FOR THE YEAR ENDED 31 DECEMBER 2017

CVC
Credit Partners

EUROPEAN OPPORTUNITIES LIMITED

ANNUAL FINANCIAL REPORT 2017

COMPRISING:

CVC CREDIT PARTNERS EUROPEAN OPPORTUNITIES LIMITED

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STRATEGIC REPORT FINANCIAL HIGHLIGHTS AND PERFORMANCE SUMMARY

Financial highlights

Performance summary

	As at 31 December 2017	As at 31 December 2016
Net asset value per Euro Share	€1.0933	€1.0541
Euro Share price (bid price)[1]	€1.1000	€1.0300
Premium/(discount) to NAV (based on published NAV)	0.61%	(2.29)%
Net asset value per Sterling Share	£1.1190	£1.0696
Sterling Share price (bid price)[1]	£1.1250	£1.0250
Premium/(discount) to NAV (based on published NAV)	0.53%	(4.17)%

Period highs and lows

	2017 High	2017 Low	2016 High	2016 Low
Net asset value per Euro Share	€1.1085	€1.0560	€1.0541	€0.9788
Euro Share price (bid price) [1]	€1.1300	€1.0080	€1.0300	€0.9400
Net asset value per Sterling Share	£1.1314	£1.0720	£1.0696	£0.9875
Sterling Share price (bid price) [1]	£1.1550	£1.0200	£1.0375	£0.9525

Number of shares in issue as at 31 December 2017:
122,972,583 Euro Shares[2] (31 December 2016: 128,961,584 Euro Shares)[2]
296,201,850 Sterling Shares[3] (31 December 2016: 214,849,319 Sterling Shares)[3]

Market capitalisation as at 31 December 2017:
Euro Share class: €135,269,841 (31 December 2016: €132,830,432)
Sterling Share class: £333,227,081 (31 December 2016: £220,220,552)

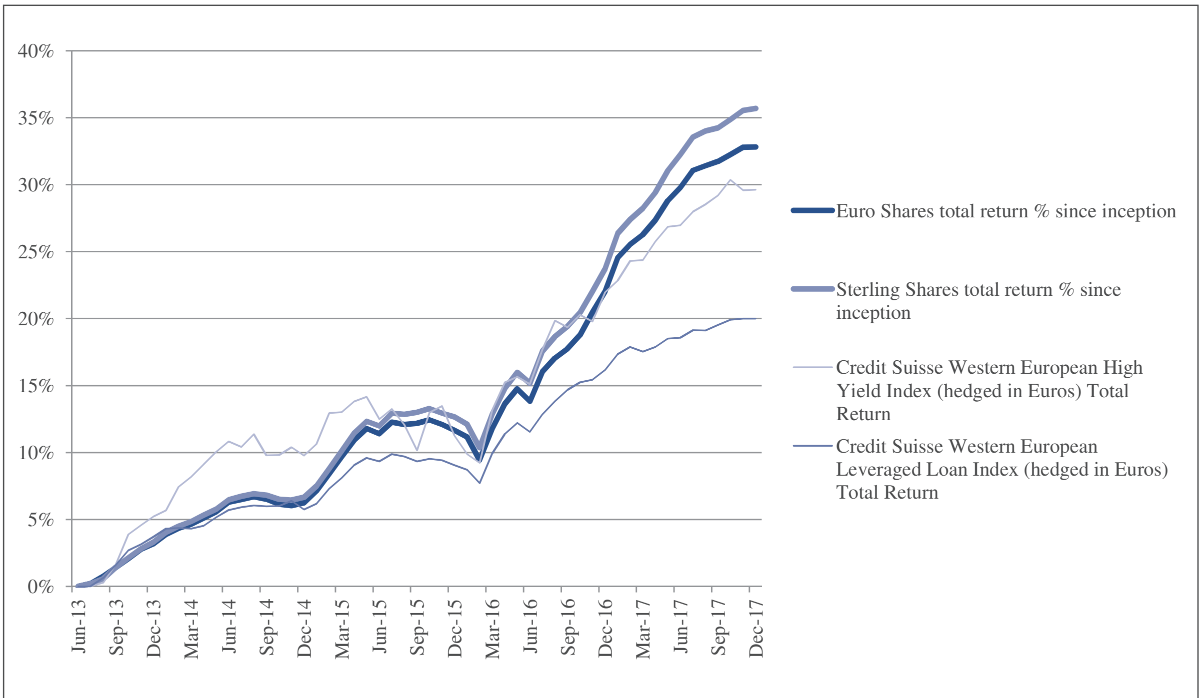
[1] – Source: Bloomberg
[2] – Excludes 49,856,335 (2016: 98,187,170) Euro Shares held as treasury shares
[3] – Excludes 25,810,040 (2016: 58,001,488) Sterling Shares held as treasury shares

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

Net Asset Value total return vs benchmark

Net Asset Value ("NAV") total return[4] increased by 32.82% for Euro Shares and 35.68% 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[5] and Credit Suisse Western European Leveraged Loan Index (hedged in Euros) Total Return[5] total returns:



Ongoing charge

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 CVC Credit Partners European Opportunities Limited (the "Company"), divided by the average net assets during the period. The ongoing charge for the year ended 31 December 2017 was 1.19%[6] (2016: 1.08%[7]).

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

[5] – Source: CVC Credit Partners

[6] – Please refer to pages 86 and 87 for further detail on the basis of calculation of the ongoing charges.

[7] – Ongoing charges ratio has been restated from 1.21% to 1.08%.

STRATEGIC REPORT (CONTINUED) FINANCIAL HIGHLIGHTS AND PERFORMANCE SUMMARY (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[1]	€0.0625	£0.0625
2017[2]	€0.0525	£0.0525

[1] – 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.

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

Dividends paid during the year ended 31 December 2017

Payment date	Dividend paid per Euro Share	Dividend paid per Sterling Share
24 February 2017	€0.01250	£0.01250
26 May 2017	€0.01250	£0.01250
1 September 2017	€0.01375	£0.01375
15 December 2017	€0.01375	£0.01375

Please refer to note 15 for further information subsequent to the reporting year.

STRATEGIC REPORT (CONTINUED) CHAIRMAN'S STATEMENT

Introduction

I am pleased to report on a further year of strong performance by the Company. The EUR and GBP class NAV total return per share increased by 8.84% and 9.69% respectively over the period, again falling within the total return target of 8% to 12% set by the Company, after a similarly strong performance in 2016. A detailed analysis of the performance of the Investment Vehicle's portfolio is set out in the Investment Vehicle Manager's report on pages 19 to 24 and is thus not repeated here, but it is notable that the credit opportunity sub-class delivered significant returns, at a time when performing credit yields continued to compress by virtue of excess capital flows.

Performance in context

Commentators may look back on 2017 as the year in which the world's central bankers set the tone for global investment performance for years to come, through both timing and extent of adjustments to the loose monetary policy positions that have prevailed since 2008. Certainly, developed economies contributed more than their fair share towards global economic performance during the year, with healthy and apparently sustained GDP and employment growth flowing through the US economy and finally emerging in continental Europe, where there are already signs of capacity tightness in Germany. For the Company's chosen asset class, this has meant a benign investment environment for much of the year, with corporate default rates in both the US and Europe tracking around historic lows. These conditions have also, as described more fully in the Investment Vehicle Manager's report, resulted in further yield compression within performing credit delivering mark to market gains to the Investment Vehicle's portfolio.

For 2018, much depends on whether continuing economic growth will flow through to supply side inflation at a speed that monetary policy tightening can keep pace with, or whether more extreme measures may be needed. We favour the former analysis which, if proved correct, should continue to favour both new primary supply via M&A activity along with a strong secondary underpinning through the macro environment, notwithstanding that there will likely be idiosyncratic pockets of weakness on a geographical or industry basis. In the event that this relatively benign scenario does not manifest itself, we anticipate that the credit opportunities strategy should see opportunities emerge as weaker credits exhibit inevitably greater volatility.

I and my co-directors believe that the Investment Vehicle Manager is well placed to continue to source attractive risk adjusted positions for the Investment Vehicle that have the capacity to continue to deliver target total returns.

Corporate activities

The Company saw significant demand for its shares during 2017, in contrast to the prior year. As a result, total assets at 31 December 2017 exceeded €500m, which represents an increase of approximately 25% year on year. It is the intention of the Directors to continue to expand the Company's market capitalisation and diversify the share register, should market conditions permit.

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

Dividend yield

Investors will have noted that the revised dividend policy, announced on 19 May 2017, was duly implemented, and the Company's proforma yield based on share prices as at 31 December 2017, was 4.77% for the Euro Shares and 4.67% for the Sterling Shares respectively.

Other matters

As always, I would like to thank my fellow Directors, the portfolio management team at CVC Credit Partners Investment Management Limited, 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
2 March 2018

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 2017. 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. As at 31 December 2017, the Company's issued share capital comprised of 122,972,583 Euro Shares, 296,201,850 Sterling Shares and two management shares (with no par value or voting rights). The Company also held 49,856,335 Euro Shares and 25,810,040 Sterling Shares in treasury.

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 2017

Sale of treasury shares
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	14,158,528	92,297,338
Gross proceeds received	€15,569,935	£103,634,790

Contractual quarterly tenders
The Company completed the following tenders under its Contractual Quarterly Tender mechanism during the year ended 31 December 2017. 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 2016	13 February 2017	6,270,498	€1.0441	7,972,725	£1.0596
March 2017	15 May 2017	5,543,631	€1.0679	6,965,625	£1.0861
June 2017	14 August 2017	4,013,564	€1.0854	-	-

Please refer to note 6 for detail on PEC quarterly tenders and monthly conversions and note 11 for detail on Euro and Sterling Share monthly conversions that occurred during the year ended 31 December 2017.

STRATEGIC REPORT (CONTINUED) EXECUTIVE SUMMARY (CONTINUED)

Significant events during the year ended 31 December 2017 (continued)

Change to dividend target
On the 19 May 2017, the Board announced that it had revised the Company's dividend target from 5 Euro cents and 5 pence per ordinary share of no par value per annum respectively, to target a dividend of 5.5 Euro cents/5.5 pence per ordinary share per annum.

Scrip dividend
On 24 October 2017, the Company announced that it had put in place a scrip dividend scheme whereby shareholders are offered an opportunity to elect to receive dividends in the form of new Euro or Sterling Shares rather than cash. 308,419 Euro Shares and 22,140 Sterling Shares were issued on 18 December 2017 under the scheme.

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 the demand in the market from time to time.

Accordingly on the 11 September 2017, the Company settled 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 the 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 6 October 2017, the Company announced the sale of 50,000,000 Euro treasury shares to the Conversion Vehicle, which completed on 9 October 2017. Subsequently the Conversion Vehicle served notice on the Company requiring the Company to convert those 50,000,000 Euro Shares held by it into Sterling Shares. The 50,000,000 Euro Shares were converted into 45,167,540 Sterling Shares at a ratio of 0.903351, calculated in accordance with the share conversion provisions appearing in the Company's Articles.

On 13 October 2017, the conversion process was completed with the Company purchasing 45,167,540 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.

Investment objective and policy

General

The investment objective and investment policy of the Investment Vehicle are consistent with the investment objective and investment policy of the Company.

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.

STRATEGIC REPORT (CONTINUED)
EXECUTIVE SUMMARY (CONTINUED)

Investment objective and policy (continued)

Company investment policy

On the 3 April 2017, shareholders approved an amendment to the Company's investment policy to allow the Investment Vehicle to make primary investments in CVC Credit Partners' managed structured finance transactions. The prior investment policy of the Company provided that a maximum of 7.5 per cent. of the Investment Vehicle's Gross Assets may be invested in CLO Securities, with no primary investments permitted to be made in CVC Credit Partners' managed structured finance transactions. 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. The Company pursues its investment policy by investing net proceeds from share issues and treasury share sales in the Investment Vehicle.

The investment policy of the Company and 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 70 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 CLO 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 Vehicles 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"). At the year end, the Investment Vehicle's borrowings equated to 24.97% of its NAV (2016: 28.32%).

Company borrowing limit

The Company does not have any borrowings but 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 gives effect to its investment policy by subscribing for Preferred Equity Certificates, ("PECs"), 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.

STRATEGIC REPORT (CONTINUED)
EXECUTIVE SUMMARY (CONTINUED)

Investment strategy and approach (continued)

The Investment Vehicle generally 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 Vehicle portfolio."

Further information in respect to the Investment Vehicle portfolio and performance as at 31 December 2017, can be found in the Investment Vehicle Manager's report which is incorporated within this Annual Financial Report on pages 19 to 24.

Key performance indicators (KPIs)

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

Returns and NAV total return
The Board reviews and compares, at each periodic Board meeting, 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.

The NAV total return for Euro Shares and Sterling Shares increased by 32.82% and 35.68% respectively from IPO. The Euro Shares and Sterling Shares NAV total return for the year ended 31 December 2017 was 8.84% (2016: 9.29%) and 9.69% (2016: 9.80%) respectively. Please refer to the Financial Highlights and Performance Summary on page 3 for Euro Shares and Sterling Shares NAV total return analysis. The divergence in NAV per share performance principally derives from interest rate differentials between Euro and Sterling.

STRATEGIC REPORT (CONTINUED)
EXECUTIVE SUMMARY (CONTINUED)

Key performance indicators (KPIs) (continued)

Dividend
The Company is targeting annual dividends of around €0.055 and £0.055 per Euro and Sterling Share respectively.

As a result of the Company amending its target annual dividend during the course of the year, shareholders received total dividends of €0.0525 and £0.0525 (2016: €0.0625 and £0.0625) per Euro and Sterling Share respectively for the year ended 31 December 2017. Please refer to page 4 for the dividend history from inception.

Premium/discount
The Directors review the trading prices of the Company's ordinary shares and compare them against their NAV to assess volatility in the discount or premium of the share prices to their NAVs at each periodic Board meeting. As at 31 December 2017, the Company's premium to NAV per Euro and Sterling Share was 0.61% (2016: 2.29% discount) and 0.53% (2016: 4.17% discount) respectively. Please refer to the Financial Highlights and Performance Summary on pages 2 and 3 for NAV and share price analysis.

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 63 to 68 for analysis of the Investment Vehicle portfolio and note 7 for further details regarding the Investment Vehicle's risk diversification policies.

Share class disparity
The Directors review the NAV and the share price of both share classes on a regular basis to assess and understand any price disparity between both classes. Please refer to the Financial Highlights and Performance Summary on pages 2 and 3 for NAV and share price analysis.

Default rates in Europe and US
The Directors review the default rates in Europe and US as an indicator to assess and understand 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 and adversely affect the value of Company's investment in the Investment Vehicle and the ability of the issuers at the Investment Vehicle portfolio level thereof to repay principal and interest. In turn, this may adversely affect the performance of the Investment Vehicle and, by extension, the Company's NAV and/or the market price of the Shares. The Directors are in regular communication with the Investment Vehicle Manager and receive monthly performance reports to assist in monitoring the above indicator.

STRATEGIC REPORT (CONTINUED)
EXECUTIVE SUMMARY (CONTINUED)

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 will 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.

While 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 63 to 68 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 hold periodic meetings at which extensive discussion of the Investment Vehicle's portfolio takes place. This includes consideration of portfolio liquidity. Please refer to note 7.2 for further details.

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 7.6. 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.

STRATEGIC REPORT (CONTINUED)
EXECUTIVE SUMMARY (CONTINUED)

Principal risks and uncertainties (continued)

Macro-economic factors

Adverse macro-economic conditions will 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 11, 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. The Board, the majority of whom are based in Jersey, have held all their board meetings in the Channel Islands and therefore 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 of the classes of shares in issue 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).

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.

STRATEGIC REPORT (CONTINUED) EXECUTIVE SUMMARY (CONTINUED)

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 to date 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, 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 position and principal risks. The principal risks faced by the Company are described on pages 12 to 13.

The prospects of the Company are driven by its investment objectives, investment policy and investment strategy as summarised on pages 8 to 10, 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.

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 which 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.

STRATEGIC REPORT (CONTINUED) EXECUTIVE SUMMARY (CONTINUED)

Viability statement (continued)

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. 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 2 March 2018 and signed on its behalf by:

Richard Boléat
Chairman

Mark Tucker
Audit Committee Chairman

BOARD MEMBERS

All the Directors are independent non-executive.

CHAIRMAN

Richard Michael Boléat, aged 54.

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, super-senior corporate CDS, long/short equity, fund of funds and EM real estate. He presently acts as Chairman of Yatra Capital Limited, which is listed on Euronext, and Phaunos Timber Fund Limited and Funding Circle SME Income Fund Limited 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), the International Corporate Governance Network and the European Corporate Governance Institute.

BOARD MEMBERS (CONTINUED)

Directors

Mark Richard Tucker, aged 55.

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 he 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.

David Alan Wood, aged 63.

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.

INVESTMENT VEHICLE MANAGER'S REPORT

Summary

The Investment Vehicle Manager is pleased with the portfolio performance for the year ended 31 December 2017. Each strategy has performed to expectations and the Investment Vehicle Manager remains optimistic with regards to the opportunity within the Performing Credit and Credit Opportunities segments of the portfolio given the continued flow of assets seen across the desk.

Portfolio

As at 31 December 2017 the Investment Vehicle portfolio was invested in-line with the investment policy, was diversified with 67 issuers[1] (2016: 67) across 26 (2016: 24) different industries and 11 (2016: 16) different countries, and had exposure of no more than 5.1% (3.7%) to any single issuer.

Portfolio Statistics[2]

	As at 31 December 2017	As at 31 December 2016
Percentage of Portfolio in Floating Rate Assets	87.6%	88.6%
Percentage of Portfolio in Fixed Rate Assets	12.3%	11.4%
Percentage of Portfolio in Other	0.1%	-
Weighted Average Price[3]	94.9	91.8
Yield to Maturity	7.1%	7.4%
Current Yield	5.8%	6.7%
Weighted Average Fixed Rate Coupon	7.1%	7.3%
Weighted Average Floating Rate plus Margin	5.0%	5.0%

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 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 Issuers as at 31 December 2016

Issuer	% of Gross Assets	Industry	Country
Ambac	3.7	Finance	U.S.
Consolis	3.4	Buildings & Real Estate	France
Dell	3.2	Electronics	U.S.
Numericable	3.2	Broadcasting & Entertainment	France
FCC	2.9	Buildings & Real Estate	Spain

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

	%
Diversified/Conglomerate Service	11.0%
Retail Store	11.0%
Electronics	10.0%
Finance	6.0%
Ecological	6.0%

5 Largest Industry Positions as at 31 December 2016[1]

	%
Finance	11.4%
Electronics	10.3%
Retail Store	9.4%
Buildings & Real Estate	8.6%
Broadcasting & Entertainment	7.5%

[1] – Excludes 11 structured finance positions.

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

INVESTMENT VEHICLE MANAGER'S REPORT (CONTINUED)

Portfolio Statistics[2] (continued)

Geographical Breakdown by issuer country[1]

	As at 31 December 2017	As at 31 December 2016
France	24.0%	24.5%
U.S.	22.8%	23.6%
UK	21.8%	11.8%
Netherlands	7.1%	4.2%
Germany	6.3%	6.2%
Spain	5.6%	10.1%
Luxembourg	4.9%	5.1%
UAE	3.5%	-
Sweden	0.8%	1.7%
Denmark	-	1.5%
Ireland	-	0.8%
Other	3.2%	10.5%

Currency Breakdown

	As at 31 December 2017	As at 31 December 2016
EUR	43.1%	55.7%
USD	39.8%	30.2%
GBP	17.1%	14.1%

[1] – Excludes 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 2017	As at 31 December 2016
Loans (1st Lien)	59.1%	57.2%
Cash	14.3%	5.2%
Senior Secured Bonds	11.4%	13.1%
Loans (2nd Lien)	8.9%	9.7%
Structured	3.6%	5.2%
PIK	2.9%	5.1%
Senior Unsecured Bonds	0.5%	3.3%
Other	2.1%	4.4%
Shorts	-2.8%	-3.2%

Performance

As at the end of December 2017, floating rate instruments comprised 87.6% of the portfolio. Current gross yield of the asset pool at year-end was 5.8%.

The Company's NAV total return for the year ended 31 December 2017 was 8.8% to Euro investors and 9.7% to Sterling investors. For the same period, the Credit Suisse Western European HY Index hedged to Euro returned 6.28% and the Credit Suisse Western ELLI hedged to Euro returned 3.30%.

The Core Income segment of the portfolio delivered 2.5% to gross portfolio performance. The Credit Opportunities segment of the portfolio delivered a gross 20% return, which equates to a 8.9% gross portfolio performance contribution based on a 44% average allocation of the portfolio.

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

INVESTMENT VEHICLE MANAGER'S REPORT (CONTINUED)

Market Review and Outlook

Total leveraged finance volume in Europe hit a record high for the full year of 2017, going beyond the pre-crisis levels. Gross leveraged loan and bond volumes totalled €214 billion to year-end versus the €203 billion issued during 2007. It is interesting to note that although the total volume levels are similar to 2007, the use of funds is very different. In 2017, 30% of the issuance was to make acquisitions, with 53% earmarked for refinancings, as borrowers in Europe took advantage of the falling cost of debt. Comparing this to 2007, 16% of the deals were to refinance and 65% backed acquisitions.[a]

European Leveraged Loan Market
Leveraged loan volume for 2017 totalled €120.40 billion, a 73% increase on 2016 at €69.71 billion. It was interesting to note that the volume for H1 2017 and H2 2017 was quite evenly split. The volume for 2017 is the highest since 2007, when it was €165.52 billion.[a] Yields on single-B TLBs continued to decline to under 4% for the three months to the end of December, from 4.17% in the third quarter.a This is much lower than the 6.1% seen at the end of 2016, as identified in previous reports.

High Yield Bond Market
At €94 billion, the 2017 HY new issue volume surpassed the 2014 level of issuance of €72 billion, which had been the highest since 2010. €48 billion of paper hit the market during H2 2017, which just eclipses the H1 2017 amount of €46 billion. HY new issue spreads for the BB's averaged 3.1% for 2017 (2.9% for the month of Dec-17), compared to 3.8% for 2016. Single-B's averaged spreads of 5.4% (5.3% for the month of Dec-17) compared to 6.2% for 2016.[b]

Structurally, average net debt ratio crept up slightly from 5.0x for 2016 to 5.2x in 2017, however it remained c.50% of capital structures as purchase price multiples moved higher from 9.2x to 10.0x.[c]

Market Opportunity in Credit Opportunities

Looking ahead to 2018, the Investment Vehicle Manager is optimistic about opportunities in the credit markets. FX fluctuations and the movements in commodity prices that continued in 2017 presented significant opportunities for the Credit Opportunities strategy. The Investment Vehicle Manager believes that pockets of volatility and further regulatory changes, expected to emerge in 2018 due to the changing geopolitical landscape, will support its very healthy pipeline. Opportunity-inducing events include:

- Ongoing geopolitical uncertainty;
- Terror attacks impacting business activity (retail, leisure & transport);
- Commodity/FX volatility;
- Cyber attacks;
- Monetary and fiscal policy changes in key economies, including the U.S., UK, China, Japan and Europe; and
- The Brexit deal starting to take shape.

The Investment Vehicle Manager continues to evaluate credits in the energy, pharma and retail space, particularly the impact on the traditional high street and shopping centres as the shift towards online shopping continues.

Whilst the Investment Vehicle Manager continues to be of the belief that defaults may take longer to materialise in the current climate, in particular in Europe, expected further interest rate rises expected in the UK and the U.S. could negatively impact over-levered credits. By taking advantage of the growing CVC global network, the Investment Vehicle Manager expects to be able to continue to identify investment opportunities and effectively deploy capital in these scenarios.

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[a] – Source: S&P Global Market Intelligence – LCD European Quarterly

[b] – Source: S&P LCD – January 2018

[c] – Source: S&P – January 2018

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.

Looking towards 2018, the market anticipates that the global recovery will be on-going for an extended period. There also appears to be scope for the strengthening to broaden further across Europe and emerging markets. Macroeconomic risks across these regions have receded and there is upside potential if productivity picks up alongside trade and investment.

In the US, where the cycle is more mature, the leading indicators remain strong and point to solid corporate earnings in 2018.

Central banks will remain pivotal, where tapering in Europe, rate normalisation in the US and a 0% rate fix in Japan should help support market sentiment.

CVC Credit Partners Investment Management Limited
Investment Vehicle Manager

Andrew Davies
Head of Europe

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. 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 is designed as an objective proxy for the investable universe of the Western European high yield debt market. Additionally, the Credit Suisse Western ELLI is designed to mirror the investable universe of the Western European leveraged loan market where the loans eligible for inclusion must be denominated in US$ or Western European currencies and must have a minimum outstanding amount of 100m (in local currency). In contrast, CVC Credit Partners may have discretion whether to reinvest such payments during any relevant commitment period. Moreover, coupon payments received by the Investment Vehicle after the expiration of any commitment period typically will not be reinvested. 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 2017. 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 16 and 17.

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.

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 2017, 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 7 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.

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.

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.

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 11. Details of the shares tendered and repurchased during the year are given in the Strategic Report on page 7.

Shareholders' interests

As at 31 December 2017, 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 (%)
Old Mutual Plc	17.74
Canaccord Genuity Group Inc	6.93
Investec Wealth & Investment Limited	6.50
Architas Multi-Manager Limited	5.67

Between 31 December 2017 and 2 March 2018, 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.

Events after the reporting date

The Euro Shares and Sterling Shares NAV total return since the 1 January 2018 to 16 February 2018 has increased by 0.86% and 0.97% 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.

Corporate governance statement

a) Corporate governance codes

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

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.

DIRECTORS' AND CORPORATE GOVERNANCE REPORT (CONTINUED)

Corporate governance statement (continued)

a) Corporate governance codes (continued)

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' web sites 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.

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, all of whom were appointed on 20 March 2013, consists of three Directors, all of whom are independent of the Investment Vehicle Manager. Please refer to pages 16 and 17 for biographies of each Director which demonstrate their professional knowledge and experience.

DIRECTORS' AND CORPORATE GOVERNANCE REPORT (CONTINUED)

Corporate governance statement (continued)

c) The Board (continued)

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, 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 those committees are dealt with by the Board as whole.

Audit Committee
The Board has established an Audit Committee, which operates within clearly defined terms of reference and duties. The terms of reference of 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 34.

Attendance at scheduled meetings of the Board and its committees

Directors	Board Quarterly		Board Ad hoc		Audit Committee	
	Total	Attended	Total	Attended	Total	Attended
Richard Boléat	4	4	26	23	3	2
Mark Tucker	4	4	26	25	3	3
David Wood	4	4	26	20	3	3

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' AND CORPORATE GOVERNANCE REPORT (CONTINUED)

Corporate governance statement (continued)

c) The Board (continued)

Directors retirement and rotation
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.

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 2018.

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 representative 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.

DIRECTORS' AND CORPORATE GOVERNANCE REPORT (CONTINUED)

Corporate governance statement (continued)

c) The Board (continued)

Board diversity
The Board is made up of 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.

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 annual evaluation of the Board, Audit Committee and Directors is undertaken considering the balance of skills, experience, independence and knowledge, its diversity, including gender, how the Board works together as a unit, and other factors relevant to its effectiveness. The evaluation also considers the Board's performance, constitution and terms of reference to ensure that it is 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 this 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 38 and in note 5 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 meets regularly throughout the year and a representative of the Investment Vehicle Manager is in attendance at all times when the Board meets to review the performance of the Company's investments.

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 of 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 NAVs to their 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 high priority, which ensures that the Directors have an understanding of the views of shareholders about the Company. It has, since admission, sought engagement with investors. Where appropriate 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. Uncertainty regarding legal requirements is compounded as information published on the internet is accessible in many countries with different legal requirements relating to the preparation and dissemination of financial statements.

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 key individuals within 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.

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 7 – Financial Risk Management. Please refer to pages 12 and 13 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 38 and disclosed in note 5.

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 25 to 33 was approved by the Board of Directors on 2 March 2018 and signed on its behalf by:

Richard Boléat
Chairman

Mark Tucker
Audit Committee Chairman

REPORT OF THE AUDIT COMMITTEE

Report of the Audit Committee

The Board has appointed an Audit Committee which operates within clearly defined Terms of Reference.

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.

Role of the Audit Committee

The main role and responsibilities 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. It also manages the Company's relationship with the external Auditor.

The Audit Committee's main functions are:

- 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;
- 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;
- to annually assess the external Auditor's independence, objectivity, effectiveness, resources and expertise;
- to review and monitor the fairness and balance of the financial statements of the Company including its half-year financial statements and annual financial reports to shareholders; and
- 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.

The Audit Committee's Terms of Reference are published on the Company's website at www.ccpeol.com.

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 2016 to 30 September 2017) 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.

In 2017, the Audit Committee met on three occasions and the members' attendance record can be found on page 28.

REPORT OF THE AUDIT COMMITTEE (CONTINUED)

Significant risks in relation to the financial statements

The Audit Committee views the title to and the existence of the Company's investments as significant issues.

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. 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 identify weaknesses in the Company's claim to its investments and to gain sufficient assurance of the existence of the Company 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 periodic Board meetings which examine the valuation of the Company investments amongst other items. Additionally, the Audit Committee interviewed the Investment Vehicle's auditor in order to review their proposed audit program of work to assess the effectiveness of the audit process. A representative of the Auditor also attended this meeting. This meeting preceded a review by the Audit Committee of documentary evidence which allowed it 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's investments in the Investment Vehicle.

External audit process

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

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 the title to and the existence of the Company investments 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 considered the Auditor's independence from the Company since its appointment and throughout the audit process.

The Audit Committee concluded that the audit had been effective on the grounds that it documented a robust process that was seen to test: the title to and existence of the Company investments; the underlying security position valuations used by the Investment Vehicle at year end; and the Administrator's reconciliation of foreign currency translations into Euro, being the presentation and functional currency of the Company.

During the year ended 31 December 2017, in addition to the audit services in respect to the audit of the Company's Annual Financial Report, the auditor provided non-audit services in respect of the review of the Company's Half Yearly Financial Report for the six months ended 30 June 2017.

The Audit Committee has discussed the report provided by the Auditors and the Audit Committee is satisfied as to the independence of the Auditor.

The Committee has reviewed Ernst & Young's independence policies and procedures and considers that they are fit for purpose.

The fees for the year-end audit were €62,400 (£55,200) (2016: €61,200 (£52,087)) and fees for non-audit services were €10,400 (£9,200) for the review of the half year report (2016: €10,200 (£8,644) for the half year report and €4,458 (£3,800) for work regarding the Reporting Fund Scheme).

REPORT OF THE AUDIT COMMITTEE (CONTINUED)

Appointment and independence

The 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. The current lead audit engagement partner has been in place for five years and, if Ernst & Young LLP are reappointed as auditor at the upcoming Annual General Meeting, a new audit engagement partner will be in place for the 2018 audit.

The Committee reviews the objectivity and effectiveness of the audit process on an annual basis and considers whether the Company should put the audit engagement out to tender. Having considered the need to tender the position for the current year, the Committee has 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 2018.

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.

For and on behalf of the Audit Committee

Mark Tucker
Audit Committee Chairman
2 March 2018

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;
- the Chairman's Statement includes a fair review of the information required by DTR 4.1.8 (indication of important events up to 31 December 2017 and a description of principal risks and uncertainties);
- the Chairman's Statement includes a fair review of the information required by DTR 4.1.9 and 4.1.10 (analysis of the development and performance of the Company aided by the use of key performance indicators; and where appropriate information relating to environmental factors);
- the Chairman's Statement includes a fair review of the information required by DTR 4.1.11 (disclosure of important events that have occurred after 31 December 2017; future developments; financial risk management objectives and policies and Company exposure to price, credit, liquidity and cash flow risk); and
- 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
2 March 2018

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. In accordance with Company policy all Directors will stand for reappointment at the forthcoming Annual General Meeting to be held on the 24 April 2018.

Table of Directors' remuneration

Component	Director	Annual Rate (£)	Purpose of reward
Annual fee	All Directors:		For commitment as Directors
	Richard Boléat (Chairman)	65,000	
	Mark Tucker	43,750	
	David Wood	42,500	
Additional fee	Chairman of the Audit Committee:		For additional responsibilities and time commitment
	Mark Tucker	6,250	
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.

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.

DIRECTORS' REMUNERATION REPORT (CONTINUED)

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

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 16 and 17.

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 2018.

Richard Boléat
Chairman
2 March 2018

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS 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 2017 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 16, 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 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs; 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.

Use of our report

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

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 12 and 13 that describe the principal risks and explain how they are being managed or mitigated;
- the Directors' confirmation set out on page 12 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 14 in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, 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 MEMBERS 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 14 and 15 in the Annual Report as to how they have assessed the prospects of the entity, 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

Materiality	• Overall materiality of €5.1m (2016: €4.1m) which represents 1% (2016: 1%) of the net assets.
Risks of material misstatement	• Valuation and existence of investments • Inappropriate revenue recognition

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.

Risk – Valuation and existence of investments

Refer to the Audit Committee Report (page 35); Accounting policy 2.3 (pages 53 to 54); and Note 6 of the Financial Statements (pages 58 to 68).

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 CVC Credit Partners European Opportunities Limited does not have legal title to these.

At the year end, the Company held 121,787,192.73 Euro and 294,111,377.53 Sterling PECs (2016: 127,715,466.04 Euro and 213,014,064.66 Sterling PECs) with a total value of €507.3m (2016: €404.6m).

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 MEMBERS OF CVC CREDIT PARTNERS EUROPEAN OPPORTUNITIES LIMITED (CONTINUED)

Key audit matters (continued)

Risk – Valuation and existence of investments (continued)

Our response to the risk (continued)

- Assessed the Investment Advisor's and the Administrator's systems and controls in respect of investment valuation.
- Understood the scope of any work conducted by the Board 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 underlying's investment 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 consideration of this risk by the Directors, the Investment Vehicle Manager and the Administrator or with respect to the design effectiveness of this process.

We have no matters to communicate with respect to the valuation methodology used.

We noted no issues in agreeing the valuation of the PECs to the signed financial statements of the Investment Vehicle.

We have no matters to communicate with respect to our assessment of the Advisor's and Administrator's systems and controls in respect of investment valuation.

We have no matters to communicate with respect to the work performed by the Board in respect of the valuation of investments including key reports or other communications presented.

We noted no issues in reviewing a sample of valuations for compliance with IFRS 13: Fair value measurement.

We have no matters to communicate with respect to the work performed by the Board in respect of expertise relating to investment valuation.

We noted no issues in agreeing the holdings disclosed in the accounts to the PEC registers.

We noted no issues in agreeing a sample of investment trades in the year to agreements and bank statements.

Risk – Inappropriate revenue recognition with respect to investment income

Refer to Note 3 of the Financial Statements (page 56)

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.

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

Key audit matters (continued)

Risk – Inappropriate revenue recognition with respect to investment income (continued)

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 2017 the Company recognised Investment Income of €22.2m (2016: €32.0m).

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.
- 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 the consideration of this risk by the Directors, the Investment Vehicle Manager and the Administrator or with respect to the design effectiveness of this process.

We noted no issues in tracing the income received in the year to bank statements.

We noted no issues in recalculating the foreign currency translations from Sterling to Euros.

We noted no issues in agreeing the distribution notices to the income recorded in the year.

We noted no issues in recalculating the investment income attributable to the Company.

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, and other factors such as recent ISAE 3402 reporting 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.

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

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 €5.1m (2016: €4.1m), which is 1% (2016: 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.

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% (2016: 75%) of our planning materiality, namely €3.8m (2016: €3.0m). 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 (2016: €0.2m), 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 Financial Report set out on pages 2 to 39, 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.

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

Other information (continued)

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 37** – 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
- **Audit Committee reporting set out on page 35** – 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 Code set out on page 27** – 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 statement set out on page 37, 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.

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

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.

Ashley Coups
For and on behalf of Ernst & Young LLP, Auditor
London
2 March 2018

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 web site.
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 2017 to 31 December 2017

	Notes	Year ended 31 December 2017 €	Year ended 31 December 2016 €
Income			
Investment income	3	22,171,713	32,040,989
Net gains on investments held at fair value through profit or loss	6	16,793,912	9,756,573
Foreign exchange loss on investments held at fair value through profit or loss	6	(11,226,227)	(51,620,198)
Foreign exchange gain on ordinary shares	11	11,046,086	51,647,281
Other net foreign currency exchange gains/(losses) through profit or loss		184,800	(80,464)
		38,970,284	41,744,181
Expenses			
Operating expenses	4	(1,203,526)	(921,011)
Partial termination fee	8	(308,760)	(1,553,559)
		(1,512,286)	(2,474,570)
Profit before finance costs and taxation		**37,457,998**	**39,269,611**
Bank charges		(10,677)	(5,563)
Share issue costs	4	(1,105,350)	-
Finance costs – dividend payment	11	(21,123,486)	(28,509,678)
Profit before taxation		15,218,485	10,754,370
Taxation		-	-
Increase in net assets attributable to shareholders from operations		**15,218,485**	**10,754,370**
Earnings per Euro Share	11	€0.041674	€0.026960
Earnings per Sterling Share (Sterling equivalent)	11	£0.036502	£0.019545

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

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

The notes on pages 51 to 84 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	31 December 2017 €	31 December 2016 €
Assets			
Cash and cash equivalents		588,911	1,567,742
Prepayments		36,856	50,185
Financial assets held at fair value through profit or loss	6	507,308,415	404,603,610
Total assets		**507,934,182**	**406,221,537**
Liabilities			
Payables	8	(256,050)	(695,258)
Total liabilities		**(256,050)**	**(695,258)**
Net assets attributable to Shareholders	**12**	**507,678,132**	**405,526,279**

The financial statements on pages 47 to 84 were approved by the Board of Directors on 2 March 2018 and signed on its behalf by:

Richard Boléat
Chairman

Mark Tucker
Director

The notes on pages 51 to 84 form an integral part of these financial statements.

STATEMENT OF CHANGES IN NET ASSETS

For the year ended 31 December 2017

	Note	Net assets attributable to shareholders 2017 €
As at 1 January 2017		405,526,279
Issuance and subscriptions arising from conversion of ordinary shares	11	139,340,625
Redemption payments arising on conversion and tender of ordinary shares	11	(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	11	(11,046,086)
As at 31 December 2017		507,678,132

	Note	Net assets attributable to shareholders 2016 €
As at 1 January 2016		580,242,493
Subscriptions arising from conversion of ordinary shares	11	4,352,504
Redemption payments arising on conversion and tender of ordinary shares	11	(138,175,807)
Increase in net assets attributable to shareholders from operations		10,754,370
Net foreign currency exchange gain on opening ordinary shares and ordinary shares issued during the year	11	(51,647,281)
As at 31 December 2016		405,526,279

The notes on pages 51 to 84 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Note	Year ended 31 December 2017 €	Year ended 31 December 2016 €
Cash inflow from operating activities			
Profit from ordinary activities after taxation[1]		15,218,485	10,754,370
Adjustments to reconcile profit after tax to net cash flows:			
Net gain on investments held at fair value through profit or loss	6	(16,793,912)	(9,756,573)
Foreign exchange loss on investments held at fair value through profit or loss	6	11,226,227	51,620,198
Foreign currency exchange gain on ordinary shares		(11,046,086)	(51,647,281)
Bank charges		10,677	5,563
Share issue costs		1,105,350	-
Finance costs – dividend payment		21,123,486	28,509,678
		20,844,227	29,485,955
Changes in working capital			
Decrease/(increase) in receivables and prepayments		13,329	(3,275)
Decrease in payables		(439,208)	(89,536)
Cash provided by operations		20,418,348	29,393,144
Purchase of investments (PECs)		(138,435,290)	(4,350,437)
Proceeds from redemption of investments (PECs)		41,298,170	137,379,033
Net cash (used in)/provided by operating activities		(76,718,772)	162,421,740
Financing activities			
Proceeds from issuance and subscriptions arising from conversion of ordinary shares		139,340,625	4,352,504
Payments from redemption of ordinary shares		(41,361,171)	(138,175,807)
Share issue costs paid		(1,105,350)	-
Dividends paid		(21,123,486)	(28,509,678)
Bank charges paid		(10,677)	(5,563)
Net cash provided by/(used in) financing activities		75,739,941	(162,338,544)
Net (decrease)/increase in cash and cash equivalents in the year		(978,831)	83,196
Cash and cash equivalents at beginning of the year		1,567,742	1,484,546
Cash and cash equivalents at the end of the year		588,911	1,567,742

[1] – Includes investment income of €22,171,713 (2016: €31,939,795) and interest income of €400 (2016: €657).

The notes on pages 51 to 84 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. General information

The Company was incorporated on 20 March 2013 and is registered in Jersey as a closed-ended investment company. It listed its Euro Shares and Sterling Shares on the London Stock Exchange on 25 June 2013.

The Company's registered office 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. Please refer to 7.2 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 designated 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.

(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 assets and 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 2.3(c) for detail regarding fair value estimation of financial assets and note 6 for IFRS 13 disclosures.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Accounting policies (continued)

2.1 Basis of preparation (continued)

(e) New standards, amendments and interpretations

During the year amendment to IAS 7 – Statement of Cash Flows – ('amendments as a result of the Disclosure Initiative') became applicable for the current reporting period which required the Company to provide disclosures that enable users of the financial statements to evaluate changes in liabilities arising from financing activities. Please refer to note 13 for reconciliation of liabilities arising from financing activities disclosing cash and non-cash movements.

Standards, amendments and interpretations to existing 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 9 - Financial Instruments	1 January 2018
• IFRS 15 – Revenue from Contracts with Customers	1 January 2018

IFRS 9 replaces IAS 39 - Financial Instruments: Recognition and Measurement

IFRS 9 introduces 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 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 recognition and measurement of the Company's financial assets.

IFRS 15 - Revenue from Contracts with Customers

The new IFRS 15 standard 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 will not be applicable as the Company does not have any revenue as defined by IFRS 15.

2.2 Foreign currency translations

Transactions in foreign currencies are translated to Euro at the foreign exchange average rate ruling over the financial period. Monetary assets and liabilities denominated in foreign currencies at the balance sheet 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.

Foreign currency transaction gains and losses on financial instruments classified as at fair value through profit or loss are included in profit or loss on the Statement of Comprehensive Income as part of the 'Foreign exchange gain/(loss) on investments held at fair value through profit or loss'.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Accounting policies (continued)

2.3 Financial instruments

Financial assets

(a) Classification
The Company classifies its investments as financial assets held at fair value through profit or loss. These are financial instruments held for investment purposes. Financial assets also include cash and cash equivalents as well as other receivables which are measured at amortised cost.

Financial assets designated at fair value through profit or loss at inception
Financial assets designated at fair value through profit or loss at inception are financial instruments that are not classified as held for trading but are managed, and their performance is evaluated on a fair value basis in accordance with the Company's documented investment strategy.

The Company's policy requires the Investment Vehicle Manager and the Board to evaluate the information about these financial assets on a fair value basis together with other related financial information.

(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 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.

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 2017, the Audit Committee 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
During 2017, the Directors met with representatives of the Investment Vehicle Manager in order to verify how the PECs are valued and the composition of the 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Accounting policies (continued)

2.3 Financial instruments (continued)

Financial assets (continued)

(d) Valuation process

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.

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.

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 year.

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.

Investments in debt securities for which there are limited broker quotes and no other evidence of existing liquidity are classified as Level 3. These Level 3 securities are valued by considering in detail the limited broker quotes available for evidence of outliers that may skew the average. Any such outliers are removed and then the range of the remaining quotes is considered. If there are no broker quotes, the Investment Vehicle Manager produces a pricing memorandum for the Company's holding in the Investment Vehicle underlying portfolio 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 relevant 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 2.6, the Company classifies its ordinary shares as financial liabilities held at amortised cost. Financial liabilities also include payables 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Accounting policies (continued)

2.3 Financial instruments (continued)

Financial liabilities (continued)

(f) Recognition, measurement and derecognition (continued)
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.

Gains and losses are recognised in profit or loss when the liabilities are derecognised.

2.4 Operating expenses

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

2.5 Dividends payable

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

2.6 Ordinary shares

In accordance with IAS 32 – Financial Instruments: Presentation ("IAS 32"), 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 11 for further details.

2.7 Management shares

The management shares are the most subordinate share class and therefore these are classified as equity. Please refer to note 10 for further detail.

2.8 Interest income and expenses

Interest income and expenses are recognised in the Statement of Comprehensive Income on an accruals basis at the effective interest rate.

2.9 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.

2.10 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Accounting policies (continued)

2.11 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.

2.12 Taxation

Profits arising in the Company for the 2017 year of assessment will be subject to Jersey tax at the standard corporate income tax rate of 0% (2016: 0%).

2.13 Capital risk management

The Board defines capital as financial resources available to the Company. The Company's capital as at 31 December 2017 comprises its stated capital and accumulated reserves at a total of €507,678,132 (2016: €405,526,279).

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.

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 2017 €	**Year ended 31 December 2016 €**
Investment income	22,171,313	31,939,795
Interest income	400	657
Other income	-	100,537
Total investment income	22,171,713	32,040,989

Other income of €nil (2016: €100,537) relates to income receivable from CVC Credit Partners Investment Services Management Limited (the "Corporate Services Manager") for reimbursement of share issue costs and AIFMD marketing legal costs paid by the Company on behalf of the Corporate Services Manager.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Operating expenses

	Year ended 31 December 2017 €	Year ended 31 December 2016 €
Administration fees	183,442	155,718
Directors' fees (see note 5)	179,818	191,938
Regulatory fees	54,798	52,706
Audit fees	62,400	61,200
Non-audit fees - interim review services	10,400	10,200
Non-audit fees - other services	-	4,458
Professional fees (*)	273,382	204,670
Brokerage fees	46,056	58,268
Registrar fees	60,369	83,624
Advisor fees	125,684	-
Sundry expenses	207,177	98,229
Total operating expenses	1,203,526	921,011

(*) Total expenses of €nil (2016: €100,537), have been recharged to the Corporate Services Manager. Note that €nil (2016: €100,537) of professional fees relate to share issue costs, AIFMD marketing legal costs and set up costs paid by the Company on behalf of the Corporate Services Manager.

Prior year non-audit fees – other services of €4,458 relate to advice and assistance provided regarding returns filed under the Reporting Fund Scheme.

The costs of the sale of treasury shares have been expensed in the Statement of Comprehensive Income and amounted to a total of €1,105,350 (2016: €nil).

In December 2016, the Company signed a new administration fee schedule. With effect from 1 January 2017, the Administrator will be entitled to an annual fixed fee of £106,000. On 27 February 2017 the Company signed a side letter to the administration fee schedule such that the Administrator is entitled to a fee of £500 per sale of treasury shares. Administration fees continue to be paid monthly in arrears and any ad hoc other administration services are charged on a time cost basis.

In its role as custodian, the Administrator is entitled to a fee payable by the Company on a transaction by transaction and asset by asset basis. In addition, the Company will reimburse the Administrator for any out of pocket expenses.

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 Provider recharges the Company for Mr Aktinson's cost. During the year ended 31 December 2017, Advisor fees incurred were €125,684 (2016: €nil).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. Directors' fees and interests

During the year ended 31 December 2017, the Directors of the Company were remunerated for their services as follows:

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

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

During the year ended 31 December 2017, the Directors did not receive any one off payments in addition to their annual remuneration (2016: nil). Director's fees payable as at 31 December 2017 were €nil (2016: €nil).

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 page 8 for further detail.

Until April 2015 David Wood was a member of the CVC Credit Partners Advisory Board, which is an advisory body established to comment on strategic plans, budgets and markets. Mr Wood has several investments in a number of CVC entities.

CVC Credit Partners Group has established an independent sub-committee (the "Independent Sub-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 Sub-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 Independent Sub-committee by the relevant portfolio manager and, if necessary, CVC Credit Partners Group's chief executive officer and/or chief investment officer.

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

	31 December 2017 €	31 December 2016 €
PECs - Unquoted investment	507,308,415	404,603,610

During the year the Company subscribed for 14,374,803.42 (2016: nil) Euro and 91,995,486.20 (2016: nil) Sterling Preferred Equity Certificates ("PECs") issued by the Investment Vehicle. During the year 4,906,918.83 (2016: 3,448,301.83) Euro PECs were converted into 4,231,745.05 (2016: 2,584,326.95) Sterling PECs and 292,630.38 (2016: 656,205.39) Sterling PECs were converted into 323,604.10 (2016: 866,070.85) Euro PECs as part of the monthly share conversion process. 15,719,762.00 (2016: 63,439,573.00) Euro and 14,837,291.00 (2016: 57,227,653.00) Sterling PECs were redeemed as part of the Quarterly Contractual Tender.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

As at the year ended 31 December 2017, the Company held 121,787,192.73 Euro and 294,111,377.53 Sterling PECs (2016: 127,715,466.04 Euro and 213,014,064.66 Sterling PECs). Please refer below for reconciliation of PECs from 1 January 2016:

Date	Transaction type	Euro PECs	Sterling PECs
As at 1 January 2016		**193,737,270.02**	**268,313,596.10**
01/01/2016	Quarterly tender	(29,012,049.00)	(260,363.00)
29/01/2016	Monthly conversion	(2,577,193.91)	1,881,536.18
29/01/2016	Monthly conversion	29,750.49	(21,719.99)
29/02/2016	Monthly conversion	693,049.73	(523,882.33)
29/02/2016	Monthly conversion	(371,578.48)	280,879.41
31/03/2016	Monthly conversion	139,917.80	(108,067.57)
01/04/2016	Quarterly tender	(117,208.00)	(9,896,222.00)
29/04/2016	Monthly conversion	(151,348.76)	118,697.71
30/06/2016	Monthly conversion	3,352.83	(2,535.50)
01/07/2016	Quarterly tender	(27,230,253.00)	(7,727,865.00)
30/09/2016	Monthly conversion	(3,425.89)	2,871.51
01/10/2016	Quarterly tender	(7,080,063.00)	(39,343,203.00)
30/11/2016	Monthly conversion	(247,583.95)	218,994.10
30/12/2016	Monthly conversion	(97,170.84)	81,348.04
As at 31 December 2016		**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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

Date	Transaction type	Euro PECs	Sterling PECs
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**

The Investment Vehicle's investment objective is to provide investors with regular 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 derived from the Company's investment in the Investment Vehicle.

The Investment Vehicle Manager pursues the Investment Vehicle's investment policy subject to the Investment Vehicle's Investment Limits and Borrowing Limit as explained in the Executive Summary.

Fair value hierarchy

IFRS 13 'Fair Value Measurement' 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 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; and

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

Fair value hierarchy (continued)

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.

	Level 1 €	Level 2 €	Level 3 €	31 December 2017 €
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

	Level 1 €	Level 2 €	Level 3 €	31 December 2016 €
Financial assets				
Financial assets held at fair value through profit or loss	-	-	404,603,610	404,603,610
Financial liabilities				
Ordinary shares (*)	391,171,161	-	-	391,171,161

(*) – 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 2.3, the Company classifies its ordinary shares as financial liabilities held at amortised cost.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

Level 3 reconciliation

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.

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

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

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

	31 December 2016 €
Balance as at 1 January 2016	**579,495,831**
Purchases of investments (PECs)	-
Subscriptions arising from conversion of investments (PECs)	4,350,437
Redemption proceeds arising from conversion of investments (PECs)	(4,405,259)
Redemption proceeds arising from quarterly tenders of investments (PECs)	(132,973,774)
Net gains on investments held at fair value	9,756,573
Foreign exchange loss on investments held at fair value	(51,620,198)
Balance as at 31 December 2016	**404,603,610**

Change in unrealised gain related to investments still held at the year ended 31 December 2016	**9,140,977**

During 2016, there were no reclassifications between levels of the fair value hierarchy.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

Quantitative information of significant unobservable inputs – Level 3 – PECs

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%
			Net asset value	1. 22 (*)

Description	31 December 2016 €	Valuation technique	Unobservable input	Range (weighted average)
PECs	404,603,610	Adjusted net asset value	Discount for lack of liquidity	0-3%
			Net asset value	1.19 (*)

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.

(*) NAV of the Investment Vehicle attributable per PEC unit.

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 2017 and comparative are as shown below:

As at 31 December 2017

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

As at 31 December 2016

Description	Input	Sensitivity used	Effect on fair value €
PECs	Discount of lack of liquidity	3%	(12,138,108)

Please refer to note 2.3 for valuation methodology of PECs.

The following tables on pages 64 to 68, 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 2017, the Company held a 71.65% (2016: 72.61%) 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)

6. 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)

	Level 1 €000	Level 2 €000	Level 3 €000	31 December 2017 € €000
Financial assets				
Interest bearing securities				
Corporate bonds and debt instruments	116,072	488,255	107,608	711,935
Collaterised loan obligations (including Asset Backed Securities)	-	-	30,069	30,069
Equities and warrants				
Equities and warrants	1,652	-	905	2,557
Derivatives financial instruments				
Forward currency contracts	-	8,166	-	8,166
Total	**117,724**	**496,421**	**138,582**	**752,727**
Financial liabilities				
Corporate bonds and debt instruments sold short	20,178	3,322	-	23,500
Loans and borrowings measured at amortised cost[1]	-	173,727	-	173,727
Other financial liabilities measured at amortised cost	-	71,169	-	71,169
Preferred equity certificates	-	695,791	-	695,791
Total	**20,178**	**944,009**	**-**	**964,187**

[1] – During the year ended 31 December 2017, loans and borrowings held with Sumitomo Mitsui Banking Corporation ("SMBC") were repaid in full and a new loan facility was entered into with a new provider ("Bank 2"). As at 31 December 2017, there is collateral of €139.0 million with Bank 2 and assets with a market value of €160.0 million and no collateral with SMBC as the loans and borrowings held with SMBC were repaid in full.

As at 31 December 2017, loans and borrowing position with Bank 2 was €173.7 million and SMBC was €nil.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

	Level 1 €000	Level 2 €000	Level 3 €000	31 December 2016 € €000
Financial assets				
Interest bearing securities				
Corporate bonds and debt instruments	119,779	437,389	45,418	602,586
Collateralised loan obligations (including Asset Backed Securities)	-	-	34,121	34,121
Equities and warrants				
Equities and warrants	2,498	-	139	2,637
Derivatives financial instruments				
Forward currency contracts	-	2,021	-	2,021
Total	**122,277**	**439,410**	**79,678**	**641,365**
Financial liabilities				
Corporate bonds and debt instruments sold short	19,186	2,007	-	21,193
Forward currency contracts	-	7,383	-	7,383
Loans and borrowings measured at amortised cost[2]	-	153,155	-	153,155
Other financial liabilities measured at amortised cost	-	53,217	-	53,217
Preferred equity certificates	-	540,723	-	540,723
Total	**19,186**	**756,485**	**-**	**775,671**

[2] – As at 31 December 2016, there is collateral of €9.0 million in cash with SMBC and assets with a market value of €208.2 million.

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

During 2017, following further developments in the liquidity of certain debt securities, investments of the Compartment with a value of €17.4 million (2016: €4.8 million) were reclassified from Level 2 to Level 3 and there was reclassification from Level 3 to Level 2 of €7.2 million (2016: €27.3 million). Any transfers between levels of the fair value hierarchy, are deemed to have occurred at the beginning of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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.

	Debt securities €000	CLOs (including Asset Backed Securities) €000	Equities and Warrants €000	31 December 2017 Total €000
Balance as at 1 January 2017	**45,418**	**34,121**	**139**	**79,678**
Total gains and losses in profit or loss in the year	(651)	2,428	766	2,543
Purchases / subscriptions	102,364	7,697	-	110,061
Sales / redemptions	(49,648)	(14,177)	-	(63,825)
Transfers into / (out of) Level 3	10,125	-	-	10,125
Balances as at 31 December 2017	**107,608**	**30,069**	**905**	**138,582**
Total unrealised gains and losses at 31 December 2017 included in profit or loss for assets held at the end of the year	**(906)**	**1,955**	**857**	**1,906**

	Debt securities €000	CLOs (including Asset Backed Securities) €000	Equities and Warrants €000	31 December 2016 Total €000
Balance as at 1 January 2016	**99,573**	**49,672**	**60**	**149,305**
Total gains and losses in profit or loss in the year	7,494	(368)	31	7,157
Purchases / subscriptions	73,274	3,258	48	76,580
Sales / redemptions	(112,428)	(18,441)	-	(130,869)
Transfers into / (out of) Level 3	(22,495)	-	-	(22,495)
Balances as at 31 December 2016	**45,418**	**34,121**	**139**	**79,678**
Total unrealised gains and losses at 31 December 2016 included in profit or loss for assets held at the end of the year	**789**	**(1,482)**	**91**	**(602)**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

Description	2017 €000	Valuation technique	Unobservable input	Range (weighted average)[3]
Collaterised loan obligations (including Asset Backed Securities)	30,069	Broker quotes / other methods	Specific valuation of the industry: expert valuation	n/a
Corporate bonds and debt instruments	107,608	Broker quotes / Market multiples / Discounted Cash Flow	Cost of market transactions / Multiple of listed companies / management information	n/a

Description	2016 €000	Valuation technique	Unobservable input	Range (weighted average)[3]
Collaterised loan obligations (including Asset Backed Securities)	34,121	Broker quotes / other methods	Specific valuation of the industry: expert valuation	n/a
Corporate bonds and debt instruments	45,418	Broker quotes / Market multiples / Discounted Cash Flow	Cost of market transactions / Multiple of listed companies / management information	n/a

[3] – Range (weighted average) is denoted as n/a as no adjustments are made to the valuation techniques applied.

The Investment Vehicle board of directors and Investment Vehicle Manager have valued the CLO positions at bid-price as at 31 December 2017 as they believe this is the most appropriate value for these positions. The Investment Vehicle board of directors 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. 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 – (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 are as shown below:

As at 31 December 2017

Description	Input	Sensitivity used	Effect on fair value €000
Collateralised loan obligations (including Asset Backed Securities)	Discount to broker quotes	20%	6,014
Corporate bonds and Debt instruments	Discount to broker quotes	10%	10,761

As at 31 December 2016

Description	Input	Sensitivity used	Effect on fair value €000
Collateralised loan obligations (including Asset Backed Securities)	Discount to broker quotes / valuation method	20%	6,824
Corporate bonds and Debt instruments	Discount to broker quotes / valuation method	10%	4,542

7. 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.

7.1 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 investments at fair value through profit or loss, cash and cash equivalents and interest and other receivables.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. Financial risk management (continued)

7.1 Credit risk (continued)

In the opinion of the Board, the carrying amounts of financial assets best represent the maximum credit risk exposure at the balance sheet date. At the reporting date, the Company's financial assets exposed to credit risk amounted to the following:

	31 December 2017 €	31 December 2016 €
Financial assets held at fair value through profit or loss	507,308,415	404,603,610
Cash and cash equivalents	588,911	1,567,742
Total assets	507,897,326	406,171,352

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 (2016: A-1) from Standard & Poor's.

The credit risk associated with debtors is limited to other receivables. Credit risk is mitigated by the Company's policy to only undertake significant transactions with leading commercial counterparties.

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; and (iii) 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.

7.2 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 12 and 13 – "Principal risks and uncertainties" and note 11 for detail regarding the election to tender available to ordinary shareholders and applicable restrictions.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. Financial risk management (continued)

7.2 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 carry out only such redemptions which will meet this criterion.

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 liabilities as at 31 December 2017:

	Less than 1 year €	1 to 5 years €	More than 5 years €	No maturity date €	Total €
Financial liabilities					
Payables	(256,050)	-	-	-	(256,050)
Ordinary shares (*)	-	-	-	(507,678,132)	(507,678,132)
Total undiscounted financial liabilities	**(256,050)**	-	-	**(507,678,132)**	**(507,934,182)**

(*) – 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 are set out in note 11.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. Financial risk management (continued)

7.2 Liquidity risk (continued)

The table below shows the residual contractual maturity of the financial liabilities as at 31 December 2016:

	Less than 1 year €	1 to 5 years €	More than 5 years €	No maturity date €	Total €
Financial liabilities					
Payables	(695,258)	-	-	-	(695,258)
Ordinary shares (*)	-	-	-	(405,526,279)	(405,526,279)
Total undiscounted financial liabilities	**(695,258)**	-	-	**(405,526,279)**	**(406,221,537)**

(*) – 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 are set out in note 11.

In the ordinary course of business the Directors expect the Company's Contractual Quarterly Tenders to be funded by redemptions from the Investment Vehicle.

7.3 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 70 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.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. Financial risk management (continued)

7.3 Market risk (continued)

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	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)
Investments 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)

Current value	2016 Total	Increase by 5%	Decrease by 5%
Euro PECs	€135,547,745	€6,777,387	€(6,777,387)
Sterling PECs (Euro equivalent)	€269,055,865	€13,452,793	€(13,452,793)
Investments held at fair value through profit or loss	**€404,603,610**	**€20,230,180**	**€(20,230,180)**
Sterling PECs	£229,354,587	£11,467,729	£(11,467,729)

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.

7.4 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. Most of these investments in debt securities carry various interest rates and maturity dates. Interest rate risk on fixed interest instruments is considered to be part of market risk on fair value as disclosed above and is monitored by the Board on a monthly basis.

In addition, as at 31 December 2017, the Company was exposed to interest rate risk arising on debt security positions sold short of €23.5 million (2016: €21.2 million) and loan and borrowings of €173.7 million (2016: €153.2 million) held by the Investment Vehicle. Please refer to pages 64 and 68 for details of financial asset and liability positions of the Investment Vehicle as at 31 December 2017 and 31 December 2016.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. Financial risk management (continued)

7.4 Interest rate risk (continued)

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

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

	2016 Interest bearing[1] €	2016 Non-interest bearing €	2016 Total €
Assets			
Investments held at fair value through profit or loss	-	404,603,610	404,603,610
Cash and cash equivalents	1,567,742	-	1,567,742
Other receivables and prepayments	-	50,185	50,185
Total assets	**1,567,742**	**404,653,795**	**406,221,537**
Liabilities			
Ordinary shares	-	(405,526,279)	(405,526,279)
Payables	-	(695,258)	(695,258)
Total liabilities	-	**(406,221,537)**	**(406,221,537)**
Total interest sensitivity gap	**1,567,742**	**(1,567,742)**	-

[1] – floating rate and due within 1 month

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. Financial risk management (continued)

7.5 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. Investments held by the Investment Vehicle may trade with significant bid-ask spreads. The Investment Vehicle is entitled to rely, without independent investigation, upon pricing information and valuations furnished to the Investment Vehicle by third parties, including pricing services and valuation sources. Absent bad faith or manifest error, valuation determinations in accordance with the Investment Vehicle's valuation policy will be conclusive and binding. 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.

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.

7.6 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 base currency.

The base currency of the Company and the Investment Vehicle is the 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).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. Financial risk management (continued)

7.6 Foreign currency risk (continued)

This may result in variations between 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.

The following table provides the foreign exchange exposure as at 31 December 2017:

Currency exposure	2017 Investments €	2017 Cash €	2017 Other net current assets / (liabilities) €	2017 Total €
Euro	134,199,379	312,257	(59,888)	134,451,748
Sterling	373,109,036	276,654	(159,306)	373,226,384
Total	**507,308,415**	**588,911**	**(219,194)**	**507,678,132**

The following analysis demonstrates the impact of a 5% movement in the exchange rate against the Euro on the net assets attributable to ordinary shareholders, with all other variables held constant.

31 December 2017	Change in exchange rate[2] Increase/(decrease)	Effect on net assets attributable to ordinary shareholders Increase / (decrease) €
Sterling	5%/(5%)	18,661,319/(18,661,319)

[2] – 5% has been assessed at 31 December 2017 as a reasonably possible movement in currency rate sensitivity over the year. It is not intended to illustrate a remote, worst case or stress test scenario.

The following table provides an indication of the foreign exchange exposure as at 31 December 2016:

Currency exposure	2016 Investments €	2016 Cash €	2016 Other net current assets / (liabilities) €	2016 Total €
Euro	135,547,745	502,021	(108,184)	135,941,582
Sterling	269,055,865	1,065,721	(536,889)	269,584,697
Total	**404,603,610**	**1,567,742**	**(645,073)**	**405,526,279**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. Financial risk management (continued)

7.6 Foreign currency risk (continued)

The following analysis demonstrates the impact of a 15% movement in the exchange rate against the Euro on the net assets attributable to ordinary shareholders, with all other variables held constant.

31 December 2016	Change in exchange rate[3] Increase/(decrease)	Effect on net assets attributable to ordinary shareholders Increase / (decrease) €
Sterling	15% / (15%)	40,437,705/(40,437,705)

[3] – 15% has been assessed at 31 December 2016 as a reasonably possible movement in currency rate sensitivity over the year. It is not intended to illustrate a remote, worst case or stress test scenario.

The Board regularly monitors and reviews its currency management policies on an on-going basis.

8. Payables

	31 December 2017 €	31 December 2016 €
Administration fees	33,750	21,829
Auditors' fees	20,434	71,400
Partial termination fee payable	-	535,973
Advisor fees	47,292	-
Other payables	154,574	66,056
Total payables	256,050	695,258

Partial termination fee expense of €308,760 (2016: €1,553,559) was incurred during the year, of which €nil (2016: €535,973) is payable to the Corporate Services Manager as at 31 December 2017. In the case of any shareholder tendering ordinary shares through a Contractual Quarterly Tender in years 1 to 5 following the IPO, the Company becomes liable to pay a partial termination fee to the Corporate Services Manager and records an expense in terms of the prospectus. A fee is built into the tender price in years 1 to 5 following the IPO of the Contractual Quarterly Tender facility to cover this partial termination fee.

As at 31 December 2017, advisor fee of €47,292 (2016:€nil) is payable to the Corporate Services Manager.

9. Contingent liabilities and commitments

As at 31 December 2017, the Company had no contingent liabilities or commitments (2016: nil).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. Stated capital

	Number of shares 31 December 2017	Stated capital 31 December 2017 €	Number of shares 31 December 2016	Stated capital 31 December 2016 €
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 for the earnings per share calculation.

11. Ordinary shares

	Number of shares[1] 31 December 2017	Stated capital 31 December 2017 €	Number of shares[1] 31 December 2016	Stated capital 31 December 2016 €
Euro Shares	122,972,583	123,732,923	128,961,584	129,701,374
Sterling Shares	296,201,850	346,563,416	214,849,319	253,661,597
Total	**419,174,433**	**470,296,339**	**343,810,903**	**383,362,971**

[1] – Excludes 49,856,335 (2016: 98,187,170) Euro Shares and 25,810,040 (2016: 58,001,488) Sterling Shares held as treasury shares.

	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**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. Ordinary shares (continued)

	31 December 2016 Total €
Balances as at 1 January 2016	**568,833,555**
Issue of ordinary shares	-
Subscriptions arising from conversion of ordinary shares	4,352,504
Redemption payments arising from conversion of ordinary shares	(4,407,326)
Redemption payments arising from quarterly tenders of ordinary shares	(133,768,481)
Foreign currency exchange gain on ordinary shares	(51,647,281)
Balances as at 31 December 2016	**383,362,971**

Ordinary shares

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

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 considerations as detailed in the Articles.

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 4,954,779 (2016: 3,479,320) Euro Shares were converted into 4,266,370 (2016: 2,608,457) Sterling Shares and 294,967 (2016: 661,630) Sterling Shares were converted into 326,524 (2016: 872,880) Euro Shares.

As at 31 December 2017, the Company had 172,828,918 (inclusive of 49,856,335 treasury shares) (2016: 227,148,754 (inclusive of 98,187,170 treasury shares)) Euro Shares and 322,011,890 (inclusive of 25,810,040 treasury shares) (2016: 272,850,807 (inclusive of 58,001,488 treasury shares)) Sterling Shares.

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 the demand in the market from time to time.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. Ordinary shares (continued)

Treasury share convertor mechanism (continued)

Accordingly on the 11 September 2017, the Company settled 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 the 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 6 October 2017, the Company announced the sale of 50,000,000 Euro treasury shares to the Conversion Vehicle, which completed on 9 October 2017. Subsequently the Conversion Vehicle served notice on the Company requiring the Company to convert those 50,000,000 Euro Shares held by it into Sterling Shares. The 50,000,000 Euro Shares were converted into 45,167,540 Sterling Shares at a ratio of 0.903351, calculated in accordance with the share conversion provisions appearing in the Company's Articles.

On 13 October 2017, the conversion process was completed with the Company purchasing 45,167,540 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.

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 mechanism should provide shareholders with additional liquidity when compared with other listed closed-ended investment companies.

The offer of Contractual Quarterly Tenders will be subject to annual shareholder approval and subject to the terms, conditions and restrictions as set out in the prospectus. The Company will be subject to annual shareholder approval to tender each quarter for up to 24.99 per cent. of the shares 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 in issue.

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 may seek shareholder approval to grant them the power to make ad hoc market purchases of Shares. If such authority is sought and 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 of the Directors so to act.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. Ordinary shares (continued)

Contractual Quarterly Tender facility (continued)

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 7.2.

During the year 15,827,693 (2016: 63,883,680) Euro Shares and 14,938,350 (2016: 57,627,016) Sterling Shares were redeemed as part of the Contractual Quarterly Tender facility and held by the Company in the form of treasury shares. 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.

As at 31 December 2017, 49,856,335 (2016: 98,187,170) Euro Shares and 25,810,040 (2016: 58,001,488) Sterling Shares were held as treasury shares.

Dividend

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.

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 year ended 31 December 2017 and 31 December 2016 respectively.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. Ordinary shares (continued)

Dividend (continued)

	Ex-dividend date	Payment date	£ equivalent	€
Euro - €0.025 per share[2]	04/02/2016	26/02/2016	-	4,091,783
Sterling - £0.025 per share[2]	04/02/2016	26/02/2016	6,803,607	8,328,976
Euro - €0.025 per share[2]	14/07/2016	08/05/2016	-	3,411,039
Sterling - £0.025 per share[2]	14/07/2016	08/05/2016	6,353,879	7,778,419
Euro - €0.0125 per share[2]	03/11/2016	25/11/2016	-	1,616,371
Sterling - £0.0125 per share[2]	03/11/2016	25/11/2016	2,681,825	3,283,090
				28,509,678
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

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

[2] – Recognised in the year ended 31 December 2016

Please refer to note 15 for further information subsequent to the reporting period.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. Ordinary shares (continued)

Earnings per share

	31 December 2017 £ equivalent	31 December 2017 €	31 December 2016 £ equivalent	31 December 2016 €
Euro Shares				
Increase in net assets for the year	-	5,128,857	-	4,002,149
Results per share	-	0.041674	-	0.026960
Sterling Shares				
Increase in net assets for the year	8,837,372	10,089,628	4,895,042	6,752,221
Results per share	0.036502	0.041674	0.019545	0.026960

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 2017 was 365,175,613 (2016: 398,905,448), comprising 123,069,643 (2016: 148,452,091) Euro Shares and 242,105,970 (2016: 250,453,357) Sterling Shares.

12. Net asset value per share

	31 December 2017 £ equivalent	31 December 2017 €	31 December 2016 £ equivalent	31 December 2016 €
Euro Shares				
Net asset value	-	134,451,748	-	135,941,582
Net asset value per share	-	1.0933	-	1.0541
Sterling Shares				
Net asset value	331,462,152	373,226,384	229,805,385	269,584,697
Net asset value per share	1.1190	1.2600	1.0696	1.2548

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13. Reconciliation of liabilities arising from financing activities

	€
Balance as at 1 January 2017	**405,526,279**
Cash flow movements	
Proceeds from issuance and subscriptions arising from conversion of ordinary shares	139,340,625
Payments from redemption of ordinary shares	(41,361,171)
Share issue costs paid	(1,105,350)
Dividends paid	(21,123,486)
Non cash flow movements	
Foreign currency exchange gain on ordinary shares	(11,046,086)
Movement attributable to shareholders	37,447,321
Balance as at 31 December 2017	**507,678,132**

14. Related party disclosure

All transactions between related parties were conducted on terms equivalent to those prevailing in an arm's length transaction.

The Directors are entitled to remuneration for their services. Please refer to note 5 for further detail.

Please refer to note 4 and note 8 for transactions between the Company and the Corporate Services Manager.

15. Material events after the Statement of Financial Position date

Management has evaluated subsequent events for the Company through 2 March 2018, the date the financial statements were available to be issued, and concluded there are no material events that require disclosure or adjustment of the financial statements other than those listed below:

On 8 January 2018, the Company sold 75,000 Euro treasury shares and 250,000 Sterling treasury shares at a price of €1.0415 per Euro treasury share and £1.1300 per Sterling treasury share respectively.

On 15 January 2018, the Company sold 150,000 Euro treasury shares and 150,000 Sterling treasury shares at a price of €1.0415 per Euro treasury share and £1.1300 per Sterling treasury share respectively.

On 16 January 2018, the Company sold 550,000 Euro treasury shares at a price of €1.1045 per Euro treasury share.

On 18 January 2018, the Company sold 250,000 Sterling treasury shares at a price of £1.1300 per Euro treasury share.

On 22 January 2018, the Company sold 250,000 Sterling treasury shares at a price of £1.1337 per Euro treasury share.

On 24 January 2018, the Company declared a dividend of €0.01375 per Euro Share and £0.01375 per Sterling Share payable on 16 March 2018 to shareholders on the register as at 1 February 2018.

On 24 January 2018, the Company announced it had received applications from shareholders to convert 150,000 Euro Shares into Sterling Shares. The Company received no requests for Euro Shares to be converted to Sterling Shares.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

On 6 February 2018, the Company announced it had received applications from shareholders to tender 3,993,091 Euro Shares and 24,433 Sterling Shares under the March 2018 Contractual Quarterly Tender.

On 9 February 2018, the Company sold 150,000 Euro treasury shares at a price of €1.0975 per Euro treasury share and 450,000 Sterling treasury shares at a price of £1.1243.

On 12 February 2018, the December 2017 Contractual Quarterly Tender completed with 14,660 Sterling Shares being repurchased and transferred into the Company's name and held as treasury shares.

On the 19 February 2018, the Company announced it had received applications from shareholders to convert 105,550 Sterling Shares into Euro Shares. The Company received no requests for Euro Shares to be converted to Sterling Shares.

On 21 February 2018, the Company sold 1,650,000 Sterling treasury shares at a price of £1.1274 per Sterling treasury share.

16. Controlling party

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

USEFUL INFORMATION FOR SHAREHOLDERS

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 2017. 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. This information is sourced by CVC Credit Partners.

Please refer to page 3 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 discount or premium. The Company's premium to NAV is calculated by expressing the difference between the period end Euro and Sterling Share price (bid price) and the period end NAV per share as a percentage of the NAV per share.

At 31 December 2017, the Company's Euro Shares and Sterling Shares traded at €1.1000 and £1.1250 respectively. The Euro Shares traded at 0.61% premium to the NAV per Euro Share of €1.0933 and the Sterling Shares traded at a 0.53% premium to the NAV per Sterling Share of £1.1190.

Ongoing charges

The ongoing charges ratio for the year ended 31 December 2017 was 1.19% (2016: 1.08%[1]). The AIC's methodology for calculating an ongoing charges figure is based on annualised ongoing charges of €5,293,408 (2016: €5,059,623) divided by average NAV in the period of €443,632,567 (2016: €468,841,327).

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."

[1] – Comparative ongoing charges ratio has been restated from 1.21% to 1.08%.

USEFUL INFORMATION FOR SHAREHOLDERS (CONTINUED)

Ongoing charges (continued)

Calculating ongoing charges (continued)
With the exception of Investment Vehicle management fee, the Company's ongoing charge does not reflect any other costs of the Investment Vehicle as this information is not readily available.

Please refer below for ongoing charges reconciliation for the years ended 31 December 2017 and 31 December 2016:

	31 December 2017 €	31 December 2016 €
Total operating expenses for the year:	1,203,526	921,011
Expenses excluded from the calculation of ongoing charges figures, in accordance with AIC's methodology:		
Professional fees	(110,682)	(136,384)
Sundry expenses	(88,999)	(4,597)
Total ongoing charges for the year (excluding Investment Vehicle Manager's fee)	1,003,845	780,030
Add: Investment Vehicle management fee[2]	4,289,562	4,279,593
Total ongoing charges for the year (including Investment Vehicle Manager's fee)	5,293,407	5,059,623

[2] – The Company's ongoing charge includes €4,289,562 (2016: €4,279,593) 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.

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 of NAV at each NAV calculation date. On this basis average NAV figure has been calculated using the weekly NAVs over the year ended 31 December 2017.

COMPANY INFORMATION

Registered Office
IFC 1, The Esplanade
St Helier
Jersey
JE1 4BP

Investment Vehicle Manager
CVC Credit Partners Investment Management Limited
111 Strand
London
WC2R 0AG

Corporate Services Manager
CVC Credit Partners Investment Services Management Limited
1 Waverly Place,
Union Street
St Helier
Jersey
JE1 1SG

Corporate Brokers
Goldman Sachs International
Peterborough Court,
133 Fleet Street
London
EC4A 2BB

Winterflood Securities Limited
The Atrium Building
Cannon Bridge House
25 Dowgate Hill
London
EC4R 2GA

Solicitors to the Company (as to English law)
Herbert Smith Freehills
Exchange House
Primrose Street
London
EC2A 2EG

Advocates to the Company (as to Jersey law)
Bedell Cristin
26 New Street
St Helier
Jersey
JE2 3RA

Custodian
BNP Paribas Securities Services S.C.A., Jersey Branch
IFC 1, The Esplanade
St Helier
Jersey
JE1 4BP

Auditor
Ernst & Young LLP
25 Churchill Place
Canary Wharf
London
E14 5EY

Administrator and Company Secretary
BNP Paribas Securities Services S.C.A., Jersey Branch
IFC 1, The Esplanade
St Helier
Jersey
JE1 4BP

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Registrar and Receiving Agent
Computershare Investor Services (Jersey) Limited
Queensway House
Hilgrove Street
St Helier
Jersey
JE1 1ES

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 ordinary 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: Neue Helvetische Bank AG, Seefeldstrasse 215, 8008 Zurich, Switzerland.

www.ccpeol.com

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