

INVESTCORP

Investcorp Credit Management EU Limited

Annual report and accounts for the year ended 31 March 2017

Registered number : 05655607

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Investcorp Credit Management EU Limited

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Directors' report

For the year ended 31 March 2017

The Directors submit their annual report with the audited financial statements for the year ended 31 March 2017.

Business review

Principal activity

The principal activity of Investcorp Credit Management EU Limited (the "Company") is to provide discretionary investment management advice. It also makes capital investment in to certain funds under management for regulatory purposes. The Company is domiciled and incorporated in the United Kingdom. The Company acts as a Fund Manager and Investment Advisor for leveraged finance funds (including mezzanine loans and private equity assets), and has 21 funds under management at 31 March 2017 (2016: 22 funds) with an AUM of £4.4 billion (2016: £4.1 billion)

Directors

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

R A Bellis (resigned December 21, 2016)

J R Ghose

P Goody

Disclosure of information to the Auditors

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

Auditors

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

Going concern

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

Pillar 3 disclosures

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

By order of the Board



Peter Goody

Date: 20 July 2017

Registered office:

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

Statement of directors' responsibilities

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

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

- (a) select suitable accounting policies in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- (b) present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- (c) provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance;
- (d) state that the Company has complied with IFRSs, subject to any material departures disclosed and explained in the financial statements;
- (e) make judgements and estimates that are reasonable; and
- (f) prepared the financial statements on the going concern basis unless it is appropriate to presume that the Company will continue in business.

The Directors have a responsibility for ensuring that proper accounting records are kept which are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that financial statements comply with the Companies Act 2006. They have a responsibility for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Strategic report

For the year ended 31 March 2017

Results and business review

The Directors present their strategic report for the year ended 31 March 2017.

Total profit for the year amounted to £47,099k (2016: £26,925k). During the year, interim dividends amounting to £87,438k were paid to the previous parent, 3i Debt Management Limited. The Directors do not recommend a final dividend for the year (2016: nil).

Development

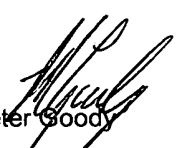
The Company was acquired during the year by Investcorp S.A., part of the Investcorp Group, to add credit investments to its asset classes and product offerings. The acquisition agreement was signed October 24th, 2016 for 100% transfer of ownership of 3i Debt Management Investments Limited from 3i Group PLC to Investcorp Group. Subsequent to all the required regulatory approvals, the transaction closed on March 3rd, 2017 with the Company being renamed Investcorp Credit Management EU Limited ("Investcorp Transaction").

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

Principal risks and uncertainties

The Company is a subsidiary in the Investcorp Group with the immediate parent being Investcorp S.A. domiciled in Cayman Islands. The Group sets objectives, policies and processes for managing and monitoring risk as set out in Investcorp Bank B.S.C.'s annual report. The financial risks are discussed in further detail in note 15.

By order of the Board



Peter Goody

Date:

20 July 2017

Registered office:

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

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

We have audited the financial statements of Investcorp Credit Management EU Limited for the year ended 31 March 2017 which comprise the Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Financial Position, Statement of Cash Flows, and the related notes 1 to 15. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual report and accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- ▶ give a true and fair view of the state of the company's affairs as at 31 March 2017 and of its profit for the year then ended;
- ▶ have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- ▶ have been prepared in accordance with the requirements of the Companies Act 2006.

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

Opinion on other matters prescribed by the Companies Act 2006

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

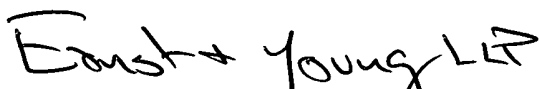
- ▶ the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements;
- ▶ the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

- ▶ adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- ▶ the financial statements are not in agreement with the accounting records and returns; or
- ▶ certain disclosures of directors' remuneration specified by law are not made; or
- ▶ we have not received all the information and explanations we require for our audit.



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

Date: 

Statement of comprehensive income

for the year ended 31 March 2017

	Notes	2017 £'000	2016 £'000
Revenue	1	62,948	47,245
Operating expenses	2	(19,300)	(16,733)
Operating profit		43,648	30,512
Unrealised gain/(loss) on the revaluation of investments		3,619	(13,554)
Realised profit on disposal of investments		50	-
Interest receivable		58	95
Interest payable		(143)	(234)
Exchange movements		12,744	10,205
Profit before tax		59,976	27,024
Income taxes	6	(12,877)	(99)
Profit for the year		47,099	26,925
Total comprehensive income for the year		47,099	26,925

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

Statement of changes in equity

for the year ended 31 March 2017

	Issued share capital £'000	Share based payment reserve £'000	Other distributable reserve £'000	Total £'000
As at 1 April 2015	92,238	260	31,440	123,938
Profit for the year	-	-	26,925	26,925
Share based payments charge	-	62	-	62
Exercise of share awards	-	(4)	4	-
Total change in equity for the year	-	58	26,929	26,987
As at 31 March 2016	92,238	318	58,369	150,925
Profit for the year	-	-	47,099	47,099
Share based payments charge	-	(318)	318	-
Dividend paid to parent	-	-	(87,438)	(87,438)
Exercise of share awards	-	-	-	-
Total change in equity for the year	-	(318)	(40,021)	(40,339)
As at 31 March 2017	92,238	-	18,348	110,586

The notes and accounting policies on pages 9 to 22 form an integral part of these financial statements.

Statement of financial position

as at 31 March 2017

	Notes	2017 £'000	2016 £'000
Assets			
Non-current assets			
Investments	9	179,263	112,802
Intangible assets	8	1,567	3,134
Trade and other receivables	10	1,656	2,345
Total non-current assets		182,486	118,281
Current assets			
Trade and other receivables	10	13,929	17,871
Cash and cash equivalents		25,779	38,338
Total current assets		39,708	56,209
Total assets		222,194	174,490
Liabilities			
Non-current liabilities			
Trade and other payables	11	(11,182)	(10,702)
Total non-current liabilities		(11,182)	(10,702)
Current liabilities			
Trade and other payables	11	(100,426)	(12,863)
Total current liabilities		(100,426)	(12,863)
Total liabilities		(111,608)	(23,565)
Net assets		110,586	150,925
Equity			
Issued Capital	7	92,238	92,238
Share based payment reserve		-	318
Other distributable reserve		18,348	58,369
Total equity		110,586	150,925

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

Peter Goody

Director

Date:

20 May 2017

Statement of cash flows

for the year ended 31 March 2017

	2017	2016
	£'000	£'000
Cash flow from operating activities		
Profit before tax	59,976	27,024
Adjustments for:		
Amortisation of management contracts	1,567	2,244
Share based payment charge	-	62
Fair value movement on investments	(3,619)	13,554
Decrease in receivables	3,176	1,297
Increase/(Decrease) in payables	1,230	(44)
Exchange Movements	(12,744)	(10,205)
Income tax (paid)/received	(9,635)	400
Net cash flow from operating activities	39,951	34,332
Cash flows from investing activities		
Purchase of investments	(104,091)	(60,791)
Return of capital	53,159	32,650
Net cash flow used in investing activities	(50,932)	(28,141)
Cash flow from financing activities		
Dividends paid	(87,438)	-
Loan from parent	85,860	1,945
Net cash flow (used in) / from financing activities	(1,578)	1,945
Change in cash and cash equivalents	(12,559)	8,136
Cash and cash equivalents at the start of the year	38,338	30,343
Effect of exchange rate fluctuations	-	(141)
Cash and cash equivalents at the end of the year*	25,779	38,338

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

Accounting policies

for the year ended 31 March 2017

A Statement of compliance

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

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

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

		Effective for period beginning on or after
IFRS	IAS1 Presentation of Financial Statements – Amendments to Disclosure Initiative	1 July 2016
IFRS	Annual improvements 2012 to 2014	1 July 2016
IFRS 15	Revenue from contracts with customers	1 January 2017
IFRS 9	Financial instruments	1 January 2018

The impact of the future standards and amendments on the financial statements is being assessed by the Company.

B Basis of preparation

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

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The most significant techniques for estimation are described in the accounting policies below.

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

C Revenue recognition

Revenue arises from Investment Management fees, Investment Advisory fees and incentive fees as well as distributions from CLO investments and income from the warehouse vehicles used to ramp CLO funds prior to close. Investment management, investment advisory and incentive fee income are recognised on an accrual basis. All revenue derives from operations in Europe and the US.

D Foreign currency transactions

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

Accounting policies (continued)

for the year ended 31 March 2017

E Cash and cash equivalents

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

F Income taxes

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

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

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

G Other receivables

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

H Other payables

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

I Share based payments

Under 3i Group, the Company had equity-settled transactions with certain employees. Equity-settled schemes were measured at fair value at the date of grant, which were then recognised in the statement of comprehensive income over the period that employees provide services, generally the period between the start of performance period and the vesting date of the shares. The number of shares expected to vest takes into account the likelihood that performance and services conditions included in the terms of the award will be met.

Accounting policies (continued)

for the year ended 31 March 2017

I Share based payments (continued)

Fair value is measured by use of an appropriate model which takes into account the exercise price of the option, the current share price, the risk-free interest rate, the expected volatility of the share price over the life of the option and any other relevant factors. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of 3i Group plc. The charge is adjusted at each balance sheet date to reflect the actual number of forfeitures, cancellations and leavers during the period. The movement in cumulative charges since the previous balance sheet is recognised in the statement of comprehensive income, with a corresponding entry in equity. During the year, post Investcorp transaction, the share-based payment reserve was utilized and made nil, and no charge pertaining to share based payments has been recognized in the current year.

J Investments Portfolio

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

The investments are designated as fair value through profit and loss and subsequently carried in the statement of financial position at fair value. Fair value is measured using a range of data including original arranging bank models, internal forecasts and models, trading data where available, and data from third-party valuation providers.

Gains and losses arising from a change in the fair value are included in the statement of comprehensive income in the period in which they arise.

K Incentive fees receivable

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

Schemes are reviewed at the balance sheet date, and an accrual for incentive fees receivable is made once the performance conditions have been met or would be achieved if the remaining assets in that fund were realised at the carrying value. An accrual is made equal to the Company's share of profits in excess of the performance conditions, taking into account the cash already returned to fund investors and the fair value of assets remaining in the fund.

L Incentive fees payable

Incentive fee payable is accrued if its performance conditions, measured at the balance sheet date, would be achieved if the remaining assets in that scheme were realised at carrying value. An accrual is made equal to the executive's share of profits in excess of the performance conditions in place in the carried interest scheme, discounted to reflect the likely actual cash payment date, which may be materially later than the time of the accrual.

M Intangible

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

Accounting policies (continued)

for the year ended 31 March 2017

N Fair value of financial instruments

The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. Judgements and estimates include considerations of liquidity and model inputs related to items such as credit risk (both own and counterparty), funding value adjustments, correlation and volatility. For further details about determination of fair value please see Note 9.

O Impairment and un-collectability of financial assets

An assessment is made at each balance sheet date for all financial assets other than those classified as fair value through profit and loss (FVTPL) assets to determine whether there is objective evidence that a specific financial asset may be impaired. Judgment is made by the management in the estimation of the amount and timing of future cash flows along with making judgments about the financial situation of the underlying asset and realisable value of collateral, if any. If such evidence exists, the estimated recoverable amount of that asset is determined and any impairment loss, determined appropriately, is recognised in the statement of comprehensive income and credited to an allowance account.

The impaired financial assets together with the associated allowance are written off when there is no realistic prospect of future recovery. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If an amount written off earlier is later recovered, the recovery is credited to the statement of comprehensive income.

P Expenses

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

Notes to the accounts

1 Revenue	2017	2016
	£'000	£'000
Investment management fees	24,236	21,173
Investment advisory fees	3,771	2,748
Incentive fee income	2,332	4,896
CLO distributions	32,159	17,616
Other income	450	812
	62,948	47,245

2 Operating expenses	2017	2016
	£'000	£'000
Staff costs	7,813	8,867
Auditor's remuneration - audit fees	116	12
Amortisation of intangible assets	1,567	2,244
Administrative expenses	9,804	5,610
	19,300	16,733

3 Staff costs	2017	2016
	£'000	£'000
Wages and salaries	3,379	7,420
Social security costs	1,126	1,006
Share based payment	-	62
Pension and other costs	268	285
Staff distribution and carry	3,040	-
Redundancy costs	-	94
Total	7,813	8,867

The average number of employees during the year was 28 (2016 :25).

4 Directors' emoluments	2017	2016
	£'000	£'000
Salaries and benefits	843	1,104
Bonuses, incentive fees and performance fees	933	980
Contributions to money-purchase pension schemes	-	-
Amounts receivable under long-term incentive plans	2,070	3,825
	3,846	5,909

Notes to the accounts (continued)

4 Directors' emoluments(continued)

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

The emoluments of the highest paid director were £2,708k (2016: £3,237k), of which £1,688k (2016: £2,424k) were payable under the long term incentive arrangements.

5 Share based payment**Deferred share awards**

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

Performance based awards

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

	2017 £'000	2016 £'000
Share awards	-	62
	-	62

Details of share awards outstanding during the year are as follows:

	2017	2016
Outstanding at start of the year	102,237	102,237
Forfeited	(102,237)	-
Outstanding at end of the year	-	102,237

During the year, post Investcorp Transaction, the share-based payment reserve was utilized and made nil, and no charge pertaining to share based payments has been recognized in the current year. Hence, there are nil awards outstanding at the end of the year (2016: weighted average contractual life of awards was 1.89 years).

6 Income taxes

	2017 £'000	2016 £'000
Statement of comprehensive income		
Current tax	12,190	-
Current tax adjustment in relation to prior period	-	(533)
Deferred tax	718	90
Deferred tax adjustment in relation to prior period	(31)	542
Total income taxes in the statement of comprehensive income	12,877	99

Notes to the accounts (continued)

6 Income taxes(continued)

Reconciliation of income taxes in the statement of comprehensive income

The tax for the year is different to the standard rate of corporation tax in the UK 20% (2016 :20%). The differences are explained below:

	2017 £'000	2016 £'000
Profit before tax	59,976	27,024
Profit before tax multiplied by rate of corporation tax in the UK of 20% (2016:20%)	11,995	5,405
Expenses not deductible for tax purposes	951	25
Effect of change in deferred tax rate	(38)	124
Prior year adjustment	(31)	8
Group relief received for nil consideration	-	(5,463)
Total income taxes in the statement of comprehensive income	12,877	99

Deferred tax

	Statement of financial position 2017 £'000	Statement of comprehensive income 2017 £'000
Deferred income tax asset		
Decelerated capital allowances	11	2
Long term incentive plan	1,646	685
Deferred income tax asset	1,657	687
Deferred income tax charge in the statement of comprehensive income	-	687

	Statement of financial position 2016 £'000	Statement of comprehensive income 2016 £'000
Deferred income tax asset		
Decelerated capital allowances	14	9
Long term incentive plan	2,331	624
Deferred income tax asset	2,345	632
Deferred income tax charge in the statement of comprehensive income	-	632

Notes to the accounts (continued)

6 Income taxes(continued)

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

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

7 Share capital	Number of shares	Amount £'000
(i) Ordinary shares		
Called up, allotted and fully paid ordinary shares of £1 each	92,238	92,238
At 31 March 2017 and 31 March 2016		
Issued ordinary shares of £1 each	92,238	92,238
Authorised ordinary shares of £1 each	92,238	92,238
These shares were ordinary shares with no additional rights attached to them.		

During the year, dividend amounting to £87,438k was paid to the parent. Dividend distributed amounted to £0.95 per share.

8 Intangible assets

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

	2017 £'000	2016 £'000
Opening cost	10,258	10,258
Closing cost	10,258	10,258
Opening accumulated amortisation	7,124	4,880
Charge for the year	1,567	2,244
Closing accumulated amortisation	8,691	7,124
Net book value	1,567	3,134

Notes to the accounts (continued)

9 Investments

	Unquoted CLO fund investments £'000	Unquoted CLO warehouse investments £'000	Total £'000
At 31 March 2015	73,413	14,508	87,921
Additions	42,661	18,130	60,791
Return of capital	-	(32,650)	(32,650)
Foreign exchange movement	10,282	12	10,294
Fair value movements	(13,554)	-	(13,554)
At 31 March 2016	112,802	-	112,802
Additions	43,497	60,594	104,091
Return of capital	(22,756)	(30,403)	(53,159)
Foreign exchange movement	12,140	(230)	11,910
Fair value movements	3,619	-	3,619
At 31 March 2017	149,302	29,961	179,263

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

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

The Company's investments are all level 3 (2016: 100% level 3). Level 3 inputs are sensitive to assumptions made when ascertaining fair value as described in accounting policy note J. Investments held at 31 March 2017 were valued using a range of data including original arranging bank models, Credit Management's internal forecasts and models, trading data where available, and data from third-party valuation providers.

Notes to the accounts (continued)

10 Trade and other receivables

Non-current assets	2017	2016
	£'000	£'000
Deferred tax	1,656	2,345
	1,656	2,345

Current assets

	2017	2016
	£'000	£'000
Prepayments and accrued income	5,726	5,706
Amounts owed by group undertakings	-	1,003
Corporate tax debtor	-	1,600
Incentive fee receivable	8,203	9,562
	13,929	17,871

11 Trade and other payables

Non current liabilities	2017	2016
	£'000	£'000
Long term incentive bonus	7,413	8,016
Incentive fee payable	3,769	2,686
	11,182	10,702

Notes to the accounts (continued)

11 Trade and other payables (continued)

Current liabilities	2017 £'000	2016 £'000
Amounts owed to group undertakings	91,174	2,933
Loan with group undertakings	-	2,381
Other taxes and social security costs	-	103
VAT payable	2	43
Incentive fee payable	3,495	1,566
Other payables	4,802	5,837
Corporate tax	953	-
	100,426	12,863

12 Related parties

During the year the Company entered into transactions, in the ordinary course of business, with other related parties. Those transactions with Directors of the Company are disclosed in note 4. The Company has no other key management personnel. Each of these categories of related parties and their impact on the financial statements is detailed below.

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

Parent company*Borrowing arrangements*

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

	2017 £'000	2016 £'000
Payable at the end of the period	91,174	2,441

Notes to the accounts (continued)

13. Parent undertaking and controlling party

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

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

14. Country by country reporting (Unaudited)

The Capital Requirements (Country-by-Country Reporting) Regulations 2013 apply to the Company and information required to be published by these regulations is set out below.

The principal activity of Investcorp Credit Management EU Limited (the "Company") is to provide investment management and advisory services to various debt funds. The Company carries on its principal activities in the UK and has no overseas offices or branches. The Company also does not have any subsidiaries.

	2017	2016
	£'000	£'000
Turnover	62,948	47,245
Profit before tax	59,976	27,024
Corporation tax paid/(received)	9,635	(400)

The average number of full time equivalent employees of the Company during the year was 28 (2016:25).

15. Financial risk management**Financial risks**

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

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

Notes to the accounts (continued)

15. Financial risk management (continued)

Credit risk

Credit risk is the risk that financial loss arises from the failure of a customer or counterparty to meet its obligations under a contract. The Company's credit exposure is to its investments in CLO funds, debtors and bank balances which amounted to £219 million (2016: £169 million). The CLO investment is monitored monthly for value loss and debtors and cash balances are frequently monitored for size and age. Subordinate fees that are not expected to be received for the foreseeable future have been fully provided for. This situation is monitored closely, and the Board is updated regularly. The Company also manages the Credit Risk of each fund, and this is controlled by the terms of reference relating to the Investment Committee, the policies and procedures relating to each fund, and the legal documentation to each fund.

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

Liquidity risk

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

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

	Due within 1 year £'000	Due between 1 and 2 years £'000	Due between 2 and 5 years £'000	Total £'000
As at 31 March 2017				
Long term incentive plan	2,297	2,276	2,840	7,413
Incentive fee payable	3,495	792	2,977	7,264
Amounts owed to group undertakings	91,174	-	-	91,174
Other payables	2,505	-	-	2,505
	<u>99,471</u>	<u>3,068</u>	<u>5,817</u>	<u>108,356</u>

Interest rate risk

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

A 100 basis points movement, based on the closing balance sheet position over a 12 month period, would lead to a change in total comprehensive income of £257k (2016: £383k).

Notes to the accounts (continued)

15. Financial risk management (continued)

Foreign exchange risk

The Company's revenue is denominated in USD and Euros, and is subject to exchange rate risk. The exchange rate and non-sterling cash balances are monitored regularly to mitigate this risk. The Company's market risk is predominantly due to the Euro currency exposure relating to its Euro CLO investment, management fee receivables, deposits and forward foreign exchange contracts. A +/- 10% movement on the Euro against sterling would lead to a net +/-£18,660k (2016: +/- £13,454k) impact in the statement of comprehensive income.

Operational risk

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