2019. All of the Directors are independent of the Investment Vehicle Manager. Please refer to pages 19 and 20 for the biographies of each Director which demonstrates their professional knowledge and experience.

Directors' duties and responsibilities
As a self-managed investment company, the Board is responsible for all decision making.

The Board meets periodically throughout the year and monitors the Company's share price and NAV on a timely basis and holds regular discussions with the Investment Vehicle Manager to discuss performance of the Investment Vehicle portfolio, whilst considering ways in which future share price and overall performance can be enhanced. The Board is responsible for the safeguarding of the assets of the Company and taking reasonable steps for the prevention and detection of fraud and other irregularities. The Investment Vehicle Manager, together with the Company Secretary, also ensure that all Directors receive, in a timely manner, all relevant management, regulatory and financial information relating to the Company and the Investment Vehicle portfolio. Directors unable to attend a Board meeting are provided with the Board papers and can discuss issues arising in the meeting with the Chairman or another Director.

Individual Directors may, at the expense of the Company, seek independent professional advice on any matter that concerns them in the furtherance of their duties.

Board and Committees
The Board has established one committee, namely the Audit Committee. The Board considers that it is not necessary to establish a separate Management Engagement, Nomination or Remuneration Committee as items relevant to these committees are dealt with by the Board as whole.

DIRECTORS' AND CORPORATE GOVERNANCE REPORT (CONTINUED)

Corporate governance statement (continued)

c) The Board (continued)

Audit Committee

The Audit Committee operates within clearly defined terms of reference and duties. The terms of reference for the Audit Committee are available on the Company's website. Meetings of the Audit Committee are held at least three times a year at appropriate times in the reporting and audit cycle, and otherwise as required.

The Audit Committee membership comprises all of the Directors. The Chairman of the Board is a member of this Committee but he does not chair it. His membership of the Audit Committee is considered appropriate given that he is a Fellow of the Institute of Chartered Accountants in England and Wales and also has extensive knowledge of the financial services industry.

Mark Tucker is the Chairman of the Audit Committee. The Board consider Mr Tucker to have recent and relevant financial experience.

The report on the role and activities of this Committee and its relationship with the external Auditors is set out in the Report of the Audit Committee on page 36.

Attendance at scheduled meetings of the Board and its committees

	Board Quarterly		Board Ad hoc		Audit Committee	
Directors	Total	Attended	Total	Attended	Total	Attended
Richard Boléat	4	4	20	16	5	5
Mark Tucker	4	4	20	19	5	5
David Wood	4	4	20	12	5	4
Stephanie Carbonneil[1]	n/a	n/a	n/a	n/a	n/a	n/a

The Audit Committee reports to the Board, as part of a separate agenda item, on the activity of the Audit Committee and matters of particular relevance to the Board in the conduct of its work.

Directors appointment, retirement and rotation

Subject to the Articles, Directors may be appointed by the Board. The AIC guide states that all non-executive Directors should be submitted for re-election by shareholders at regular intervals and that nomination for re-election should not be assumed but be based on disclosed procedures and continued satisfactory performance. The Articles of Association state that at each Annual General Meeting (AGM) of the Company, any Director:

(i) Who has been appointed by the Board since the last AGM;

(ii) Who held office at the time of the two preceding AGMs and who did not retire at either of them; or

(iii) Who has been a Director for a continuous period of 9 years or more at the date of the AGM.

shall retire from office and may offer himself for election or re-election by the members.

[1] – appointed on 21 February 2019

DIRECTORS' AND CORPORATE GOVERNANCE REPORT (CONTINUED)

Corporate governance statement (continued)

c) The Board (continued)

Directors appointment, retirement and rotation (continued)

Based on the above and reflecting best practice, the Directors have adopted a policy whereby all Directors will stand for re-election at each AGM, including the forthcoming AGM to be held on 24 April 2019.

The Board considers that there is a balance of skills and experience within the Board and that each of the Directors contributes effectively.

Board independence, composition and tenure

The Chairman, Richard Boléat, was independent of the Investment Vehicle Manager at the time of his appointment and remains so. The Chairman is responsible for the leadership of the Board and ensuring its effectiveness in all aspects of its role.

The Chairman and all Directors are considered independent of the Investment Vehicle Manager. David Wood was a founding partner of CVC Cordatus (a predecessor to CVC Credit Partners Group) but retired in April 2012. He was a member of CVC Credit Partners Advisory Board, which is an advisory body established to comment on strategic plans, budgets and markets, until April 2015. Mr Wood continues to sit on the CVC Credit Partners Conflicts Committee.

The Directors consider that there are no factors, as set out in principle 1 or 2 of the AIC Code, which compromise the Chairman's or other Directors' independence and that they all contribute to the affairs of the Company in an adequate manner. The Board reviews the independence of all Directors annually. The Company Secretary, BNP Paribas Securities Services S.C.A., Jersey Branch, through its representatives, acts as Secretary to the Board and Audit Committee and in doing so it: assists the Chairman in ensuring that all Directors have full and timely access to all relevant documentation; organises induction of any new Directors; is responsible for ensuring that the correct Board procedures are followed; and advises the Board on corporate governance matters.

The Board considers that boards of investment companies are more likely to benefit from a long association with a company in that they will experience a number of investment cycles. The Board does not consider that length of service necessarily compromises the independence or effectiveness of each individual Director and accordingly does not have a formal policy requiring that Directors should stand down after a fixed period.

The Board considers that, due to its size, it would be unnecessarily burdensome to establish a separate Nomination, Remuneration or Management Engagement Committee. The Board as a whole nominates candidates for the Board and, subject to there being no conflicts of interest, all Directors are entitled to vote on candidates for the appointment of any new Directors.

Board diversity

The Board is made up of one female and three male Directors. The Board has due regard for the benefits of experience and diversity in its membership, including gender, and strives to meet the right balance of individuals who have the knowledge and skillset to aid the effective functioning of the Board and maximise shareholder return while mitigating the risk exposure of the Company.

DIRECTORS' AND CORPORATE GOVERNANCE REPORT (CONTINUED)

Corporate governance statement (continued)

c) The Board (continued)

Board diversity (continued)

The Board supports the recommendations of the Davies Report. However, it does not consider it appropriate or in the interest of the Company and its shareholders to set prescriptive targets for gender or other diversity on the Board. The Board is committed to ensuring that any vacancies arising are filled by the most qualified candidates who have complementary skills or who possess the skills and experience which fill any gaps in the Board's knowledge or experience irrespective of gender, race or creed. The Company has no employees and therefore there is nothing further to report in respect of gender representation within the Company.

Directors' professional development

The Board believes that keeping up-to-date with key credit industry developments is essential for the Directors to maintain and enhance their effectiveness.

Directors are given the opportunity to discuss training and development needs and are expected to take responsibility for identifying their training needs and to take steps to ensure that they are adequately informed about the Company and their responsibilities as a Director. The Chairman is responsible for agreeing and reviewing with each Director their training and development needs.

When a new Director is appointed to the Board, they will be provided with all relevant information regarding the Company and their duties and responsibilities as a Director. In addition, a new Director will also spend time with representatives of the Investment Vehicle Manager in order to learn more about their processes and procedures.

The Board is confident that all its members have the knowledge, ability and experience to perform the functions required of a Director of the Company.

Director's remuneration and annual evaluation of the Board and that of its Audit Committee and individual Directors

The Board periodically reviews the fees paid to the Directors and compares these with the fees paid by listed companies generally.

An evaluation of the Board, Audit Committee and Directors is undertaken annually. This considers their balance of skills, experience, independence, knowledge, diversity (including gender), how the Board works together as a unit and other factors relevant to their effectiveness. The evaluation also considers the Board's and the Audit Committee's performance, constitution and terms of reference to ensure that they are operating effectively. The evaluation is externally facilitated on a regular basis. Trust Associates, a third party contractor, undertook a full external review in 2014 and an external interim review in 2016.

During the year the annual evaluation was undertaken via questionnaire. The results of the questionnaire were discussed at a Board meeting, with action assigned for those areas with less than a perfect score. No significant matters arose from the evaluation which need to be bought to the attention of shareholders.

Details of the remuneration arrangements for the Board and Audit Committee can be found in the Directors' Remuneration Report on page 41 and in note 6 of the financial statements.

DIRECTORS' AND CORPORATE GOVERNANCE REPORT (CONTINUED)

Corporate governance statement (continued)

d) Board meetings and relations with the Investment Vehicle Manager

Primary focus

The Board receives regular reports from the Investment Vehicle Manager on the performance of the Investment Vehicle's investments. These are presented periodically to the Board by a representative of the Investment Vehicle Manager.

As the Company is self-managed, the Chairman assumes the responsibility of ensuring that relevant financial information, including Investment Vehicle investment portfolio analysis and financial plans, including budgets and forecasts, are available to the Board and discussed at Board meetings. The Chairman encourages open debate to foster a supportive and co-operative approach for all participants.

The Board applies its primary focus on the following:

- investment performance, ensuring that the investment objective and strategy of the Company are met;
- ensuring investment holdings are in line with the Company's prospectus;
- reviewing and monitoring financial risk management and operating cash flows, including cash flow forecasts and budgets for the Company; and
- reviewing and monitoring of the key risks to which the Company is exposed as set out in the Strategic Report.

At each relevant meeting the Board undertakes reviews of key investment and financial data, transactions and performance comparisons, share price and NAV performance, marketing and shareholder communication strategies, peer group information and industry issues.

Review of NAV and share price of each share class

The Directors review the trading price of the Company's ordinary shares and compare them against their NAV to assess volatility in the discount or premium of the share prices.

Overall strategy

The Board meets regularly to discuss and consider the investment objective, policy and approach of the Company to ensure sufficient attention is given to the overall strategy of the Company.

The Board considers whether the investment policy continues to meet the Company's objectives. The Board believes that the overall strategy of the Company remains appropriate.

Monitoring and evaluation of service providers

The Board reviews the performance of the Company's third-party service providers together with their anti-bribery and corruption policies to ensure that they comply with the Corruption (Jersey) Law 2006, the Bribery Act 2010, the Criminal Finances Act 2017 and ensure their continued competitiveness and effectiveness and ensure that performance is satisfactory and in accordance with the terms and conditions of the respective appointments.

As part of the Board's ongoing evaluation of third party service providers, it considers and reviews on a periodic basis contractual arrangements with the major service suppliers of the Company.

The Directors have adopted a procedure whereby they are required to report any potential acts of bribery and corruption in respect of the Company that come to their attention to the Company's Compliance Officer.

DIRECTORS' AND CORPORATE GOVERNANCE REPORT (CONTINUED)

Corporate governance statement (continued)

e) Shareholder communications

Shareholder profile and communication
An analysis of the substantial shareholders of the Company's shares is provided to the Directors on a quarterly basis.

The Board views shareholder relations and communications as a high priority and the Directors aim to have a thorough understanding of the views of shareholders about the Company. Since admission, the Directors have sought engagement with investors. The Chairman and other Directors are available for discussion about governance and strategy with major shareholders and the Chairman ensures communication of shareholders' expressed views to the Board. Shareholders wishing to communicate with the Chairman, or any Director, may do so by any conventional means. The Directors welcome the views of all shareholders and place considerable importance upon them.

The main method of communication with shareholders is through the half-year and annual financial reports which aim to give shareholders a clear and transparent understanding of the Company's objectives, strategy and results. This information is supplemented by the publication of the weekly estimated and monthly NAV of the Company's Euro Shares and Sterling Shares on the London Stock Exchange via a Regulatory Information Service.

The Company's website (www.ccpeol.com) is regularly updated with monthly factsheets and provides further information about the Company, including the Company's financial reports and announcements. The maintenance and integrity of the Company's website is the responsibility of the Directors. Legislation in Jersey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Board believes that the AGM provides an appropriate forum for investors to communicate with the Board, and encourages participation. The AGM will be attended by at least the Chairman of the Company and the Chairman of the Audit Committee. There is an opportunity for shareholders to question the Directors at the AGM. It is the intention of the Board that the Notice of the AGM and related papers will be sent to shareholders at least 20 working days before that meeting.

The Board has also instigated a programme of quarterly investor calls, to allow investors and other interested parties to receive an update on the previous quarter's performance and market conditions. It also provides a forum for questions to be posed to the Chairman and representatives of the Investment Vehicle Manager.

Other communications
All substantive communications regarding any major corporate issues are discussed by the Board taking into account representations from the Investment Vehicle Manager, the Auditor, legal advisors, corporate brokers and the Company Secretary.

f) Internal control and Risk Management Systems

A description of the main features of internal controls and risk management systems in relation to the financial reporting process can be found on page 39.

DIRECTORS' AND CORPORATE GOVERNANCE REPORT (CONTINUED)

Alternative Investment Fund Manager Directive (AIFMD)

The Company (which is a non-EU AIF for the purposes of the AIFM Directive and related regimes in EEA member states) is a self-managed fund and therefore acts as the deemed Alternative Investment Fund Manager ("AIFM") of the Company. The Company is authorised as an Alternative Investment Fund Services Business as defined under Article 2(11) of the Financial Services (Jersey) Law 1998 and as such, fulfils the role of Alternative Investment Fund Manager.

In 2014, the Company registered with the Jersey Financial Services Commission, being the Company's competent regulatory authority, as a self-managed non-EU Alternative Investment Fund (AIF), and has registered with the UK Financial Conduct Authority, under the relevant national private placement regime ("NPPRs").

In 2015, the Company registered with the Finnish Financial Supervisory Authority, Belgium Financial Services and Markets Authority, Danish Finanstilsynet, Luxembourg Commission de Surveillance du Secteur Finacier and Swedish Finansinspektionen, under the relevant NPPRs of each jurisdiction.

In 2017, the Company registered with Central Bank of Ireland, under the relevant NPPR.

As the Company is non-EU domiciled no depositary has been appointed in line with the AIFM Directive, however BNP Paribas Securities Services S.C.A., Jersey Branch has been appointed to act as custodian.

Information relating to the current risk profile of the Company and the risk management systems employed by the Company to manage those risks, as required under paragraph 4(c) of Article 23 of the AIFM Directive, is set out in note 8 – financial risk management. Please refer to pages 15 to 16 for the Board's assessment of the principal risks and uncertainties facing the Company.

Table of AIFM remuneration

The total fees paid to the Board by the Company are disclosed within the Directors' remuneration report on page 41 and disclosed in note 6.

Article 22(2)(e) and 22(2)(f) of the AIFM Directive is not deemed applicable as the AIFM has no staff. No other remuneration costs have been incurred with the exception of those costs incurred by the Board as referenced above.

This Directors' and Corporate Governance Report on pages 26 to 35 was approved by the Board of Directors on 28 February 2019 and signed on its behalf by:

Richard Boléat
Chairman

Mark Tucker
Audit Committee Chairman

REPORT OF THE AUDIT COMMITTEE

It has been my pleasure and privilege to serve throughout this busy year as Chairman of the Company's Audit Committee.

In addition to the work described below, the Audit Committee engaged in several additional matters during the year in the areas of Tax, Key Information Documents ("KIDs") and Climate-related financial disclosures.

Specifically, the Committee oversaw an exercise to remediate several prior year HMRC filings in respect of the Reporting Fund Regime. The exercise was completed in December and the amended information was posted on the Company's website. The Committee also oversaw the commencement of a revision exercise in respect of the Company's KIDs to reconsider the charges previously included therein.

In September 2018, the Status Report produced by the Financial Stability Board's Task Force on Climate-related Financial Disclosures was published. The Board requested the Audit Committee to review the Status Report and comment on its relevance to the Company. As a result of this process the Company has agreed to lend its support to the initiative and in 2019 it is envisaged that the Audit Committee will be involved in shaping expanded disclosures stemming from the recommendations made therein.

Membership

The Board has appointed an Audit Committee which operates within clearly defined Terms of Reference, which are published on the Company's website (at www.ccpeol.com).

The Audit Committee comprises all of the Directors. All of the Audit Committee's members have recent and relevant financial experience and one is a Fellow of the Institute of Chartered Accountants in England and Wales. The Audit Committee as a whole has competence relevant to the sector in which the Company operates.

In 2018, the Audit Committee met on five occasions. The members' attendance record can be found on page 30.

Role of the Audit Committee

The main roles of the Audit Committee are to protect the interests of the Company's shareholders regarding the integrity of the half-yearly financial report and the annual financial report of the Company and manage the Company's relationship with the external Auditor.

The Audit Committee's key duties are:

- to review and monitor the fairness and balance of the financial statements of the Company including its half-year financial report and annual financial report to shareholders reviewing any significant financial reporting issues and judgements which they contain;
- to advise the Board on whether the Committee believes that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, position, business model and strategy to consider and make recommendations to the Board in relation to the appointment, re-appointment and removal of the external Auditors and to negotiate their remuneration and terms of engagement on audit and non-audit work;

REPORT OF THE AUDIT COMMITTEE (CONTINUED)

Role of the Audit Committee (continued)

- to meet regularly with the external Auditor in order to review their proposed audit programme of work and the subsequent Audit Report and to assess the effectiveness of the audit process and the level of fees paid in respect of audit and non-audit work; and
- to annually assess the external Auditor's independence, objectivity, effectiveness, resources and expertise.

Significant risks

The Audit Committee view the below as significant risks:

- **Title to and the existence of the Company's investments**
  Procedures to confirm the Company's title to and the existence of the Company's investments are embedded within the Company's share issuance, monthly conversion and quarterly tender process, accordingly this item was confirmed by the Board on several occasions throughout the year.
- **Valuation of Investments**
  The risk of misstatement due to errors in the valuation of the Company's investments is an issue of significance to the Audit Committee. This risk is mitigated by regular Board meetings which examine the valuation of the Company's investments amongst other items. Additionally, the Audit Committee interviewed representatives of the Investment Vehicle Manager in order to gain assurances as to the continued appropriateness of the valuation methodology. This meeting preceded a review by the Audit Committee of satisfactory documentary evidence in support of the assurances given.

Additionally, the procedures employed by the Auditors, described in the external audit process below, are viewed by the Audit Committee as being appropriate and sufficiently robust to gain sufficient assurance of the existence of the Company's investments and identify weaknesses in the valuation of the Company's investments.

External audit process

The Audit Committee met with the Auditor prior to the commencement of the audit and agreed an audit plan that would adopt a risk-based approach. The Audit Committee and the Auditor agreed that a significant portion of the Audit effort would include an examination of revenue recognition with respect to investment income and an examination of the procedures in place at the Administrator and at the Investment Vehicle Manager in respect of the valuation of the Company's investments and the underlying portfolio assets respectively.

Upon completion of the audit, the Audit Committee discussed with the Auditor the effectiveness of the audit and concluded that the audit had been effective on the grounds that:

- The audit plan had been met;
- The Auditor had demonstrated a good understand of the Company's business;
- No risks to audit quality had been identified;
- The robustness and perceptiveness of the Auditor in handling key accounting issues and judgements; and
- The satisfactory resolution of all issues that arose during the audit.

REPORT OF THE AUDIT COMMITTEE (CONTINUED)

Non-Audit Services

The Company has adopted a policy such that the provision of non-audit services by the Company's auditors is considered and approved by the Audit Committee on a case by case basis, taking into account relevant law, regulation, the Ethical Standard 2016 and other applicable professional requirements

The following factors are assessed when considering the provision of non-audit services by the auditors:

- threats to independence and objectivity resulting from the provision of such services and any safeguards in place to eliminate or reduce these threats to a level where they would not compromise the auditor's independence and objectivity;
- the nature of the non-audit services;
- whether the skills and experience of the audit firm make it the most suitable supplier of the non-audit service; and
- the fees incurred, or to be incurred, for non-audit services both for individual services and in aggregate, relative to the audit fee, including special terms and conditions (for example contingent fee arrangements).

During the course of the year the Auditor was engaged for the following non-audit services:

- Review of the Company's half yearly financial report for the six months ended 30 June 2018; and
- Reporting Fund Regime – review of the remediation exercise described above whereby certain year's Reporting Fund Regime calculations were amended and refiled.

The fees for the year-end audit were €64,197 (£56,800) (2017: €62,400 (£55,200)) and fees for non-audit services were €10,737 (£9,500) for the review of the half year report (2017: €10,400 (£9,200)) and €15,823 (£14,000) for work regarding the Reporting Fund Regime (2017: €nil (£nil)).

Auditor Independence

The Audit Committee undertakes an annual assessment of the independence of the Auditor prior to the commencement of the audit, this includes:

- Discussing with the Auditor the threats to their independence and the safeguards applied to mitigate such threats;
- Considering all of the relationships between the Company and the Auditor;
- Reviewing and confirming no relationships between the Company and the Auditor which could impact independence and objectivity;
- Reviewing the level of fees paid by the Company in proportion to the overall fee income of the firm, office and partner; and
- Reviewing the Auditor's policies and processes for maintaining independence and monitoring compliance with relevant requirements

Based on the above criteria the Audit Committee was satisfied as to the independence of the Auditor during the year ended 31 December 2018 and throughout the course of the audit.

REPORT OF THE AUDIT COMMITTEE (CONTINUED)

Auditor Appointment

The Company's current external Auditor is Ernst & Young LLP, who were appointed on 19 August 2013.

The Audit Committee considers the reappointment of the external auditor, including the rotation of the audit engagement partner, each year. The external auditor is required to rotate the audit engagement partner responsible for the Company audit every five years. For the 2018 external audit, the Auditor has appointed a new lead engagement partner given that the previous lead engagement partner had been in place for five years.

The Committee reviews a number of factors when considering proposing the re-appointment / appointment of an auditor including:

- Effectiveness and quality of the previous audit (if applicable);
- Independence;
- Qualification, expertise and resources; and
- Consideration as to whether it would be appropriate to recommend an external audit tender be conducted earlier than the maximum best practice ten-year period.

After considering the above the Audit Committee provided the Board with its recommendation to the shareholders on the reappointment of Ernst & Young LLP as external auditor for the year ending 31 December 2019.

Accordingly, a resolution proposing the reappointment of Ernst & Young LLP as the Company's Auditor will be put to shareholders at the AGM. There are no contractual obligations restricting the Committee's choice of external auditor and the Company does not indemnify its external auditor.

Internal controls

The Board is responsible for ensuring that suitable systems of risk management and internal control are implemented by the third-party service providers to the Company. The Directors have reviewed the BNP Paribas Securities Services ISAE 3402 report (on the description of controls placed in operation, their design and operating effectiveness for the period from 1 October 2017 to 30 September 2018) on Fund Administration and Middle Office Outsourcing and are pleased to note that no significant issues were identified.

In accordance with the FRC's Internal Control: Guidance to Directors, and the FRC's Guidance on Audit Committees, the Board confirms that there is an on-going process for identifying, evaluating and managing the significant internal control risks faced by the Company.

As the Company does not have any employees it does not have a "whistle blowing" policy in place. The Company delegates its day to day administrative operations to third-party providers who are monitored by the Board and who report on their policies and procedures to the Board. Accordingly, the Board believes an internal audit function is not required.

For and on behalf of the Audit Committee

Mark Tucker
Audit Committee Chairman
28 February 2019

DIRECTORS' STATEMENT OF RESPONSIBILITIES

The Directors are responsible for preparing the Annual Financial Report and financial statements in accordance with applicable Jersey law and International Financial Reporting Standards as adopted by the European Union (IFRSs).

Jersey Law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company at the end of the year and of the profit or loss of the Company for that year.

In preparing these financial statements, the Directors should:

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

The Directors are responsible for keeping proper accounting records that disclose, with reasonable accuracy at any time, the financial position of the Company and enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The Directors confirm to the best of their knowledge that:

- the financial statements, which have been prepared in accordance with IFRS, give a true and fair view of the assets, liabilities, financial position and profit of the Company; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that they face.

The Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, position, business model and strategy.

Richard Boléat
Chairman
28 February 2019

Mark Tucker
Audit Committee Chairman

DIRECTORS' REMUNERATION REPORT

Annual remuneration statement

This report meets the relevant rules of the Listing Rules of the Financial Conduct Authority and the AIC Code and describes how the Board has applied the principles relating to Directors' remuneration. The Board has not established a separate Remuneration Committee.

Changes to the Board

There were no changes to the Board during the year. Following the year end, Stephanie Carbonneil was appointed to the Board on 21 February 2019. In accordance with Company policy, all Directors will stand for reappointment at the forthcoming Annual General Meeting to be held on the 24 April 2019.

Table of Directors' Remuneration

Component	Director	Annual Rate (£)	Purpose of reward
Annual fee	All Directors:		
	Richard Boléat (Chairman)	65,000	For commitment as Directors
	Mark Tucker	43,750	
	David Wood	42,500	
	Stephanie Carbonneil[1]	42,500	
Additional fee	Chairman of the Audit Committee: Mark Tucker	6,250	For additional responsibilities and time commitment
Expenses		Ad hoc	Reimbursement of expenses paid

No other remuneration or compensation was paid or is payable by the Company during the period to any of the Directors. There has been no change to the Company's remuneration policy as detailed below.

The Company has no employees. Accordingly, there are no differences in policy on the remuneration of Directors and the remuneration of employees.

No Director is entitled to receive any remuneration which is performance-related.

Remuneration policy

The determination of the Directors' fees is a matter for the Board. The Board considers the remuneration policy annually to ensure that it remains appropriately positioned. As part of this process, Directors review the fees paid to the boards of directors of similar companies. No Director is involved in decisions relating to their own remuneration.

Directors are remunerated in the form of fees, payable quarterly in advance. No Director has any entitlement to a pension, and the Company has not awarded any share options or long-term performance incentives to any of the Directors.

Directors are authorised to claim reasonable expenses from the Company in relation to the performance of their duties.

[1] – Effective from 21 February 2019

DIRECTORS' REMUNERATION REPORT (CONTINUED)

Remuneration policy (continued)

The Company's policy is that the fees payable to the Directors should reflect the time spent by the Board on the Company's affairs and the responsibilities borne by the Directors and should be sufficient to enable high calibre candidates to be recruited. The policy is for the Chairman of the Board and Chairman of the Audit Committee to be paid a higher fee than the other Directors in recognition of their more onerous roles and more time spent. The Board may amend the level of remuneration paid within the limits of the Company's Articles of Association.

The Company's Articles of Association limit the aggregate fees payable to the Directors to a total of €500,000 per annum.

Service contracts and policy on payment of loss of office

Directors have agreed letters of appointment with the Company. No Director has a service contract with the Company and Directors' appointments may be terminated at any time by one month's written notice with no compensation payable at termination upon leaving office for whatever reason.

Dates of letters of appointment

Directors	Effective Date
Richard Boléat	20 March 2013
Mark Tucker	20 March 2013
David Wood	20 March 2013
Stephanie Carbonneil	21 February 2019

Director interests

No Director has any other interest in any contract to which the Company is a party and no Director has held or holds any management or ordinary shares in the Company. Information of each Director is shown on pages 19 and 20.

Statement of consideration of shareholder views

An ordinary resolution to ratify the Directors' remuneration report will be proposed at the Annual General Meeting on 24 April 2019.

Richard Boléat
Chairman
28 February 2019

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF CVC CREDIT PARTNERS EUROPEAN OPPORTUNITIES LIMITED

Opinion

We have audited the financial statements of CVC Credit Partners European Opportunities Limited (the "Company") for the year ended 31 December 2018 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Net Assets, the Statement of Cash Flows and the related notes 1 to 17, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the European Union ('IFRSs').

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been properly prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

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 below. 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 as applied to listed entities, 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 principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the Annual Report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the Annual Report set out on pages 15 and 16 that describe the principal risks and explain how they are being managed or mitigated;
- the Directors' confirmation set out on page 18 in the Annual Report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- the Directors' statement set out on page 17 in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements, and their identification of any material uncertainties to the Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the Directors' statement in relation to going concern required under the Listing Rules is materially inconsistent with our knowledge obtained in the audit; or

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF CVC CREDIT PARTNERS EUROPEAN OPPORTUNITIES LIMITED (CONTINUED)

Conclusions relating to principal risks, going concern and viability statement (continued)

- the Directors' explanation set out on pages 17 and 18 in the Annual Report as to how they have assessed the prospects of the Company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Overview of our audit approach

Key audit matters	• Valuation and existence of investments • Inappropriate revenue recognition
Materiality	• Overall materiality of €5.4m (2017: €5.1m) which represents 1% (2017: 1%) of the net assets.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole and in our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation and existence of investments

Risk

Refer to the Report of the Audit Committee – per the financial statements (page 37); accounting policy 2.4 (pages 56 to 58); and note 7 of the financial statements (pages 63 to 73).

There is a risk that investment values are misstated or that valuations are incorrectly calculated through errors in the valuation of the Preferred Equity Certificates ("PECs") held by the Company.

Furthermore, there is a risk that investments presented in the financial statements do not exist or the Company does not have legal title to these.

At the year end, the Company held 124,305,615.27 Euro and 338,776,091.72 Sterling PECs (2017: 121,787,192.73 Euro and 294,111,377.53 Sterling PECs) with a total value of €537.6m (2017: €507.3m).

Our response to the risk

We performed the following procedures:

- Updated our understanding of how this risk is considered and managed by the Directors, the Investment Vehicle Manager and the Administrator and performed walkthroughs to confirm the design effectiveness of the process.
- Obtained an understanding of the current valuation methodology used by the Investment Vehicle (CVC European Credit Opportunities S.À R.L.).
- We agreed the valuation of the PECs to the signed financial statements of the Investment Vehicle taking into account the ownership percentages.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF CVC CREDIT PARTNERS EUROPEAN OPPORTUNITIES LIMITED (CONTINUED)

Valuation and existence of investments (continued)

Our response to the risk (continued)

- Assessed the Investment Adviser's and the Administrator's systems and controls in respect of investment valuation.
- Understood the scope of any work conducted by the Directors during the year, including outputs and actions arising from the meetings conducted in relation to the valuation process. This included understanding the nature of information that they have considered sufficient to enable their conclusion on the valuation of investments as reported in the financial statements.
- Viewed key reports or other communication presented to the Board addressing valuation methodology and data inputs used.
- Reviewed a sample of the Investment Vehicle's valuations to reasonably verify that year end valuations are in line with IFRS 13: Fair value measurement.
- Understood the controls and review process undertaken by the Board as pertaining to expertise relating to investment valuation.
- Obtained the PEC registers independently from Saltgate, the Investment Vehicle Company Secretary, and agreed the holdings to that disclosed in the accounts.
- Agreed a sample of investment trades in the year to agreements and traced cash movements to bank statements.

Key observations communicated to the Audit Committee

We have no matters to communicate with respect to the valuation and existence of investments.

Inappropriate revenue recognition with respect to investment income

Risk

Refer to note 3 of the Financial Statements (page 60)

The ability to generate dividend yield for shareholders that is funded from investment income (rather than capital gains arising on the disposal of investments) is a key strategic objective of the Company.

Investment income is primarily generated in the form of distributions from the Investment Vehicle. Given the importance that the Company's ability to generate a consistent level of investment income has on the Company's dividend yield objectives; we consider that the recognition of investment income represents a significant risk.

For the year ended 31 December 2018 the Company recognised Investment Income of €28.5m (2017: €22.2m).

Our response to the risk

We performed the following procedures:

- Updated our understanding of the nature of the investment income attributable to the Company from the Investment Vehicle.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF CVC CREDIT PARTNERS EUROPEAN OPPORTUNITIES LIMITED (CONTINUED)

Inappropriate revenue recognition with respect to investment income (continued)

Our response to the risk (continued)

- Updated our understanding of how this risk is considered and managed by the Directors, the Investment Vehicle Manager and the Administrator and performed walkthroughs to confirm the design effectiveness of the process.
- Traced the investment income received in the year to bank statements.
- Performed recalculations of the foreign currency translations from Sterling to Euros.
- Obtained distribution notices from the Administrator and agreed these to the income recorded in the year.
- Recalculated the investment income attributable to the Company from the Investment Vehicle based on the Company's ownership of the Investment Vehicle.

Key observations communicated to the Audit Committee

We have no matters to communicate with respect to inappropriate revenue recognition with respect to investment income.

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the Company. This enables us to form an opinion on the financial statements. We take into account: size, risk profile, the organisation of the Company and effectiveness of controls, including controls and changes in the business environment when assessing the level of work to be performed. All audit work was performed directly by the audit engagement team.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Company to be €5.4m (2017: €5.1m), which is 1% (2017: 1%) of Net Assets. We believe that net assets are the most important financial metric on which shareholders would judge the performance of the Company.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF CVC CREDIT PARTNERS EUROPEAN OPPORTUNITIES LIMITED (CONTINUED)

An overview of the scope of our audit (continued)

Performance materiality (continued)

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgement was that performance materiality was 75% (2017: 75%) of our planning materiality, namely €4.0m (2017: €3.8m). We have set performance materiality at this percentage based on our understanding of the entity and past experiences with the audit.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of €0.3m (2017: €0.3m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the Annual Report set out on pages 2 to 42, and pages 90-91 other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information.

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.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- **Fair, balanced and understandable set out on page 26 –** the statement given by the Directors that they consider the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF CVC CREDIT PARTNERS EUROPEAN OPPORTUNITIES LIMITED (CONTINUED)

Other information (continued)

- **Audit committee reporting set out on page 36 –** the section describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee; or
- **Directors' statement of compliance with the UK Corporate Governance set out on pages 28 and 29 –** the parts of the Directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies (Jersey) Law 1991 requires us to report to you if, in our opinion:

- proper accounting records have not been kept by the Company, or proper 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 Company's accounting records and returns; 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' Statement of Responsibilities set out on page 40 , 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 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.

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.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF CVC CREDIT PARTNERS EUROPEAN OPPORTUNITIES LIMITED (CONTINUED)

Use of our report

This report is made solely to the Company's shareholders, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. Our audit work has been undertaken so that we might state to the Company's shareholders 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Sarah Williams
for and on behalf of Ernst & Young LLP
London
28 February 2019

Notes:

1. The maintenance and integrity of the CVC Credit Partners European Opportunities Limited website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
2. Legislation in Jersey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

STATEMENT OF COMPREHENSIVE INCOME

For the year from 1 January 2018 to 31 December 2018

	Notes	Year ended 31 December 2018 €	Year ended 31 December 2017 €
Income			
Investment income	3	28,466,122	22,171,713
Tender fee income	3	86,705	-
Net (losses)/gains on financial assets held at fair value through profit or loss	7	(23,883,674)	16,793,912
Foreign exchange loss on financial assets held at fair value through profit or loss	7	(4,868,354)	(11,226,227)
Foreign exchange gain on ordinary shares	12	4,867,850	11,046,086
Other net foreign currency exchange gains through profit or loss		2,655	184,800
		4,671,304	38,970,284
Expenses			
Operating expenses	4	(1,214,447)	(1,214,203)
Partial termination fee	4	(19,807)	(308,760)
		(1,234,254)	(1,522,963)
Profit before finance costs and taxation		**3,437,050**	**37,447,321**
Finance costs			
Placing programme costs	5	(269,111)	-
Share issue costs	5	(628,236)	(1,105,350)
Dividends paid	5, 12	(26,433,503)	(21,123,486)
(Loss)/profit before taxation		**(23,893,800)**	**15,218,485**
Taxation	2.13	-	-
(Decrease)/increase in net assets attributable to shareholders from operations		**(23,893,800)**	**15,218,485**
(Loss)/earnings per Euro Share	**12**	**(€0.054283)**	**€0.041674**
(Loss)/earnings per Sterling Share (Sterling equivalent)	**12**	**(£0.048028)**	**£0.036502**

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

The Company has no items of other comprehensive income, and therefore the (decrease)/increase in net assets attributable to ordinary shareholders for the year is also the total comprehensive (loss)/income.

The notes on pages 54 to 89 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	31 December 2018 €	31 December 2017 €
Assets			
Financial assets held at fair value through profit or loss	7	537,640,863	507,308,415
Financial assets receivable	7	448,289	-
Prepayments		33,962	36,856
Cash and cash equivalents		1,208,254	588,911
Total assets		**539,331,368**	**507,934,182**
Liabilities			
Payables	9	(366,166)	(256,050)
Total liabilities		**(366,166)**	**(256,050)**
Net assets attributable to shareholders	**13**	**538,965,202**	**507,678,132**

The financial statements on pages 50 to 89 were approved by the Board of Directors on 28 February 2019 and signed on its behalf by:

Richard Boléat
Chairman

Mark Tucker
Audit Committee Chairman

The notes on pages 54 to 89 form an integral part of these financial statements.

STATEMENT OF CHANGES IN NET ASSETS

For the year ended 31 December 2018

	Note	Net assets attributable to shareholders 2018 €
As at 1 January 2018		**507,678,132**
Issuance and subscriptions arising from conversion of ordinary shares	12	66,177,156
Redemption payments arising on conversion and tender of ordinary shares	12	(6,128,436)
Decrease in net assets attributable to shareholders from operations		(23,893,800)
Net foreign currency exchange gain on opening ordinary shares and ordinary shares issued during the year	12	(4,867,850)
As at 31 December 2018		**538,965,202**

	Note	Net assets attributable to shareholders 2017 €
As at 1 January 2017		**405,526,279**
Subscriptions arising from conversion of ordinary shares	12	139,340,625
Redemption payments arising on conversion and tender of ordinary shares	12	(41,361,171)
Increase in net assets attributable to shareholders from operations		15,218,485
Net foreign currency exchange gain on opening ordinary shares and ordinary shares issued during the year	12	(11,046,086)
As at 31 December 2017		**507,678,132**

The notes on pages 54 to 89 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Note	Year ended 31 December 2018 €	Year ended 31 December 2017 €
Cash flows from operating activities			
(Loss)/profit before taxation[1]		(23,893,800)	15,218,485
Adjustments to reconcile (loss)/profit before tax to net cash flows:			
- Net loss/(gain) on investments held at fair value through profit or loss	7	23,883,674	(16,793,912)
- Foreign exchange loss on financial assets held at fair value through profit or loss	7	4,868,354	11,226,227
- Foreign currency exchange gain on ordinary shares	12	(4,867,850)	(11,046,086)
- Placing programme costs	5	269,111	-
- Share issue costs	5	628,236	1,105,350
- Dividends paid	12	26,433,503	21,123,486
Changes in working capital:			
- (increase)/decrease in receivables and prepayments		(445,395)	13,329
- increase/(decrease) in payables		110,116	(439,208)
Net cash provided by operating activities		**26,985,949**	**20,407,671**
Cash flows from investing activities			
Purchase of financial assets held at fair value through profit or loss	7	(65,111,344)	(138,435,290)
Proceeds from redemption of financial assets held at fair value through profit or loss	7	6,026,868	41,298,170
Net cash used in investing activities		**(59,084,476)**	**(97,137,120)**
Cash flows from financing activities			
Proceeds from issuance and subscriptions arising from conversion of ordinary shares	12	66,177,156	139,340,625
Payments from redemption of ordinary shares	12	(6,128,436)	(41,361,171)
Placing programme costs	5	(269,111)	-
Share issue costs	5	(628,236)	(1,105,350)
Dividends paid	12	(26,433,503)	(21,123,486)
Net cash provided by financing activities		**32,717,870**	**75,750,618**

Net increase/(decrease) in cash and cash equivalents in the year		**619,343**	**(978,831)**
Cash and cash equivalents at beginning of the year		588,911	1,567,742
Cash and cash equivalents at the end of the year		**1,208,254**	**588,911**

[1] - Includes investment income of €28,466,122 (2017: €22,171,713), interest income of €nil (2017: €400) and tender fee income of €86,705 (2017: €nil).

The notes on pages 54 to 89 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. General information

CVC Credit Partners European Opportunities Limited (the "Company") was incorporated on 20 March 2013 and is registered in Jersey as a closed-ended Investment Company. Euro Shares and Sterling Shares were admitted to the Official List of the UK Listing Authority and admitted to trading on the Main Market of the London Stock Exchange on 25 June 2013.

The Company's registered address is IFC1, The Esplanade, St Helier, Jersey, JE1 4BP.

2. Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to the years presented.

2.1 Basis of preparation

(a) Statement of Compliance

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union which comprise standards and interpretations approved by the International Accounting Standards Board (IASB) together with the interpretations of the International Accounting Standards and Standing Interpretations Committee as approved by the International Accounting Standards Committee (IASC) which remain in effect. The financial statements give a true and fair view of the Company's affairs and comply with the requirements of the Companies (Jersey) Law 1991.

The liquidity method of presentation is followed in the Statement of Financial Position. Please refer to 8.2 for maturity profiles.

(b) Basis of measurement

These financial statements have been prepared on the historical cost basis except for the revaluation of financial assets held at fair value through profit or loss and ordinary shares that are held at amortised cost being the amount they can be redeemed at.

(c) Functional and presentation currency

The Company's functional currency is the Euro, which is the currency of the primary economic environment in which it operates. The Company's performance is evaluated and its liquidity is managed in Euros. Therefore the Euro is considered as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The financial statements are presented in Euros, except where otherwise indicated, and are rounded to the nearest Euro.

(d) Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS, requires the Company to make judgements, estimates and assumptions that affect items reported in the Statement of Financial Position and Statement of Comprehensive Income and the disclosure of contingent liabilities at the date of the financial statements. It also requires management to exercise its judgement in the process of applying the Company's accounting policies.

Although these judgements, estimates and assumptions are based on best knowledge of current facts, circumstances and, to some extent, future events and actions, the actual results may ultimately differ from those estimates, possibly significantly. Valuation of financial assets is considered a significant estimate and is monitored by the Audit Committee to ensure that judgements, estimates and assumptions made and methodologies applied are appropriate and in accordance with IFRS 13 – Fair Value Measurement ("IFRS 13"). Please refer to note 2.4(c) for detail regarding fair value estimation of financial assets and note 7 for IFRS 13 disclosures.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Accounting policies (continued)

2.1 Basis of preparation (continued)

(d) Critical accounting estimates and judgements (continued)

As outlined above in note 2.1(c) the Directors have used their judgement to determine that the Company's presentational and functional currency is Euro.

(e) New standards, amendments and interpretations

The Company applies, for the first time, **IFRS 15 – Revenue from Contracts with Customers** ("IFRS 15") and **IFRS 9 – Financial Instruments** ("IFRS 9") that became effective on 1 January 2018. These standards do not result in a restatement of previous financial statements. The nature and effect of these changes are disclosed on below.

(i) IFRS 15 replaces IAS 11 – Construction Contracts, IAS 18 – Revenue and related Interpretations
IFRS 15 requires entities to recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The Directors believe that the application of IFRS 15 is not be applicable as the Company does not have any revenue that should be accounted for under IFRS 15.

(ii) IFRS 9 replaces IAS 39 – Financial Instruments: Recognition and Measurement
IFRS 9 introduced a new approach to the classification of financial assets which is driven by the business model in which the asset is held and their cash flow characteristics. A new business model approach was introduced which does allow certain financial assets to be categorised as "fair value through other comprehensive income" in certain circumstances. IFRS 9 carries forward the derecognition requirements of financial assets and liabilities from IAS 39.

The Board applied IFRS 9 from 1 January 2018 for the first time. As disclosed in the Annual Financial Report, the Board has undertaken an assessment of the impact of IFRS 9 on the Company's financial statements and concluded that there will be no impact to the classification and measurement of the Company's financial assets and financial liabilities. Refer to note 2.4 for the accounting policies on financial instruments.

A number of amendments and interpretations to existing standards have been issued during the year ended 31 December 2018 that are not relevant to the Company's operations and therefore have no impact on the Company's financial statements.

(f) Standards, amendments and interpretations issued but not yet effective

Standards that become effective in future accounting periods and have not been adopted by the Company:

International Financial Reporting Standards (IFRS)	Effective for periods beginning on or after
• IFRS 16 – Leases	1 January 2019
• IFRS 17 – Insurance Contracts	1 January 2021

As the Company does not participate in leasing arrangements or insurance contracts in the normal course of its business, the Directors believe that the application of these standards will have no impact on the Company's financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Accounting policies (continued)

2.1 Basis of preparation (continued)

(f) Standards, amendments and interpretations issued but not yet effective (continued)

A number of amendments and interpretations to existing standards have been issued, but are not yet effective, that are not relevant to the Company's operations. The Directors believe that the application of these amendments and interpretations will not impact the Company's financial statements when they become effective.

2.2 Going concern

After reviewing the Company's budget and cash flow forecast, the Directors are satisfied that, at the time of approving the Annual Financial Report, no material uncertainties exist that may cast significant doubt concerning the Company's ability to continue for a period of at least twelve months from the date of approval of the financial statements. The Directors consider it is appropriate to adopt the going concern basis in preparing the financial statements.

2.3 Foreign currency translations

Transactions in foreign currencies are translated to Euro at the foreign exchange rate on the transaction date. Monetary assets and liabilities denominated in foreign currencies at the Statement of Financial Position date are translated to Euro at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the Statement of Comprehensive Income.

2.4 Financial instruments

Financial assets

(a) Classification

The Company classifies its investments as financial assets held at fair value through profit or loss. These financial assets do not possess contractual terms which give rise to cash flows on specified dates that are solely payments of principal and interest and therefore these financial assets default to this classification. Financial assets also include cash and cash equivalents as well as other receivables which are measured at amortised cost.

(b) Recognition, measurement and derecognition

Purchases and sales of investments are recognised on the trade date – the date on which the Company commits to purchase or sell the investment. Financial assets at fair value through profit or loss are measured initially and subsequently at fair value. Transaction costs are expensed as incurred and movements in fair value are recorded in the Statement of Comprehensive Income.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or the Company has transferred substantially all risks and rewards of ownership.

(c) Fair value estimation

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 Company holds Preferred Equity Certificates ("PECs") issued by the Investment Vehicle. These investments are not listed or quoted on any securities exchange and are not traded regularly and, on this basis, no active market exists.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Accounting policies (continued)

2.4 Financial instruments (continued)

Financial assets (continued)

(c) Fair value estimation (continued)

The Company relies on the board of the Investment Vehicle making fair value estimates of an equivalent basis to those that would be made under IFRS. As at 31 December 2018, the Directors reviewed documentary evidence of the valuation of Investment Vehicle investments and scrutinised fair value estimates used to gain assurances as to the appropriateness and robustness of the valuation methodology applied by the Investment Vehicle to its underlying portfolio assets and hence to the Company investments in the Investment Vehicle. The Directors then incorporated those fair value estimates into the Company's Statement of Financial Position.

(d) Valuation process

The Directors interviewed representatives of the Investment Vehicle Manager in order to verify how the PECs are valued and the composition of the Net Asset Value ("NAV") of the PECs as of the date of the Statement of Financial Position.

The Directors are in regular communications with the Investment Vehicle Manager and receive monthly performance reports from the Investment Vehicle Manager in respect of the Investment Vehicle and its underlying investments, which are presented to the Directors by the Investment Vehicle Manager and discussed by these parties. The Directors consider the impact of general credit conditions on the valuation of both the PECs and Investment Vehicle portfolio, as well as specific credit events in the European corporate environment. The Directors also analyse the Investment Vehicle portfolio in terms of both investment mix and fair value hierarchy.

PECs

The PECs are valued taking into consideration a range of factors including the audited NAV of the Investment Vehicle as well as available financial and trading information of the Investment Vehicle and of its underlying portfolio; the price of recent transactions of PECs redeemed and advice received from the Investment Vehicle Manager; and such other factors as the Directors, in their sole discretion, deem relevant in considering a positive or negative adjustment to the valuation.

Investment Vehicle portfolio

The Directors also discuss the Investment Vehicle Manager's monthly valuation process to understand the valuation methodology of Level 3 debt securities and Collateralised Loan Obligations ("CLOs") held in the Investment Vehicle portfolio. As part of this they consider the assumptions used and significant fair value changes during the period.

Investments in CLOs are primarily valued based on the bid price as provided by a third party pricing service and may be amended following consideration of the NAV published by the administrator of the CLOs. Furthermore, such a NAV is adjusted when necessary, to reflect the effect of the time passed since the calculation date, liquidity risk, limitations on redemptions and other factors. Depending on the fair value level of a CLO's assets and liabilities and on the adjustments needed to the NAV published by that CLO, the Investment Vehicle classifies the fair value of these investments as Level 3.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Accounting policies (continued)

2.4 Financial instruments (continued)

Financial assets (continued)

(d) Valuation process (continued)

Investment Vehicle portfolio (continued)

Investments in debt securities for which limited broker quotes and for which no other evidence of liquidity exists are classified as Level 3. These are then valued by considering in detail the limited broker quotes available for evidence of outliers (which may skew the average) which if existent are then removed, and then by calculating the average of the remaining quotes. If there are no broker quotes, the Investment Vehicle Manager produces a pricing memorandum for the Investment Vehicle drawing on the International Private Equity Valuation guidelines, which is discussed, reviewed and accepted by the board of the Investment Vehicle and the independent service provider.

If the Investment Vehicle Manager and the independent service provider have difficulty in establishing an agreed upon valuation for an asset, they will discuss and agree alternative valuation methods.

Financial liabilities

(e) Classification

As disclosed in note 2.7, the Company classifies its ordinary shares as financial liabilities held at amortised cost. Financial liabilities also include payables excluding accruals which are also held at amortised cost.

(f) Recognition, measurement and derecognition

Financial liabilities are recognised initially at fair value plus any directly attributable incremental costs of acquisition or issue and are subsequently carried at amortised cost. Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Ordinary shares are carried at amortised cost being the carrying amount of ordinary share value at which investors have the opportunity to partially tender their shareholding in accordance with the Company's Quarterly Contractual Tender facility.

2.5 Operating expenses

Operating expenses are recognised on an accruals basis and are recognised in the Statement of Comprehensive Income.

2.6 Dividends payable

Dividends are recognised as finance costs in the Statement of Comprehensive Income and are accrued when there is an obligation.

2.7 Ordinary shares

In accordance with IAS 32 – Financial Instruments: Presentation, the ordinary shares are classified as a financial liability rather than equity due to the redemption mechanism of the ordinary shares, in addition to there being two share classes which have different characteristics. Please refer to note 12 for further details.

2.8 Management shares

The management shares are the most subordinate share class and therefore these are classified as equity. Please refer to note 11 for further detail.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Accounting policies (continued)

2.9 Investment income

Investment income relates to quarterly income distributions received from the Investment Vehicle based on income returns and capital appreciation from a diversified portfolio of sub-investment grade debt instruments. The Company is entitled to receive income distributions every quarter, which will equate to not less than 75% of the net income of the Company's investment in the Investment Vehicle. Investment income is recognised as investment income in the Statement of Comprehensive Income when income distributions are declared by the Investment Vehicle.

2.10 Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks. Cash equivalents are short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

2.11 Segmental reporting

The Directors view the operations of the Company as one operating segment, being the investment business. All significant operating decisions are based upon analysis of the Company's investments as one segment. The financial results from this segment are equivalent to the financial results of the Company as a whole, which are evaluated regularly by the chief operating decision-maker (the Board with insight from the Investment Vehicle Manager).

2.12 Contingent liabilities and provisions

A contingent liability is a possible obligation depending on whether some uncertain future event occurs; or a present obligation but payment is not probable or the amount cannot be measured reliably. A provision is recognised when:

- the Company has a present legal or constructive obligation as a result of past events;
- it is probable that an outflow of resources will be required to settle the obligation; and
- the amount has been reliably estimated.

2.13 Taxation

Profits arising in the Company for the 2018 year of assessment will be subject to Jersey tax at the standard corporate income tax rate of 0% (2017: 0%).

2.14 Capital risk management

The Board defines capital as financial resources available to the Company. The Company's capital as at 31 December 2018 comprises its net assets attributable to shareholders at a total of €538,965,202 (2017: €507,678,132).

The Company's objectives when managing capital are to:

- safeguard the Company's ability to continue as a going concern;
- provide returns for shareholders; and
- maintain an optimal capital structure to minimise the cost of capital.

The Board monitors the capital adequacy of the Company on an on-going basis and the Company's objectives regarding capital management have been met.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Accounting policies (continued)

2.14 Capital risk management (continued)

Under the Code of Practice for Alternative Investment Funds and AIF Services Business, the AIFM, as an internally managed AIF is required to have an initial capital of at least €300,000. With the exception of above, the Company has no other internally or externally imposed capital requirements.

3. Investment income

	Year ended 31 December 2018 €	Year ended 31 December 2017 €
Investment income	28,466,122	22,171,313
Bank interest income	-	400
Total investment income	**28,466,122**	**22,171,713**

Tender fee income

At the 2017 Annual General Meeting, shareholders resolved to amend the terms and conditions of the Contractual Quarterly Tender facility which included an amendment to the tender price paid by shareholders who utilise the Contractual Quarterly Tender facility. From June 2017 onwards, the new tender price would be calculated based on the NAV per share (calculated as at the final business day in each quarter or such other date as the Directors in their absolute discretion may determine from time to time) less £0.01 or €0.01 per share respectively (being 1% of the original placing price of £1.00 and €1.00 per share), which is retained by the Company or, at the discretion of the Directors, paid to CVC Investment Services as partial termination fees. In addition, a €1,000 administration fee is withheld from the redemption proceeds of each tendering Shareholder. The Company recognises retained redemption proceeds of 1% and the administration fee as tender fee income within finance costs.

Since June 2017, 7,946,680 Euro Shares and 39,701 Sterling Shares have been tendered by shareholders which generated tender fee income of €86,705.

Refer to note 12 for further details on the Contractual Quarterly Tender facility.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Operating expenses

	Year ended 31 December 2018 €	Year ended 31 December 2017 €
Administration fees	220,344	183,442
Directors' fees (see note 6)	179,490	179,818
Regulatory fees	124,756	54,798
Audit fees	64,197	62,400
Non-audit fees - interim review services	10,737	10,400
Non-audit fees - other services	15,823	-
Professional fees	170,812	250,623
Brokerage fees	46,729	46,056
Registrar fees	85,728	60,369
Advisor fees	123,742	125,684
Commission fees	22,578	22,759
Sundry expenses	149,511	217,854
Total operating expenses	**1,214,447**	**1,214,203**

Non-audit fees
Non-audit fees relate to interim review services and review of the Company's reporting fund regime refiling's as further described on page 38.

Advisor fees
The Corporate Services Manager agreed to provide the services of Mr. Justin Atkinson to assist with the marketing and promotion of the Company's shares (the "Advisor fees"). The Corporate Services Manager recharges the Company for Mr. Atkinson's cost. During the period, Advisor fees incurred were €123,742 (2017: €125,684).

Commission fees
Commission fees relate to the commission payable to the Conversion SPV Limited (the "Conversion Vehicle"). During the period, Commission fees incurred were €22,578 (2017: €22,759). Refer to note 12 for further details on the treasury share convertor mechanism.

Partial termination fees
Partial termination fee expense of €19,807 (2017: €308,760) was incurred during the year, of which €nil (2017: €nil) is payable to the Corporate Services Manager as at 31 December 2018. Up until 31 March 2018, where any shareholder tendered shares through a Contractual Quarterly Tender, the Company became liable to pay a partial termination fee to the Corporate Services Manager and recorded an expense in accordance with the prospectus. A fee is built into the tender price of 1% of the placing price of the Contractual Quarterly Tender facility to cover this partial termination fee. From 31 March 2018, partial termination fees are payable at the discretion of the Board. In the event no partial termination fees are paid, the entire 1% fee built into the tender price in respect of tenders accrues to the Company. No partial termination fees have been incurred since the 31 March 2018 tender.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. Finance costs

Placing programme costs

On 25 October 2018, the Company published a circular convening an extraordinary general meeting to vote on resolutions concerning the renewal of the Board's authority to issue shares in the capital of the Company on a non-pre-emptive basis, both in respect of a general issuance authority and in respect of up to 500 million shares to be issued pursuant to a placing programme (the "Placing Programme") to be launched by the Company.

On 16 November 2018, the Company announced that the two above resolutions were passed. The Company expects to publish a prospectus in relation to the Placing Programme in the coming months.

During the year ended 2018, the Company incurred placing programme fees of €269,111, which represents legal fees of €156,558 and placing agent fees of €112,553. Of this total, placing programme fees accrued amounted to €172,074.

The Company expects that further placing programme costs will be incurred in 2019 pursuant to the publication of a prospectus under the Placing Programme. Placing programme costs relate solely to the publication of such a prospectus and do not represent operating expenses that are incurred in the normal operation of a separate share class.

Share issue costs

The costs of the sale of treasury shares have been expensed in the Statement of Comprehensive Income and amounted to a total of €628,236 (2017: €1,105,350).

Dividends paid

Refer to note 12 for further information on dividends paid.

6. Directors' fees and interests

During the year ended 31 December 2018, the Directors of the Company were remunerated for their services as follows:

Richard Boléat (Chairman)	- £65,000 (2017: £65,000)
Mark Tucker	- £43,750 (2017: £43,750)
David Wood	- £42,500 (2017: £42,500)

Mark Tucker in his capacity as the Chairman of the Audit Committee receives an additional £6,250 (2017: £6,250) for his services in this role.

Stephanie Carbonneil was appointed as a non-executive Director of the Company on 21 February 2019 and will receive remuneration of £42,500 per annum.

None of the Directors hold shares in the Company. No pension contributions were payable in respect of any of the Directors.

The Company has no employees.

Richard Boléat acts as the enforcer of the CCPEOL Purpose Trust. Please refer to note 15 for further detail.

David Wood holds an investment in a CVC fund and sits on the CVC Credit Partners Conflicts Committee (the "Conflicts Committee").

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. Directors' fees and interests (continued)

CVC Credit Partners Group has established an independent Conflicts Committee of independent directors drawn from its group board and the boards of certain of its funds and investment vehicles for the purpose of providing review and guidance to the relevant investment committee with respect to any situation where there is the potential for (or perception of) a material conflict of interest.

The Independent Conflicts Committee currently consists of two independent directors from CVC Investment Services' board of directors (being Douglas Maccabe and Stephen Linney), and David Wood. Any such conflict is required to be presented to the Conflicts Committee by the relevant portfolio manager and, if necessary, CVC Credit Partners Group's chief executive officer and/or chief investment officer.

7. Financial assets held at fair value through profit or loss

	31 December 2018 €	31 December 2017 €
PECs - Unquoted investment*	537,640,863	507,308,415

During the year, the Company subscribed for (excluding subscriptions as a result of the scrip dividend scheme) 6,976,360.60 (2017: 14,067,049.99) Euro and 43,041,819.59 (2017: 91,973,380.49) Sterling Preferred Equity Certificates ("PECs") issued by the Investment Vehicle. As a result of the scrip dividend scheme, the Company subscribed for 697,338.24 (2017: 307,753.43) Euro PECs and 583,080.76 (2017: 22,105.71) Sterling PECs.

During the year, 1,409,686.65 (2017: 4,906,918.83) Euro PECs were converted into 1,216,563.83 Sterling PECs (2017: 4,231,745.05) and 137,895.02 Sterling PECs (2017: 292,630.38) were converted into 159,820.35 Euro PECs (2017: 323,604.10) as part of the monthly share conversion process. 3,905,410.00 Euro PECs (2017: 15,719,762.00) and 38,854.97 (2017: 14,837,291.00) Sterling PECs, were redeemed as part of the Quarterly Contractual Tender.

*– In addition, as at 31 December 2018, the Company recognised financial assets receivable of €448,289 (2017: nil) relating to PECs awaiting settlement. The below breakdown does not incorporate PEC's awaiting settlement.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. Financial assets held at fair value through profit or loss (continued)

As at the year ended 31 December 2018, the Company held 124,305,615.27 Euro and 338,776,091.72 Sterling PECs (2017: 121,787,192.73 Euro and 294,111,377.53 Sterling PECs). Please refer below for reconciliation of PECs from 1 January 2017 (excluding PEC's awaiting settlement):

Date	Transaction type	Euro PECs	Sterling PECs
As at 1 January 2017		**127,715,466.04**	**213,014,064.66**
02/01/2017	Quarterly tender	(6,227,806.00)	(7,920,070.00)
08/03/2017	PEC subscription	-	643,093.56
08/03/2017	PEC subscription	-	248,155.42
03/04/2017	Quarterly tender	(5,503,287.00)	(6,917,221.00)
17/04/2017	PEC subscription	-	501,278.29
17/04/2017	PEC subscription	-	250,638.69
17/04/2017	PEC subscription	-	250,638.69
17/04/2017	PEC subscription	-	250,638.69
19/05/2017	PEC subscription	-	349,180.30
19/05/2017	PEC subscription	-	198,594.10
30/06/2017	PEC subscription	12,526,467.90	68,783,681.54
03/07/2017	Quarterly tender	(3,988,669.00)	-
18/08/2017	PEC subscription	-	199,482.83
12/09/2017	PEC subscription	198,376.46	-
12/09/2017	PEC subscription	-	198,594.07
12/09/2017	PEC subscription	-	247,992.31
29/09/2017	Monthly conversion	323,604.10	(292,630.38)
11/10/2017	PEC subscription	198,216.00	390,113.64
11/10/2017	PEC subscription	100,499.14	17,476,724.18
11/10/2017	PEC subscription	151,089.27	-
13/11/2017	PEC subscription	99,540.12	199,249.93
13/11/2017	PEC subscription	792,861.10	199,249.93
13/11/2017	PEC subscription	-	1,091,208.28
30/11/2017	Monthly conversion	(594,200.08)	510,511.63
12/12/2017	Scrip issue	307,753.43	22,105.71
12/12/2017	PEC subscription	-	247,368.52
12/12/2017	PEC subscription	-	247,500.52
29/12/2017	Monthly conversion	(4,312,718.75)	3,721,233.42
As at 31 December 2017		**121,787,192.73**	**294,111,377.53**
08/01/2018	PEC subscription	75,459.00	251,692.47
15/01/2018	PEC subscription	150,919.02	151,015.12
16/01/2018	PEC subscription	553,372.51	-
18/01/2018	PEC subscription	-	249,480.39

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. Financial assets held at fair value through profit or loss (continued)

Date	Transaction type	Euro PECs	Sterling PECs
22/01/2018	PEC subscription	-	250,297.28
31/01/2018	Monthly conversion	(148,553.58)	128,955.00
01/02/2018	Quarterly tender	-	(14,561.97)
13/02/2018	PEC subscription	148,754.20	446,800.22
07/03/2018	PEC subscription	594,337.68	148,772.29
12/03/2018	PEC subscription	-	1,634,908.90
14/03/2018	PEC subscription	-	892,717.28
16/03/2018	Scrip issue	311,445.47	105,410.30
20/03/2018	PEC subscription	-	348,120.88
27/03/2018	PEC subscription	704,563.64	-
29/03/2018	Monthly conversion	121,214.24	(104,810.90)
01/04/2018	Quarterly tender	(3,905,410.00)	(24,293.00)
30/04/2018	Monthly conversion	(297,154.47)	254,663.40
30/04/2018	Monthly conversion	34,754.83	(29,788.35)
31/05/2018	Monthly conversion	(221.04)	189.21
31/05/2018	Monthly conversion	3,418.17	(2,925.26)
15/06/2018	Scrip issue	71,261.95	21,062.69
29/06/2018	Monthly conversion	433.11	(370.51)
29/06/2018	Monthly conversion	(13,750.55)	11,763.23
09/07/2018	PEC subscription	500,350.72	20,849,669.91
11/07/2018	PEC subscription	-	504,492.72
17/07/2018	PEC subscription	151,180.30	2,219,760.20
19/07/2018	PEC subscription	-	499,485.60
24/07/2018	PEC subscription	-	499,003.51
25/07/2018	PEC subscription	-	998,183.21
31/07/2018	PEC subscription	-	1,601,159.84
13/08/2018	PEC subscription	-	645,970.08
15/08/2018	PEC subscription	248,319.82	248,449.48
17/08/2018	PEC subscription	-	496,899.85
24/08/2018	PEC subscription	-	496,322.68
30/08/2018	PEC subscription	247,846.16	496,322.68
05/09/2018	PEC subscription	148,814.80	682,439.02
12/09/2018	PEC subscription	993,358.56	-
18/09/2018	PEC subscription	-	1,510,287.51
21/09/2018	Scrip issue	314,630.82	456,607.77
25/09/2018	PEC subscription	201,096.44	503,560.75

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. Financial assets held at fair value through profit or loss (continued)

Date	Transaction type	Euro PECs	Sterling PECs
01/10/2018	PEC subscription	-	3,851,247.56
09/10/2018	PEC subscription	504,238.75	202,093.48
22/10/2018	PEC subscription	1,016,165.91	-
30/10/2018	PEC subscription	-	914,108.25
30/10/2018	PEC subscription	406,465.74	406,537.25
31/10/2018	Monthly conversion	(730,998.52)	632,728.30
04/12/2018	PEC subscription	-	1,005,424.58
14/12/2018	PEC subscription	331,117.35	36,596.60
31/12/2018	Monthly conversion	(219,008.49)	188,264.69
As at 31 December 2018		**124,305,615.27**	**338,776,091.72**

Fair value hierarchy

IFRS 13 'Fair Value Measurement' ("IFRS 13") requires an analysis of investments valued at fair value based on the reliability and significance of information used to measure their fair value.

The Company categorises its financial assets and financial liabilities according to the following fair value hierarchy detailed in IFRS 13, that reflects the significance of the inputs used in determining their fair values:

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2: Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable variable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

As at 31 December 2018

	Level 1 €	Level 2 €	Level 3 €	Total €
Financial assets				
Financial assets held at fair value through profit or loss	-	-	537,640,863	537,640,863
Financial liabilities				
Ordinary shares (*)	540,974,315	-	-	540,974,315

*– Please note for disclosure purposes only, ordinary shares have been disclosed at fair value using the quoted price in accordance with IFRS 13. As disclosed in note 2.7, the Company classifies its ordinary shares as financial liabilities held at amortised cost.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. Financial assets held at fair value through profit or loss (continued)

Fair value hierarchy (continued)

As at 31 December 2017

	Level 1 €	Level 2 €	Level 3 €	Total €
Financial assets				
Financial assets held at fair value through profit or loss	-	-	507,308,415	507,308,415
Financial liabilities				
Ordinary shares (*)	510,483,535	-	-	510,483,535

The estimated fair values may differ from the values that would have been realised had a ready market existed and the difference could be material.

The fair value of investments is assessed on an ongoing basis by the Board.

Level 3 reconciliation

The following table shows a reconciliation of all movements in the fair value of financial assets held at fair value through profit or loss categorised within Level 3 between the beginning and the end of the reporting period.

	31 December 2018 €
Balance as at 1 January 2018	**507,308,415**
Purchases	63,383,294
Subscriptions arising from conversion	1,728,050
Redemption proceeds arising from conversion	(1,726,986)
Redemption proceeds arising from quarterly tenders	(4,299,882)
Net loss on financial assets held at fair value through profit or loss	(23,883,674)
Foreign exchange loss on financial assets held at fair value through profit or loss	(4,868,354)
Balance as at 31 December 2018	**537,640,863**
Change in unrealised loss related to financial assets still held at the year ended 31 December 2018	**(24,241,891)**

During 2018, there were no reclassifications between levels of the fair value hierarchy.

*– Please note for disclosure purposes only, ordinary shares have been disclosed at fair value using the quoted price in accordance with IFRS 13. As disclosed in note 2.7, the Company classifies its ordinary shares as financial liabilities held at amortised cost.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. Financial assets held at fair value through profit or loss (continued)

Level 3 reconciliation (continued)

	31 December 2017 €
Balance as at 1 January 2017	**404,603,610**
Purchases	132,697,195
Subscriptions arising from conversion	5,738,095
Redemption proceeds arising from conversion	(5,795,819)
Redemption proceeds arising from quarterly tenders	(35,502,351)
Net gains on financial assets held at fair value through profit or loss	16,793,912
Foreign exchange loss on financial assets held at fair value through profit or loss	(11,226,227)
Balance as at 31 December 2017	**507,308,415**

Change in unrealised gain related to financial assets still held at the year ended 31 December 2017	**14,573,869**

During 2017, there were no reclassifications between levels of the fair value hierarchy.

Quantitative information of significant unobservable inputs – Level 3 – PECs

Description	31 December 2018 €	Valuation technique	Unobservable input	Range (weighted average)
PECs	537,640,863	Adjusted net asset value	Discount for lack of liquidity	0-3%

Description	31 December 2017 €	Valuation technique	Unobservable input	Range (weighted average)
PECs	507,308,415	Adjusted net asset value	Discount for lack of liquidity	0-3%

The Board believes that it is appropriate to measure the PECs at the NAV of the investments held at the Investment Vehicle, adjusted for discount for lack of liquidity.

The net asset value of the Investment Vehicle attributable to each PEC unit is 1.16 (2017: 1.22).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. Financial assets held at fair value through profit or loss (continued)

Sensitivity analysis to significant changes in unobservable inputs within Level 3 hierarchy – Level 3 – PECs

The significant unobservable inputs used in the fair value measurement categorised within Level 3 of the fair value hierarchy together with a quantitative sensitivity analysis as at 31 December 2018 and comparative are as shown below:

As at 31 December 2018

Description	Input	Sensitivity used	Effect on fair value €
PECs	Discount of lack of liquidity	3%	(16,129,226)

As at 31 December 2017

Description	Input	Sensitivity used	Effect on fair value €
PECs	Discount of lack of liquidity	3%	(15,219,252)

Please refer to note 2.4 for valuation methodology of PECs.

The following tables on pages 70 to 73, detail the investment holding of the Company at the Investment Vehicle level, categorising these assets according to the fair value hierarchy in accordance with IFRS 13 and detailing the quantitative information of significant unobservable inputs of the Level 3 investments held. The below disclosure has been included to provide an insight to shareholders, of the asset class mix held by the Investment Vehicle portfolio. It is important to note that as at 31 December 2018, the Company held a 68.91% (2017: 71.65%) interest in the PECs issued by the Investment Vehicle. This disclosure has not been apportioned according to the Company's PEC holding, as the Board believes to do so would be misleading and not an accurate representation of the Company's investment in the Investment Vehicle.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. Financial assets held at fair value through profit or loss (continued)

The below information regarding the financial assets at fair value through profit or loss for the Investment Vehicle has been included for disclosure purposes only.

Financial assets and liabilities at fair value through profit or loss – (for Investment Vehicle)

Financial assets	Level 1 €000	Level 2 €000	Level 3 €000	31 December 2018 €000
Equity securities				
Equities and warrants	863	-	4,123	4,986
Debt securities				
Corporate bonds and other debt securities	178,807	554,304	57,401	790,512
CLO's including Asset Backed Securities	2,372	-	20,322	22,694
Total	**182,042**	**554,304**	**81,846**	**818,192**
Financial liabilities				
Corporate bonds and other debt securities sold short	51,371	5,729	-	57,100
Forward currency contracts	-	2,198	-	2,198
Total	**51,371**	**7,927**	**-**	**59,298**

Financial assets	Level 1 €000	Level 2 €000	Level 3 €000	31 December 2017 €000
Equities and warrants				
Equities and warrants	1,652	-	905	2,557
Debt securities				
Corporate bonds and other debt securities	116,072	488,255	107,608	711,935
CLOs including Asset Backed Securities	-	-	30,069	30,069
Derivatives financial instruments				
Forward currency contracts	-	8,166	-	8,166
Total	**117,724**	**496,421**	**138,582**	**752,727**
Financial liabilities				
Corporate bonds and other debt securities	20,178	3,322	-	23,500
Total	**20,178**	**3,322**	**-**	**23,500**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. Financial assets held at fair value through profit or loss (continued)

Transfers between Level 2 and Level 3 – (for Investment Vehicle)

During 2018, following further developments in the liquidity of certain debt securities, investments of the Investment Vehicle with a value of €11.7 million (2017: €17.4 million) were reclassified from Level 2 to Level 3. There were also investments reclassified from Level 3 to Level 2 having a market value of €34 million (2017: €7.2 million).

Level 3 reconciliation – (for Investment Vehicle)

The following table shows a reconciliation of all movements in the fair value of financial instruments categorised within Level 3 between the beginning and the end of the reporting period.

	Equities and Warrants €000	Corporate bonds and other debt securities €000	CLOs (including Asset Backed Securities) €000	Total €000
Balance as at 1 January 2017	**139**	**45,418**	**34,121**	**79,678**
Total gains / (losses) in Statement of Comprehensive Income during the year	766	(651)	2,428	2,543
Purchases / Subscriptions	-	102,364	7,697	110,061
Sales / Redemptions	-	(49,648)	(14,177)	(63,825)
Transfers into and out of Level 3	-	10,125	-	10,125
Balances as at 31 December 2017	**905**	**107,608**	**30,069**	**138,582**
Total gains / (losses) in Statement of Comprehensive Income during the year	3,218	1,512	(3,964)	766
Purchases / Subscriptions	-	31,196	12,894	44,090
Sales / Redemptions	-	(63,332)	(18,677)	(82,009)
Transfers into and out of Level 3	-	(19,583)	-	(19,583)
Balances as at 31 December 2018	**4,123**	**57,401**	**20,322**	**81,846**
Total unrealised gains and losses at 31 December 2017 included in Statement of Comprehensive Income for assets held at the end of the year	**857**	**(906)**	**1,955**	**1,906**
Total unrealised gains and losses at 31 December 2018 included in Statement of Comprehensive Income for assets held at the end of the year	**3,218**	**(824)**	**(3,799)**	**(1,405)**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. Financial assets held at fair value through profit or loss (continued)

Quantitative information of significant unobservable inputs – Level 3 – (in Investment Vehicle)

Description	2018 €000	Valuation technique	Unobservable input	Range (weighted average)
Equities and warrants	4,123	Broker quotes / other methods	Specific valuations of the industry: expert valuation	N/A
Corporate bonds and other debt securities	57,401	Broker quotes / Market multiples / Discounted Cash Flow	Cost of market transactions / Multiple of listed companies / management information	N/A
CLOs (including Asset Backed Securities)	20,322	Broker quotes / other methods	Specific valuations of the industry: expert valuation	N/A

The Investment Vehicle board and Investment Vehicle Manager have valued the CLO positions at bid-price as at 31 December 2018 as they believe this is the most appropriate value for these positions. The Investment Vehicle board and Investment Vehicle Manager believe that where certain credit facilities are classified as Level 3 due to limited number of broker quotes, there is still sufficient supporting evidence of liquidity to value these at an undiscounted bid price.

Sensitivity analysis to significant changes in unobservable inputs within Level 3 hierarchy – Level 3 – (for Investment Vehicle)

The significant unobservable inputs used in the fair value measurement categorized within Level 3 of the fair value hierarchy together with a quantitative sensitivity analysis as at 31 December 2018 are as shown below:

Description	Input	Sensitivity used	Effect on fair value €000
Equities and warrants	Discount to broker quotes / valuation method	20%	825
Corporate bonds and other debt securities	Discount to broker quotes / valuation method	10%	5,740
CLOs (including Asset Backed Securities)	Discount to broker quotes / other methods	20%	4,064

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. Financial assets held at fair value through profit or loss (continued)

The below information regarding loans and borrowings for the Investment Vehicle, which are financial liabilities held at amortised cost, has been included for disclosure purposes only.

	Effective interest rate (EIR, %)	Maturity	31 December 2018 €000	31 December 2017 €000
Current interest-bearing loans and borrowings				
Interest on loan - Bank			396	130
			396	**130**
Non-current interest-bearing loans and borrowings				
Loan – Bank (principal EUR 175 million)	1.59%	18-Dec-20	173,941	173,597
			173,941	**173,597**
Total loans and borrowings at year end			**174,337**	**173,727**

The effective interest rate (EIR) is the combination of the nominal interest rate of Euribor + 3 months + 1.28% and the amortisation of the arrangement fee of EUR 1.66 million. The EUR 175 million loan is shown net of the arrangement fee, which is expensed via the EIR over 3 years.

There is collateral cash of EUR 155 million and assets with market value of EUR 225 million in regards of the loan with Bank 2 (31 December 2017: EUR 139 million and assets with market value of EUR 160 million in regards of the loan with Bank 2).

8. Financial risk management

The main risks arising from the Company's financial instruments are credit risk, liquidity risk, market risk, interest rate risk, valuation risk and foreign currency risk.

8.1 Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company. The Board has in place monitoring procedures in respect of counterparty risk which is reviewed on an ongoing basis.

The Company's credit risk is attributable to its financial assets at fair value through profit or loss, financial assets receivable and cash and cash equivalents.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. Financial risk management (continued)

8.1 Credit risk (continued)

In the opinion of the Board, the carrying amounts of financial assets best represent the maximum credit risk exposure to the Company. The Company's financial assets exposed to credit risk amounted to the following:

	31 December 2018 €	31 December 2017 €
Financial assets held at fair value through profit or loss	537,640,863	507,308,415
Financial assets receivable	448,289	-
Cash and cash equivalents	1,208,254	588,911
Total assets	**539,297,406**	**507,897,326**

All cash is placed with BNP Paribas Securities Services S.C.A., Jersey Branch.

BNP Paribas Securities Services S.C.A, Jersey Branch, is a wholly owned subsidiary of BNP Paribas Securities Services S.A. which is publicly traded and a constituent of the S&P 500 Index with a long standing credit rating of A (2017: A) from Standard & Poor's.

The Company is exposed to credit risks associated with the investments held in the Compartment at the Investment Vehicle. These credit risks include (among others): (i) the possibility that earnings of the issuer may be insufficient to meet its debt service obligations; (ii) the issuer's assets declining in value; (iii) the declining creditworthiness of financial institutions to which the Investment Vehicle holds derivatives; and (iv) the declining creditworthiness, default and potential for insolvency of the issuer during periods of rising interest rates and economic downturn. An economic downturn and/or rising interest rates could severely disrupt the market for the investments and adversely affect the value of the investments and the ability of the issuers thereof to repay principal and interest. In turn, this may adversely affect the performance of the Investment Vehicle and, by extension, the Company's business, financial condition, results of operations, NAV and/or the market price of the ordinary shares.

The Board discuss and closely monitor with the Investment Vehicle Manager the creditworthiness of the Compartment's underlying portfolio constituents and banking counterparties (e.g. banks, money market funds and the issuers of the debt securities) by a combination of reviewing their credit ratings, financial statements and press releases on an ongoing basis to mitigate credit risk.

The credit risk associated with financial assets receivable is not considered significant by the Company.

8.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulties in realising assets or otherwise raising funds to meet financial commitments. Given that the PECs are not traded on a stock exchange, the Company relies on the redemption mechanism provided by the Investment Vehicle in order to realise its investments in the Investment Vehicle, and on mechanisms operating in accordance with their contracted terms. The Company does not have any control over the redemption mechanism operated by the Investment Vehicle.

Please refer to pages 15 to 16 – "Principal risks and uncertainties" and note 12 for detail regarding the election to tender available to ordinary shareholders and applicable restrictions.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. Financial risk management (continued)

8.2 Liquidity risk (continued)

The Company may redeem PECs in accordance with its contracted rights. However, if the Investment Vehicle receives applications to redeem Investment Vehicle Interests in respect of any redemption date and it determines (in its sole judgment) that there is insufficient liquidity to make redemptions without prejudicing existing investors in the Investment Vehicle, then the Investment Vehicle is entitled to suspend or scale down the redemption requests on a pro rata basis so as to only carry out redemptions that will not prejudice remaining investors.

As such, in circumstances where the Company wishes to redeem part or all of its holdings in the Investment Vehicle, it may not be able to achieve this on a single redemption date. This may also result in restrictions on the Company's ability to complete or to conduct Contractual Quarterly Tenders.

In certain circumstances, whether prior to or following a NAV determination date, (being the quarterly Investment Vehicle valuation date), where the valuation or realisation of the investments becomes excessively risky or impossible, the Investment Vehicle directors may, by resolution and on the advice of the Investment Vehicle Manager, suspend all calculations, payments and redemptions of the outstanding Investment Vehicle Interests (including the Company's Investment Vehicle Interests).

In the event of a material adverse event occurring in relation to the Investment Vehicle or the market generally, the ability of the Company to realise its investment and prevent the possibility of further losses could, therefore, be limited by its restricted ability to realise its investment in the Investment Vehicle. This delay could materially affect the value of the PECs and the timing of when the Company is able to realise its investments in the Investment Vehicle, which may adversely affect the Company's business, financial condition, results of operations, NAV and/or the market price of the ordinary shares.

The table below shows the residual contractual maturity of the financial assets and liabilities as at 31 December 2018:

	Less than 1 year €	1 to 5 years €	More than 5 years €	No maturity date €	Total €
Financial assets					
Financial assets held at fair value through profit or loss	-	-	537,640,863	-	537,640,863
Financial assets receivable	448,289	-	-	-	448,289
Cash and cash equivalents	1,208,254	-	-	-	1,208,254
Total undiscounted financial liabilities	**1,656,543**	**-**	**537,640,863**	**-**	**539,297,406**
Financial liabilities					
Payables	(366,166)	-	-	-	(366,166)
Ordinary shares	-	-	-	(538,965,202)	(538,965,202)
Total undiscounted financial liabilities	**(366,166)**	**-**	**-**	**(538,965,202)**	**(539,331,368)**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. Financial risk management (continued)

8.2 Liquidity risk (continued)

The table below shows the residual contractual maturity of the financial assets and liabilities as at 31 December 2017:

	Less than 1 year €	1 to 5 years €	More than 5 years €	No maturity date €	Total €
Financial assets					
Financial assets held at fair value through profit or loss[1]	-	-	-	507,308,415	507,308,415
Cash and cash equivalents	588,911	-	-	-	588,911
Total undiscounted financial liabilities	**588,911**	**-**	**-**	**507,308,415**	**507,897,326**
Financial liabilities					
Payables	(256,050)	-	-	-	(256,050)
Ordinary shares[2]	-	-	-	(507,678,132)	(507,678,132)
Total undiscounted financial liabilities	**(256,050)**	**-**	**-**	**(507,678,132)**	**(507,934,182)**

In the ordinary course of business the Directors expect the Company's Contractual Quarterly Tenders to be funded by redemptions from the Investment Vehicle excepting cumulative quarterly tenders received in an amount equal to or less than £100,000 may initially, at the discretion of the Directors, be funded from the Company's working capital.

8.3 Market risk

Market risk is the risk that the Company's performance will be adversely affected by changes in the markets in which it invests. The Company holds a single investment in the form of PECs in the Investment Vehicle which is the main driver of the Company's performance.

At the PEC level, the performance is driven by the underlying portfolio of the Investment Vehicle and therefore consideration of the market risks to which the Company is exposed should be taken.

The Investment Vehicle is required to hold at least 60 per cent of its gross assets in companies domiciled or with material operations in Western Europe. As such, the Company and the Investment Vehicle could be particularly exposed to any deterioration in the current European economic climate.

In addition, the Investment Vehicle does not have any restrictions on the amount of investments it can make in a single industry. As such, any significant event which affects a specific industry in which the Investment Vehicle Portfolio has a significant holding could materially and adversely affect the performance of the Investment Vehicle and, by extension, the Company's ordinary shares.

[1] – The Company has not classified financial assets held at fair value through profit or loss into maturity bands as the Board has determined to do so would be misleading given the Company's contractual quarterly tender mechanism as set out in note 12.

[2] – The Company has not classified the ordinary shares into maturity bands as the Board has determined that to do so would be misleading. Details of the Company's financial liabilities in relation to the ordinary shares, which are carried at amortised cost, are set out in note 12.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. Financial risk management (continued)

8.3 Market risk (continued)

Continued or recurring market deterioration may materially adversely affect the ability of an issuer whose debt obligations form part of the Investment Vehicle portfolio to service its debts or refinance its outstanding debt. Further, such financial market disruptions may have a negative effect on the valuations of the Investment Vehicle investments (and, by extension, on the NAV and/or the market price of the Company's ordinary shares), and on liquidity events involving such Investment Vehicle investments. In the future, non-performing assets in the Investment Vehicle's portfolio will cause the value of the Investment Vehicle's portfolio to decrease (and, by extension, the NAV and/or the market price of the Company's ordinary shares to decrease). Adverse economic conditions may also decrease the value of any security obtained in relation to any of the Investment Vehicle investments.

To mitigate market risk, the Board meet on a monthly basis and receive appropriate updates from the Investment Vehicle Manager to assist them in monitoring the performance of the Investment Vehicle portfolio including concentration of industry and geographical risk and compliance with the stated investment strategy and policy.

Please refer below for sensitivity analysis on the impact on the profit or loss account and NAV of the Company, if the fair value of the PECs at the year-end increased or decreased by 5%:

Current value	2018 Total	Increase by 5%	Decrease by 5%
Euro PECs	€130,095,245	€6,504,762	€(6,504,762)
Sterling PECs (Euro equivalent)	€407,545,618	€20,377,281	€(20,377,281)
Financial assets held at fair value through profit or loss	**€537,640,863**	**€26,882,043**	**€(26,882,043)**
Sterling PECs	£366,135,673	£18,306,784	£(18,306,784)

Current value	2017 Total	Increase by 5%	Decrease by 5%
Euro PECs	€134,199,379	€6,709,969	€(6,709,969)
Sterling PECs (Euro equivalent)	€373,109,036	€18,655,452	€(18,655,452)
Financial assets held at fair value through profit or loss	**€507,308,415**	**€25,365,421**	**€(25,365,421)**
Sterling PECs	£331,357,936	£16,567,897	£(16,567,897)

The above calculations are based on the investment valuation at the Statement of Financial Position date and are not representative of the period as a whole, and may not be reflective of future market conditions.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. Financial risk management (continued)

8.4 Interest rate risk

Interest rate movements affect the fair value of investments in fixed interest rate securities and floating rate loans and on the level of income receivable on floating rate loans and cash deposits.

The majority of the Company's interest rate exposure arises in the fair value of the underlying Investment Vehicle portfolio which is largely invested in the debt securities of companies predominantly in, or with material operations in Western Europe. As at 31 December 2018, the Investment Vehicle held interest bearing financial assets at fair value through profit or loss of €813.2m (2017: €752.7m) and financial liabilities at fair value through profit or loss of €57.1m (2017: €23.5m). Most of these investments in debt securities carry variable interest rates and have various maturity dates. Interest rate risk on fixed interest instruments is considered to be part of market risk on fair value and is monitored by the Board on a monthly basis.

In addition, as at 31 December 2018, the Company was exposed to interest rate risk arising on the Investment Vehicle's receivables and payables on unsettled trades of €26.9m (2017: €43.2m) and €79.9m (2017: €65.4m) respectively and loans and borrowings of €173.9 million (2017: €173.6 million).

The Company invests in the PECs which are non-interest bearing through the issue of non-interest bearing ordinary shares.

The following table details the Company's exposure to interest rate risks.

	2018 Interest bearing[1] €	2018 Non-interest bearing €	2018 Total €
Assets			
Financial assets held at fair value through profit or loss	-	537,640,863	537,640,863
Financial assets receivable	-	448,289	448,289
Prepayments	-	33,962	33,962
Cash and cash equivalents	1,208,254	-	1,208,254
Total assets	**1,208,254**	**538,123,114**	**539,331,368**
Liabilities			
Payables	-	(366,166)	(366,166)
Ordinary shares	-	(538,965,202)	(538,965,202)
Total liabilities	**-**	**(539,331,368)**	**(539,331,368)**
Total interest sensitivity gap	**1,208,254**	**(1,208,254)**	**-**

[1] – floating rate and due within 1 month

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. Financial risk management (continued)

8.4 Interest rate risk (continued)

	2017 Interest bearing[1] €	2017 Non-interest bearing €	2017 Total €
Assets			
Financial assets held at fair value through profit or loss	-	507,308,415	507,308,415
Prepayments	-	36,856	36,856
Cash and cash equivalents	588,911	-	588,911
Total assets	**588,911**	**507,345,271**	**507,934,182**
Liabilities			
Payables	-	(256,050)	(256,050)
Ordinary shares	-	(507,678,132)	(507,678,132)
Total liabilities	**-**	**(507,934,182)**	**(507,934,182)**
Total interest sensitivity gap	**588,911**	**(588,911)**	**-**

8.5 Valuation risk

Valuation risk is the risk that the valuation of the Company's investments in the Investment Vehicle, and accordingly the periodic calculation of the NAV of the Company's Sterling and Euro Shares, does not reflect the true value of the Investment Vehicle's underlying investment portfolio.

The Investment Vehicle's portfolio may at any given time include securities or other financial instruments or obligations which are very thinly traded, for which no market exists or which are restricted as to their transferability under applicable securities laws. These investments may be extremely difficult to value accurately.

Further, because of overall size or concentration in particular markets of positions held by the Investment Vehicle, the value of its investments at which they can be liquidated may differ, sometimes significantly, from their carrying values. Third party pricing information may not be available for certain positions held by the Investment Vehicle and therefore Investments held by the Investment Vehicle may be valued based on valuation techniques using unobservable inputs. In light of the foregoing, there is a risk that an Investment Vehicle interest holder, such as the Company, which redeems all or part of its investment while the Investment Vehicle holds such investments, could be paid an amount less than it would otherwise be paid if the actual value of the Investment Vehicle's investment was higher than the value designated for that Investment by the Investment Vehicle. Similarly, there is a risk that a redeeming Investment Vehicle interest holder might, in effect, be overpaid at the time of the applicable redemption if the actual value of the Investment Vehicle's investment was lower than the value designated for that Investment by the Investment Vehicle, in which case the value of the Investment Vehicle interests to the remaining Investment Vehicle interest holders would be reduced.

[1] – floating rate and due within 1 month

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. Financial risk management (continued)

8.5 Valuation risk (continued)

The board of the Investment Vehicle monitors and reviews the PEC valuation process on an on-going basis and the Board of the Company monitors and reviews the Company's NAV production process on an ongoing basis.

8.6 Foreign currency risk

Foreign currency risk is the risk that the values of the Company's assets and liabilities are adversely affected by changes in the values of foreign currencies by reference to the Company's functional currency.

The functional currency of the Company and the Investment Vehicle is Euro. Certain of the Investment Vehicle's assets are typically invested in securities and other investments which are denominated in other currencies. Accordingly, the Investment Vehicle is subject to foreign currency exchange risks and the value of its assets may be affected by fluctuations in foreign currency exchange rates. The Investment Vehicle uses a third party professional foreign exchange manager to fully hedge the foreign currency exposures to which it is exposed. However, it may not be possible for the Investment Vehicle to hedge against a particular change or event at an acceptable price or at all. In addition, there can be no assurance that any attempt to hedge against a particular change or event would be successful, and any such hedging failure could materially and adversely affect the performance of the Investment Vehicle and, by extension, the Company's business, financial condition, results of operations, NAV and/or the market price of the ordinary shares.

Subscription monies for Sterling Shares have been used to fund subscriptions for Sterling-denominated PECs and such monies may then be converted to Euro for operating purposes. The holders of Sterling Shares will therefore be subject to the foreign currency fluctuations between Sterling and Euro. Although the Investment Vehicle has in place a hedging programme, there is no guarantee that any such hedging arrangements will be successful. In addition, the costs and any benefit of hedging such foreign currency exposure will be allocated solely to the Sterling-denominated PECs (and, as a consequence, to the Sterling Shares).

This may result in fluctuations in the value of the Sterling and Euro PEC's which would result in similar variances within the NAV per Share of the Euro Shares and the Sterling Shares, and so in variations between the market prices of Euro Shares and the Sterling Shares.

As the Company's Sterling and Euro share classes separately invest into Sterling and Euro PEC's respectively, there is no material foreign currency risk at the Company level and therefore the Company only has exposure to material foreign currency movements at the Investment Vehicle level.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. Financial risk management (continued)

8.6 Foreign currency risk (continued)

The below information regarding the foreign currency risk for the Investment Vehicle has been included for disclosure purposes only.

The following table indicates the currencies to which the Investment Vehicle had significant exposure as at financial year end on its financial assets and liabilities. The analysis calculates the total effect of a reasonably possible movement of the currency rate against the EUR on the net assets attributable to PEC holders with all other variables held constant, and includes the impact of the hedging programme undertaken by the Investment Vehicle.

		Effect on net assets attributable to PEC holders and on the change in net assets attributable to PEC holders from operations	
Currency	Change in currency rate	2018 €000	2017 €000
GBP	10%	(55)	193
USD	10%	(258)	(110)

An equivalent decrease in each of the aforementioned currencies against the EUR would have resulted in an equivalent but opposite impact.

9. Payables

	31 December 2018 €	31 December 2017 €
Administration fees	31,195	33,750
Auditor's fees	32,245	20,434
Advisor fees	59,981	47,292
Placing Programme accruals	172,074	-
Other payables	70,671	154,574
Total payables	**366,166**	**256,050**

10. Contingent liabilities and commitments

As at 31 December 2018, the Company had no contingent liabilities or commitments (2017: nil).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. Stated capital

	Number of shares 31 December 2018	Stated capital 31 December 2018 €	Number of shares 31 December 2017	Stated capital 31 December 2017 €
Management shares	2	-	2	-

Management shares

Management shares are non-redeemable, have no par value and no voting rights, and also no profit allocated to them in the earnings per share calculation.

12. Ordinary shares

	Number of shares[1] 31 December 2018	Stated capital 31 December 2018 €	Number of shares[1] 31 December 2017	Stated capital 31 December 2017 €
Euro Shares	125,830,138	126,908,872	122,972,583	123,732,923
Sterling Shares	340,632,066	398,568,337	296,201,850	346,563,416
Total	**466,462,204**	**525,477,209**	**419,174,433**	**470,296,339**

	31 December 2018 Total €
Balances as at 1 January 2018	**470,296,339**
Issue of ordinary shares	64,449,101
Subscriptions arising from conversion of ordinary shares	1,728,055
Redemption payments arising from conversion of ordinary shares	(1,726,992)
Redemption payments arising from quarterly tenders of ordinary shares	(4,401,444)
Foreign currency exchange gain on ordinary shares	(4,867,850)
Balances as at 31 December 2018	**525,477,209**

[1] - Excludes 5,178,583 (2017: 49,856,335) Euro Shares and 18,555,899 (2017: 25,810,040) Sterling Shares held as treasury shares.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. Ordinary shares (continued)

	31 December 2017 Total €
Balances as at 1 January 2017	**383,362,971**
Issue of ordinary shares	133,602,530
Subscriptions arising from conversion of ordinary shares	5,738,095
Redemption payments arising from conversion of ordinary shares	(5,795,819)
Redemption payments arising from quarterly tenders of ordinary shares	(35,565,352)
Foreign currency exchange gain on ordinary shares	(11,046,086)
Balances as at 31 December 2017	**470,296,339**

The Company has two classes of ordinary shares, being Euro Shares and Sterling Shares.

Each Euro Share holds 1 voting right, and each Sterling Share holds 1.17 voting rights. Each Share has no par value.

As at 31 December 2018, the Company had 131,008,721 (inclusive of 5,178,583 treasury shares) (2017: 172,828,918 (inclusive of 49,856,335 treasury shares)) Euro Shares and 359,187,965 (inclusive of 18,555,899 treasury shares) (2017: 322,011,890 (inclusive of 25,810,040 treasury shares)) Sterling Shares.

Sale of treasury shares

Excluding shares sold to the Conversion Vehicle as detailed below and shares sold as part of the placing of treasury shares, the Company completed the sale of 6,550,000 Euro and 22,107,240 Sterling treasury shares during the year ended 31 December 2018.

On 5 July 2018, the Company sold 496,442 Euro treasury shares and 20,663,959 Sterling treasury shares at a price of €1.1086 per Euro treasury share and £1.1397 per Sterling treasury share respectively.

Voluntary conversion

The Company offers a monthly conversion facility pursuant to which holders of ordinary shares of one class may convert such shares into ordinary shares of any other class, subject to regulatory considerations.

Such conversion will be effected on the basis of the ratio of the NAV per class to be converted (calculated in Euro less the costs of effecting such conversion and adjusting any currency hedging arrangements and taking account of dividends resolved to be paid), to the NAV per class of the shares into which they will be converted (also calculated in Euro), in each case on the relevant conversion calculation date being the first business day of the month. During the year 1,435,149 (2017: 4,954,779) Euro Shares were converted into 1,236,403 (2017: 4,266,370) Sterling Shares and 149,325 (2017: 294,967) Sterling Shares were converted into 173,268 (2017: 326,524) Euro Shares.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. Ordinary shares (continued)

Treasury share convertor mechanism

At the 2016 Annual General Meeting the Company requested, and received, shareholder approval to create a mechanism whereby treasury shares held by the Company be converted from one currency denomination to another in accordance with the procedure set out in the Articles. As the conversion cannot take place while the treasury shares are held by the Company, it was proposed that a facility be created so that some or all of the treasury shares be sold to a related party, who would be willing to facilitate the conversion of the treasury shares from one currency denomination to another. The treasury share convertor mechanism was put in place to provide the Company with a means of converting one class into another to meet demand in the market from time to time.

Accordingly, on the 11 September 2017, the Company established the CCPEOL Purpose Trust (the "Trust"), a business purpose trust established under Jersey law. The purpose of the Trust is the facilitation of the conversion of the treasury shares by the incorporation of a company, the Conversion Vehicle, who would purchase treasury shares from the Company, convert them into shares of the other currency denomination and sell those converted shares back to the Company. The Chairman of the Company was appointed as the enforcer of the Trust.

On 21 June 2018, the Company announced the sale of 41,564,426 Euro treasury shares to the Conversion Vehicle, which completed on 22 June 2018. Subsequently, the Company issued a facilitation request pursuant to the Share Subscription, Conversion and Repurchase Agreement to the Conversion Vehicle requiring the Conversion Vehicle to convert those 41,564,426 Euro Shares held by it into Sterling Shares. The 41,564,426 Euro Shares were converted into 35,477,357 Sterling Shares at a ratio of 0.853551, calculated in accordance with the share conversion provisions appearing in the Company's Articles.

On 28 June 2018 the conversion process was completed, with the Company purchasing 35,477,357 Sterling Shares from the Conversion Vehicle and holding them in treasury. The transactions had no material impact on the Company's liquidity or NAV.

Contractual Quarterly Tender facility

As the Company has been established as a closed-ended vehicle, there is no right or entitlement attaching to the ordinary shares that allows them to be redeemed or repurchased by the Company at the option of the shareholder.

The Company has, however, established a Contractual Quarterly Tender facility that enables shareholders to tender their shares in the Company in accordance with a stated contracted mechanism.

The Directors believe that the Company's Contractual Quarterly Tender facility should provide shareholders with additional liquidity when compared with other listed closed-ended investment companies.

The offer of Contractual Quarterly Tenders is subject to annual shareholder approval and subject to the terms, conditions and restrictions as set out in the prospectus. The Company is subject to annual shareholder approval to tender each quarter for up to 24.99 per cent. of the shares of such class in issue at the relevant quarter record date, (being the date on which the number of shares then in issue will be recorded for the purposes of determining the restrictions), subject to a maximum annual limit of 50 per cent. of the shares of such class in issue.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. Ordinary shares (continued)

Contractual Quarterly Tender facility (continued)

However, it is important to note that Contractual Quarterly Tenders, if made, are contingent upon certain factors including, but not limited to, the Company's ability to finance tender purchases through submitting redemption requests to the Investment Vehicle to redeem a pro rata amount of Company Investment Vehicle Interests.

Factors, including restrictions at the Investment Vehicle level on the amount of PECs which can be redeemed, may mean that sufficient Company Investment Vehicle Interests cannot be redeemed and, consequently, tender purchases in any given quarter may be scaled back on a pro rata basis.

Shareholders should therefore have no expectation of being able to tender their shares to the Company successfully on a quarterly basis.

In addition to the Contractual Quarterly Tender facility, the Directors seek annual shareholder approval to grant them the power to make ad hoc market purchases of shares. If such authority is subsequently granted, the Directors will have complete discretion as to the timing, price and volume of shares to be purchased. Shareholders should not place any reliance on the willingness or ability of the Directors so to act.

In the absence of the availability of the Contractual Quarterly Tender facility shareholders wishing to realise their investment in the Company will be required to dispose of their shares on the stock market.

Accordingly, shareholders' ability to realise their investment at any particular price and/or time may be dependent on the existence of a liquid market in the shares.

Liquidity risks associated with the Contractual Quarterly Tender facility are set out in note 8.2.

During the year 3,933,116 (2017: 15,827,693) Euro Shares and 39,701 (2017: 14,938,350) Sterling Shares were redeemed as part of the Contractual Quarterly Tender facility and held by the Company in the form of treasury shares. Refer to page 9 for details. Treasury shares do not carry any right to attend or vote at any general meeting of the Company. In addition, the Contractual Quarterly Tenders and the voluntary conversion facility are not available in respect of Treasury shares.

Dividends

The ordinary shares of each class carry the right to receive all income of the Company attributable to such class of ordinary share, and to participate in any distribution of such income made by the Company and within each such class such income shall be divided pari passu among the shareholders in proportion to the shareholdings of that class.

The Company issued 1,006,110 Euro Shares and 611,640 Sterling Shares during the year ended 31 December 2018 under its scrip dividend scheme.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. Ordinary shares (continued)

Dividends (continued)On the 19 May 2017, the Company resolved to revise the Company's dividend target to 5.5 cents per Euro Share and 5.5 pence per Sterling Share per annum. Please refer below for amounts recognised as dividend distributions to ordinary shareholders in the years ended 31 December 2017 and 31 December 2018.

	Ex-dividend date	Payment date	£ equivalent	€
Euro - €0.0125 per share[1]	02/02/2017	24/02/2017	-	1,533,639
Sterling - £0.0125 per share[1]	02/02/2017	24/02/2017	2,585,957	2,952,387
Euro - €0.0125 per share[1]	04/05/2017	26/05/2017	-	1,464,343
Sterling - £0.0125 per share[1]	04/05/2017	26/05/2017	2,525,762	2,883,662
Euro - €0.01375 per share[1]	10/08/2017	01/09/2017	-	1,728,958
Sterling - £0.01375 per share[1]	10/08/2017	01/09/2017	3,737,362	4,266,945
Euro - €0.01375 per share[1]	02/11/2017	15/12/2017	-	1,742,385
Sterling - £0.01375 per share[1]	02/11/2017	15/12/2017	3,986,308	4,551,167
				21,123,486

	Ex-dividend date	Payment date	£ equivalent	€
Euro - €0.01375 per share[2]	01/02/2018	16/03/2018	-	1,699,464
Sterling - £0.01375 per share[2]	01/02/2018	16/03/2018	4,086,727	4,618,959
Euro - €0.01375 per share[2]	03/05/2018	15/06/2018	-	1,667,639
Sterling - £0.01375 per share[2]	03/05/2018	15/06/2018	4,137,625	4,676,487
Euro - €0.01375 per share[2]	09/08/2018	21/09/2018	-	1,677,370
Sterling - £0.01375 per share[2]	09/08/2018	21/09/2018	4,508,799	5,095,986
Euro - €0.01375 per share[2]	01/11/2018	14/12/2018	-	1,723,034
Sterling - £0.01375 per share[2]	01/11/2018	14/12/2018	4,666,856	5,274,564
				26,433,503

Please refer to note 16 for further information subsequent to the reporting period.

[1] – Recognised in the year ended 31 December 2017

[2] – Recognised in the year ended 31 December 2018

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. Ordinary shares (continued)

Dividends (continued)

Earnings per share

	31 December 2018 £ equivalent	31 December 2018 €	31 December 2017 £ equivalent	31 December 2017 €
Euro Shares				
(Decrease)/increase in net assets for the year	-	(6,726,758)	-	5,128,857
Results per share	-	(0.054283)	-	0.041674
Sterling Shares				
(Decrease)/increase in net assets for the year	(15,188,962)	(17,167,042)	8,837,372	10,089,628
Results per share	(0.048028)	(0.054283)	0.036502	0.041674

Earnings per share has been calculated on a weighted average basis. The weighted average number of ordinary shares held during the year ended 31 December 2018 was 440,169,556 (2017: 365,175,613), comprising 123,919,771 (2017: 123,069,643) Euro Shares and 316,249,785 (2017: 242,105,970) Sterling Shares.

There have been no transactions involving the Company's Euro or Sterling Shares between 31 December 2018 and 28 February 2019 other than those disclosed in note 16, which were issued at a premium to the 31 December 2018 NAV.

13. Net asset value per share

	31 December 2018 £ equivalent	31 December 2018 €	31 December 2017 £ equivalent	31 December 2017 €
Euro Shares				
NAV	-	130,913,946	-	134,451,748
NAV per share	-	1.0404	-	1.0933
Sterling Shares				
NAV	366,589,934	408,051,256	331,462,152	373,226,384
NAV per share	1.0762	1.1979	1.1190	1.2600
Net assets attributable to shareholders	**-**	**538,965,202**	**-**	**507,678,132**

NAV per share has been calculated based on the share capital in issue as at year end, excluding shares held in treasury. The issued share capital as at 31 December 2018 comprised of 125,830,138 Euro Shares (31 December 2017: 122,972,583) and 340,632,066 Sterling Shares (31 December 2017: 296,201,850).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. Reconciliation of liabilities arising from financing activities

	2018 €	2017 €
Opening Balance	**507,678,132**	**405,526,279**
Cash flow movements		
Proceeds from issuance and subscriptions arising from conversion of ordinary shares	66,177,156	139,340,625
Payments from redemption of ordinary shares	(6,128,436)	(41,361,171)
Placing programme costs	(269,111)	-
Share issue costs paid	(628,236)	(1,105,350)
Dividends paid	(26,433,503)	(21,123,486)
Non cash flow movements		
Foreign currency exchange gain on ordinary shares	(4,867,850)	(11,046,086)
Profit before finance costs and taxation	3,437,050	37,447,321
Closing Balance	**538,965,202**	**507,678,132**

15. Related party disclosure

The Directors are entitled to remuneration for their services. Please refer to note 6 for further detail.

Transactions between the Company and the Trust and Conversion Vehicle are disclosed in note 4 and 12.

Richard Boleat acts as the enforcer of the Trust, a business purpose trust established under Jersey law and settled by the Company. The role has arisen as a result of the implementation of the resolution passed at the Company's Annual General Meeting on 4 April 2016 which authorised the Company to make arrangements to enable the conversion of treasury shares held by the Company from time to time from one currency denomination to another. The position is unremunerated and represents an alignment of interests with those of the Company.

As at 31 December 2018, Quilter plc beneficially held 106,426,993 (22.82%) of the voting rights of the Company and therefore was considered to be in a position of significant influence.

16. Material events after the Statement of Financial Position date

Management has evaluated subsequent events for the Company through 28 February 2019, the date the financial statements were available to be issued, and has concluded that the material events listed below do not require adjustment of the financial statements.

Sale of treasury shares

Date	Euro Shares	Price per treasury share	Sterling Shares	Price per treasury share
08/01/2019	-	-	1,600,000	£1.0879
10/01/2019	-	-	900,000	£1.0879
15/01/2019	200,000	€1.0512	300,000	£1.0879
26/02/2019	600,000	€1.04182	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. Material events after the Statement of Financial Position date (continued)

Contractual quarterly tender

On 24 January 2019, the Company announced it had received applications from shareholders to tender 144,501 Sterling Shares under the December 2018 Contractual Quarterly Tender and subsequently announced on 6 February 2019 that these Sterling Shares had been unconditionally accepted for purchase. On 15 February 2019, the December 2018 Contractual Quarterly Tender completed with 144,501 Sterling Shares being repurchased and transferred into the Company's name and held as treasury shares.

On 15 February 2019, the Company announced it had received applications from shareholders to tender 1,575,007 Euro Shares and 5,861,033 Sterling Shares under the March 2019 Contractual Quarterly Tender.

Dividend declaration

On 29 January 2019, the Company declared a dividend of £0.01375 per Sterling Share and €0.01375 per Euro Share payable on 22 March 2019 to shareholders on the register as at 8 February 2019.

Ordinary share conversion

On 15 February 2019, the Company announced it had received applications from shareholders to convert 500,000 Sterling Shares into Euro Shares on 29 March 2019. The Company received no requests for Euro Shares to be converted to Sterling Shares.

Appointment of non-executive Director

On 21 February 2019, the Company announced that Stephanie Carbonneil has been appointed as a non-executive Director of the Company.

17. Controlling party

In the Directors’ opinion, the Company has no ultimate controlling party.

USEFUL INFORMATION FOR SHAREHOLDERS (UNAUDITED)

Alternative performance measures disclosure

In accordance with ESMA Guidelines on Alternative Performance Measures ("APMs") the Board has considered what APMs are included in the Annual Financial Report and financial statements which require further clarification. An APM is defined as a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework. APMs included in the financial statements, which are unaudited and outside the scope of IFRS, are deemed to be as follows:

NAV total return vs benchmark

The NAV total return measures how the NAV per Euro Share and Sterling Share has performed over a period of time, taking into account both capital returns and dividends paid to shareholders. The Company quotes NAV total return as a percentage change from the initial issuance of Euro and Sterling Shares to 31 December 2018. It assumes that dividends paid to shareholders are reinvested back into the Company therefore future NAV gains are not diminished by the paying of dividends.

The Board monitors the Company NAV total return against the Credit Suisse Western European High Yield Index (hedged in Euros) Total Return and Credit Suisse Western European Leveraged Loan Index (hedged in Euros) Total Return.

Please refer to page 5 for NAV total return vs benchmark analysis.

NAV to market price discount

The NAV per share is the value of all the Company's assets, less any payables it has, divided by the total number of Euro and Sterling Shares. However, because the Company ordinary shares are traded on the London Stock Exchange's Main Market, the share price may be higher or lower than the NAV. The difference is known as a premium or discount. The Company's premium or discount to NAV is calculated by expressing the difference between the period end respective share class price (bid price) and the period end respective share class NAV per share as a percentage of the respective NAV per share.

At 31 December 2018, the Company's Euro Shares and Sterling Shares traded at €1.0600 (2017: €1.1000) and £1.0750 (2017: £1.1250) respectively. The Euro Shares traded at 1.88% premium (2017: 0.61% premium) to the NAV per Euro Share of €1.0404 (2017: €1.0933) and the Sterling Shares traded at a 0.11% discount (2017: 0.53% premium) to the NAV per Sterling Share of £1.0762 (2017: £1.1190).

Ongoing charges

The ongoing charges ratio for the year ended 31 December 2018 was 1.07% (2017: 1.19%). The Company has chosen the AIC's methodology for calculating an ongoing charges figure. The Company's ongoing charges ratio is based on annualised ongoing charges of €5,732,768 (2017: €5,293,408) divided by average NAV in the period of €536,557,740 (2017: €443,632,567).

Calculating ongoing charges

The ongoing charges are based on actual costs incurred in the year excluding any non-recurring fees in accordance with the AIC methodology. Expense items have been excluded in the calculation of the ongoing charges figure when they are not deemed to meet the following AIC definition:

"Ongoing charges are those expenses of a type which are likely to recur in the foreseeable future, whether charged to capital or revenue, and which relate to the operation of the investment company as a collective fund, excluding the costs of acquisition/disposal of investments, financing charges and gains/losses arising on investments. Ongoing charges are based on costs incurred in the year as being the best estimate of future costs."

USEFUL INFORMATION FOR SHAREHOLDERS (UNAUDITED) (CONTINUED)

Ongoing charges (continued)

Calculating ongoing charges (continued)

With the exception of the Investment Vehicle management fee, the Company's ongoing charge does not reflect any other costs of the Investment Vehicle[1].

Please refer below for ongoing charges reconciliation for the years ended 31 December 2018 and 31 December 2017:

	31 December 2018 €	31 December 2017 €
Total operating expenses for the year:	1,214,447	1,214,203
Expenses excluded from the calculation of ongoing charges figures, in accordance with AIC's methodology:		
Professional fees	(148,674)	(110,682)
Sundry expenses	(22,578)	(99,676)
Total ongoing charges for the year (excluding Investment Vehicle management fee)	**1,043,195**	**1,003,845**
Add: Investment Vehicle management fee[2]	4,689,573	4,289,562
Total ongoing charges for the year (including Investment Vehicle management fee)	**5,732,768**	**5,293,407**

Calculating an average NAV

The AIC's methodology for calculating average NAV for the purposes of the ongoing charges figure is to use the average NAV at each official NAV calculation date. On this basis the average NAV figure has been calculated using the monthly NAVs throughout the year ended 31 December 2018.

1 – The Company's ongoing charges are calculated according to the methodology outlined on above and differ to the costs disclosed within the Company's KIDs which follows the methodology prescribed by EU rules. The Company's most current KIDs are available on the Company's website (www.ccpeol.com/investor-information/documents).

2 – The Company's ongoing charge includes €4,689,573 (2017: €4,289,562) which represents the Company's pro-rated share of the Investment Vehicle's management fee, based on the Company's percentage holdings of PECs in the Investment Vehicle.

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BNP Paribas Securities Services S.C.A. Jersey Branch is regulated by the Jersey Financial Services Commission.

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For Investors in Switzerland:
The Prospectus, the Memorandum and Articles of Association as well as the annual and half yearly financial reports of the Company may be obtained free of charge from the Swiss Representative. In respect of the Shares distributed in and from Switzerland to Qualified Investors, the place of performance and the place of jurisdiction is at the registered office of the Swiss Representative.

Swiss Representative: FIRST INDEPENDENT FUND SERVICES LTD., Klausstrasse 33, CH-8008 Zurich, Switzerland.

Swiss Paying Agent: Helvetische Bank AG, Seefeldstrasse 215, CH-8008 Zurich, Switzerland.