Chenavari Toro Income Fund Limited

(a closed-ended investment company limited by shares incorporated under the laws of Guernsey with registered number 59940)

Audited Annual Financial Statements

For the year ended 30 September 2019

Potential investors are "qualified eligible persons" and "Non-United States Persons" within the meaning of the US Commodity Futures Trading Commission Regulation 4.7.

Chenavari Credit Partners LLP (the "Portfolio Manager") is registered as a commodity pool operator ("CPO") with the Commodity Futures Trading Commission (the "CFTC") and is a member of the National Futures Association ("NFA") in such capacity under the U.S. Commodity Exchange Act, as amended ("CEA"). With respect to the Company, the Portfolio Manager has claimed an exemption pursuant to CFTC Rule 4.7 for relief from certain disclosure, reporting and recordkeeping requirements applicable to a registered CPO. Such exemption provides that certain disclosures specified in section 4.22 (c) and (d) of the regulation are not in its Audited Annual Financial Statements and Annual Report.

Contents

FORWARD-LOOKING STATEMENTS
This annual report includes statements that are, or may be considered, "forward-looking statements". These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "anticipates", "plans", "expects", "targets", "aims", "intends", "may", "will", "can", "can achieve", "would" or "should" or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this annual report, including in the Chairman's Statement. They include statements regarding the intentions, beliefs or expectations of the Company or the Portfolio Manager concerning, among other things, the investment objectives and investment policies, financing strategies, investment performance, results of operation, financial condition, liquidity prospects, dividend policy and targeted dividend levels of the Company, the development of its financing strategies and the development of the markets in which it, directly and through special purpose vehicles, will invest in and issue securities and other instruments. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance. The Company's actual investment performance, results of operations, financial condition, liquidity, dividend policy and dividend payments and the development of its financing strategies may differ materially from the impression created by the forward-looking statements contained in this document. In addition, even if the investment performance, results of operations, financial condition, liquidity, dividend policy and dividend payments of the Company and the development of its financing strategies are consistent with the forward-looking statements contained in this document, those results or developments may not be indicative of results or developments in subsequent periods. Important factors that may cause differences include, but are not limited to: changes in economic conditions generally and in the structured finance and credit markets particularly; fluctuations in interest and currency exchange rates, as well as the degree of success of the Company's hedging strategies in relation to such changes and fluctuations; changes in the liquidity or volatility of the markets for the Company's investments; declines in the value or quality of the collateral supporting many of the Company's investments; legislative and regulatory changes and judicial interpretations; changes in taxation; the Company's continued ability to invest its cash in suitable investments on a timely basis; the availability and cost of capital for future investments; the availability of suitable financing; the continued provision of services by the Portfolio Manager and the Portfolio Manager's ability to attract and retain suitably qualified personnel; and competition within the markets relevant to the Company. These forward-looking statements speak only as at the date of this annual report. Subject to its legal and regulatory obligations, the Company expressly disclaims any obligations to update or revise any forward-looking statement (whether attributed to it or any other person) contained herein to reflect any change in expectations with regard thereto or any change in events, conditions or circumstances on which any statement is based. The Company qualifies all such forward-looking statements by these cautionary statements.

Commodity Exchange Affirmation Statement

Commodity Exchange Affirmation Statement Required by the Commodity Exchange Act, Regulation §4.22 (h).

I, Loic Fery, hereby affirm that, to the best of my knowledge and belief, the information contained in this Annual Report and Audited Annual Financial Statements is accurate and complete.

Loic Fery

Chief Executive Officer and representative of the Managing Member of Chenavari Credit Partners LLP, Commodity Pool Operator of the Company.

30 January 2020

Highlights for the year ended 30 September 2019

- The net asset value ("NAV") total return for the year ended 30 September 2019 (the "Year") (with dividends reinvested) was 11.68%[1] and the share price total return (with dividends reinvested) was 16.77%[2] (2018: 6.17% and -0.34% respectively).

- During the Year, the Company's NAV per Ordinary Share ("Share"), excluding dividends distributed, increased by 3.06% (2018: -2.03%) to close at 100.81 cents (2018: 97.82 cents).

- During the Year, the Company repurchased 17,957,672 Shares via multiple Share Repurchases and at 30 September 2019 the Company had 313,627,456 Shares in issue with 47,822,544 held in treasury.

- Dividends of 8 cents per Share were declared with respect to the Year, of which 6 cents per Share (and an additional 2 cents per Share relating to the previous financial year) were paid during the Year, with a final dividend of 2 cents per Share paid on 29 November 2019.

- The Company's mid-market share price increased by 5.54% during the Year to close at 82.25 cents at 30 September 2019 (2018: 78.00 cents), representing a discount to NAV of 18.41%[3] (2018: 20.26%).

- The profit of the Company for the Year was €32.7 million (2018: €19.4 million), or 10.17 cents per Share (2018: 5.97 cents per share), taking into account recognition of the following significant items:

    - total income of €43.5 million (2018: €27.8 million)
    - total operating expenses of €10.4 million. (2018: €7.9 million)
    - financing costs of €0.3 million. (2018: €0.4 million)

- At 30 September 2019, the NAV was €316.2 million (30 September 2018: €319.9 million), and its free cash holdings were €14.8 million (30 September 2018: €38.9 million).

[1] 30 September NAV per share of 100.81cents plus 34.62 cents inception to date reinvested distributions (total 135.43 cents) versus 97.82 NAV per share plus 23.45 cents reinvested (total 121.27cents) at 30 September 2018 (135.43-121.27)/121.27 =11.68%
[2] 30 September mid-market share price of 82.25 cents plus 34.85 cents inception to date reinvested distributions (total 117.10 cents) versus 78.00 cents plus 22.28 cents reinvested (total 100.28 cents) at 30 September 2018 (117.10-100.28)/100.28 =16.77%
[3] Listed mid-market share price per Bloomberg of 82.25cents versus calculated NAV per share per the Statement of Financial position of 100.81cents (100.81-82.25)/100.81 =18.41%

Corporate Summary
For the year ended 30 September 2019

The Company
Chenavari Toro Income Fund Limited (the "Company") is a closed-ended Collective Investment Scheme registered pursuant to The Protection of Investors (Bailiwick of Guernsey) Law, 1987, as amended (the "Law") and the Registered Collective Investment Scheme Rules 2008 issued by the Guernsey Financial Services Commission (the "Commission"). The Company's Ordinary Shares (the "Shares") were admitted to trading on the Specialist Fund Segment ("SFS") of the London Stock Exchange and The International Stock Exchange (formerly Channel Islands Security Exchange Authority Limited) ("TISE") on 8 May 2015.

Investment objective
The investment objective of the Company is to deliver an absolute return from investing and trading in asset backed securities ("ABS") and other structured credit investments in liquid markets, and investing directly or indirectly in asset backed transactions including, without limitation, through the origination of credit portfolios.

Investment policy
The Company seeks to invest in a diversified portfolio of exposures to predominantly European based obligors. The Company's investment strategies are:

The Opportunistic Credit Strategy – the Company invests or trades opportunistically in primary and secondary market Asset Backed Securities and other structured credit investments including private asset backed finance investments.

The Originated Transactions Strategy – the Company invests in transactions on a buy-to-hold basis, via a variety of means, including, without limitation, Warehouse Credit Facilities, which can originate credits that may be refinanced in structured credit markets as well as other financing opportunities.

Originated transactions
The Company invests in Originators which establish securitisation vehicles and retain the requisite Retention Securities in such vehicles pursuant to the EU Risk Retention Requirements and/or, in future, the U.S. Risk Retention Regulations. In exchange for its capital and participation facilitating retention compliant origination transactions, the Company expects to receive enhanced returns relative to direct investment in structured credit investments (such as CLOs). Such returns may take the form of additional returns from fees, fee rebates or other financial accommodations agreed by parties who may benefit from the Company's involvement depending upon the asset class of a securitisation vehicle.

Eligible investments
Each investment shall, as of the date of acquisition by the Company, be a debt obligation (including, but not limited to, a bond or loan), a share or equity security, a hybrid instrument, derivative instrument or contract or an equitable or other interest. In addition, the Company may from time to time have surplus cash (for example, following the disposal of an acquired investment). Cash held by the Company pending investment or distribution will be held in either cash or cash equivalents, including but not limited to money market instruments or funds, bonds, commercial paper or other debt obligations with banks or other counterparties provided such bank or counterparty has an investment grade credit rating (as determined by any reputable rating agency selected by the Company on the advice of the Portfolio Manager).

Target returns and dividend policy
On the basis of market conditions, whilst not forming part of its investment objective or investment policy, the Company targets a NAV total return (including dividend payments) of 9 to 11 per cent per annum over three to five years once the Company is fully invested. From May 2017, the Company's dividend target was increased from 5 cents to 8 cents per annum payable quarterly in March, June, September and December of each year. Relative to this target return, dividends of 8 cents per Share were declared with respect to the Year.

Asset values
At 30 September 2019, the Company's NAV was €316.2 million (2018: €319.9 million), with the NAV per share amounting to 100.81 cents (2018: 97.82 cents). The Company publishes its NAV on a monthly basis. The NAV is calculated as the Company's assets at fair value less liabilities, measured in accordance with International Financial Reporting Standards ("IFRS").

Duration
The Company has an indefinite life.

Corporate Summary (continued)
For the year ended 30 September 2019

Website
The Company's website address is http://www.chenavaritoroincomefund.com/

Listing information
The Company's Shares are admitted to trading on the SFS and TISE.

The International Securities Identification Number ("ISIN") of the Euro Shares is GG00BWBSDM98 and the SEDOL is BWBSDM9.

The mid-market closing price of the Shares quoted on the SFS at 30 September 2019 was 82.25 cents per Share.

The average closing price of the Shares over the Year was 78.16 cents per Share.

General Information

Directors
Frederic Hervouet (Non-executive Chairman)
John Whittle (Non-executive Director)
Roberto Silvotti (Non-executive Director)

Registered Office to 29 April 2019
Old Bank Chambers
La Grande Rue
St Martin's
Guernsey
GY4 6RT

Portfolio Manager
Chenavari Credit Partners LLP
80 Victoria Street
London
SW1E 5JL

Registered Office with effect from 29 April 2019
P.O. Box 286
Floor 2
Trafalgar Court
Les Banques
St. Peter Port
Guernsey
GY1 4LY

Corporate Broker
J.P. Morgan Cazenove
25 Bank Street
Canary Wharf
London
E14 5JP

AIFM
Carne Global AIFM Solutions (C.I.) Limited
Channel House
Green Street
St. Helier
Jersey
JE2 4UH

Solicitors to the Company (as to English law)
Gowling WLG (UK) LLP
4 More London Riverside
London
SE1 2AU

Registrar
Link Asset Services
Mont Crevelt House
Bulwer Avenue
St Sampson
Guernsey
GY2 4LH

Administrator and Company Secretary to 29 April 2019
Estera Administration Limited
Old Bank Chambers
La Grande Rue
St Martin's
Guernsey
GY4 6RT

Advocates to the Company (as to Guernsey law)
Ferbrache & Farrell
Somers House
Rue Du Pre
St Peter Port
Guernsey
GY1 1LU

Administrator and Company Secretary with effect from 29 April 2019
Estera Administration Limited
P.O. Box 286
Floor 2
Trafalgar Court
Les Banques
St. Peter Port
Guernsey
GY1 4LY

Custodian and Principal Bankers
J.P. Morgan Chase Bank N.A
Jersey Branch
J.P. Morgan House
Grenville Street
St Helier
Jersey
JE4 8QH

Sub-Administrator
U.S. Bank Global Fund Services (Ireland) Limited
24-26 City Quay
Dublin 2
Ireland
D02 NY19

Auditor
Deloitte LLP
P.O. Box 137
Regency Court
Glategny Esplanade
St. Peter Port
Guernsey
GY1 3HW

Chairman's Statement

Dear Shareholder,

On behalf of the Board, I am delighted to present Chenavari Toro Income Fund Limited's Yearly Report and Audited Financial Statements for the period ending 30 September 2019.

Financial Performance
Financial performance of the NAV to year end was +11.68% net return (dividends reinvested). The share price total return was +16.77 % with dividends re-invested; outperforming its peers[1].
At the end of the period, the NAV per share and share price stood at €1.0081 and €0.823 respectively, compared to €0.9782 and €0.78 cents at the start of the period.

Dividends
During the period, the Company declared dividends of 8 cents in total, comprising four dividends of 2 cents in line with its dividend target of 8 cents per annum per Share. Taking into account the average share price of €0.7816, this resulted in a dividend yield of 10.23%, in line with or above the peer group of structured credit investment companies.

Marketing and discount control
During the period, the discount of the share price to NAV has fluctuated between -20.26% (beginning of the period), and -18.41% (end of the period) reaching a trough of -24.16% towards the end of the summer.

To address the persistent share price discount to NAV in existence over the past years, and to improve the liquidity for existing and potential investors, the Company announced in November 2018 its intention to conduct an annual liquidity process for the next five years. This process includes the annual repurchase of at least 10% of the Company issued share capital (excluding any Shares currently held in treasury) through a series of tender offers. The first tender, for 5%, took place on 12 February 2019 while the second tender was conducted the first week of August. After the tender, investors who did not participate in the tender offer had the opportunity to participate in the re-issuance offer.
A re-issuance amount ceiling was set, depending on the tender and re-issuance price, for the whole process not to be dilutive for existing shareholders.
8,625,732 shares were tendered at 0.8341 (i.e. a discount of 15% to the 31 December 2018 NAV) during the first tender, representing 2.6% of the shares in issue, and a participation of 65% of the shareholders excluding the concert party. 534,000 Treasury shares were re-issued at 78.50, (i.e. a discount of 20% to the 31 December NAV), a low take-up which could be explained by the novelty of the process.
Following the tender, the shares were up 7.6% during Q1 2019 (including dividend) and trading volumes were increased with 9.3m shares trading in Q1 2019 (excluding tender shares).

During the second liquidity process 9,331,940 shares were tendered, at a price of 0.852 (i.e. a discount of 15% to the 28 June 2019 NAV), representing 2.5% of shares with voting rights (total of 311,185,267), and 2.3% of shares in issue. No shares were taken-up during the second tender, as the floor price was above the screen price.
Following the second tender process the share price moved up significantly, from 0.77 to 0.82 cents.

Taurus Valuation Methodology
In consultation with the Board of Directors and in line with best market practice, the Company switched the valuation methodology on the risk retention pieces to a mark-to-model approach and an independent third-party provider IHS Markit (a leading global provider of fixed income pricing data) was engaged to provide pricing source for all CLO risk retentions held within Taurus, including both the CLO debt/equity pieces and the management fees rebate.

The mark-to-model valuation was applied using assumptions and discount rates compared to market standards, resulting in a portfolio expected IRR of 17.4%, or about 3.5 points lower than the expected IRR using market standard assumptions.

[1] As of 30th September 2019 the share price total return was 2.98% for BGLF LN Equity, 2.46% for VTA NA Equity, -5.67% for FAIR LN Equity and -4.36% for TFIF LN Equity

Chairman's Statement (Continued)

Performance of the Investment Portfolio

- Throughout the year, the Company's performance was mostly driven by the Direct Origination Strategy which represented between 56% and 62% of the portfolio investments, in line with the objective of the fund's allocation. It contributed over 8% to the performance.

  Annualised payments for the retention pieces of TCLO 2, 3, 4, 5 and Bosphorus 4, represented c.18.6% gross annual return on an aggregate basis during Q1 2019, and reached up to 23.5% in Q2 2019 as CLOs became fully invested.
  TCLO 2 was refinanced and upsized in Q3 2018, implying some cash drag during the last quarter of 2018.

  Across the five CLO risk retention pieces held in Taurus, even though the average WARF ("Weighted Average Rating Factor") worsened slightly towards the end of the period, the proportion of collateral trading below 90 remained stable as well as the WAS ("Weighted Average Spread").

  The CLO warehouse of TCLO6 was terminated successfully in September 2019 with a realised IRR of 22% on the first loss tranche. On the back of challenging CLO Equity arbitrage it was decided to invest for the first time into a vertical risk retention. Taurus therefore acquired a 5% vertical slice of TCLO 6 when it priced in July 2019. Toro CLO 6 will be the first CLO managed by Chenavari implementing Environmental, Social and Governance (ESG) criteria.

- The **Public Asset-Backed Securities Strategy** represented on average between 20 and 22% of the portfolio throughout the period, with a peak of 34% in the last month. It returned a gross yield of around 9%.

  Within the Public ABS Strategy, exposure to CLO 2.0 non-IG mezzanine tranches was increased in Q4 2018 following a sharp re-pricing of CLO 2.0 spreads which have returned to levels last seen in 2016. Generic BB and B in particular have been offering attractive entry points (with margins at 670bps and 960bps respectively).
  Risk was subsequently reduced during Q1 2019, with some profit taken on a range of legacy ABS positions at a premium to the NAV, as well as on CLO 2.0 non-IG mezzanine tranches generating around +0.4% of gross NAV appreciation during the quarter.

  The ramp up of CLO 2.0 mezzanine tranches was also slowed down on the back of a more challenging macro environment and rising liquidity issues in Q2 2019 combined with a decent spread compression year-to-date.
  As a result, the available capital within the public ABS strategy was rebalanced towards senior CLO tranches in Q3 2019 with short term financing, targeting a double-digit gross return. It was anticipated that although CLOs are not eligible assets under the new QE, senior CLO tranches should benefit indirectly from the ECB programme given their relative attractiveness to the broader IG credit universe and the value of Euribor floors.

- On the **Private Asset Backed Finance Strategy**, the portfolio manager remains constructive on the Irish residential risk which has contributed to a large part of the performance over the period:

  - Dilosk RMBS 2 was publicly placed in Q4 2018 resulting in gross performance of 1.5% for the quarter (Project Clove). Toro retained a portion of the first loss which distributed a first payment in Q1 2019.

  - A portfolio of newly originated buy-to-let mortgages (Project Shamrock) was securitized and Toro provided the warehouse. The Company is expected to roll out into the first loss tranche.

  - In Q3 2019 the performance was driven by the quarterly payment on one Irish RMBS equity piece, equivalent to an annualised cash-on-cash yield of c. 16%. The position was also marked up in September due to the decent performance of the underlying portfolio and evidence of an increased demand for such first loss Irish RMBS position.

  - During the period, The Company also acquired an Irish residential mortgage portfolio at a deeply discounted cash price which consisted of a mix of performing, re-performing and non-performing loans. The portfolio has been aggregated to the existing portfolio, allowing sufficient scale (€130 m) to obtain a two-year senior financing. The portfolio manager expects to aggregate this portfolio with an additional pool and exit via a public RMBS.

Chairman's Statement (Continued)

Performance of the Investment Portfolio (continued)

Private Asset Backed Finance Strategy (continued)

The negative performance in Q2 2019 was driven by the markdown on WIND (Spanish non-performing residential mortgage loans portfolio acquired from Bankia in 2015) following a revised business plan from the servicers.

The existing Oasis CLO warehouse was terminated as the current unattractiveness of the CLO arbitrage could not make the transaction economically viable for all parties.

Outlook

Going forward the portfolio manager believes that the combination of weak economic growth and the continuation of dovish monetary policy should be supportive for European credit, with benign defaults anticipated while idiosyncratic risk is still our main concern.

The year was marked by an increase in the tiering of the corporate credit market into two distinct sets of names.

Firstly, B+ and better rated, performing, less-cyclical names have tightened considerably following the ECB meeting. Consequently, the percentage of loans trading at par or above included in Taurus rose from 37.5% last quarter to 54% at the end of September 2019.

Secondly, B- and lower rated, underperforming, highly cyclical names have widened significantly and loans trading at distressed levels have increased throughout the market's CLO portfolios. As a result, the Company decided to implement a conservative and pre-emptive independent valuation methodology where distressed loans (i.e. trading below 80% cash price) are defaulted upfront.

With this backdrop in mind, our portfolio construction continues to be defensive. The direct origination strategy is biased towards vertical risk retentions which should remain immune from single name dispersion. Although senior tranches still offer compelling relative value, we are unlikely to increase our AAA exposure following the rally in spread in Q3. As spreads on deep mezzanine tranches have widened to 2016 levels and look increasingly wide to other credit instruments, the portfolio manager would be looking to rebalance towards BB and B tranches once the geopolitical hurdles are lifted and a rebound in manufacturing, even moderate, is in sight.

The portfolio manager remains constructive on Irish residential risk and continues to look for portfolio opportunities in this sector while also rotating the current RMBS holdings on the back of a strong demand.

At the end of September 2019, Toro's NAV was split between the three strategies as follows: 33.9% in Public ABS, 5.1% in Private Asset Backed Finance and 52.7% in Direct Origination strategies.

The forecast target gross interest income and gross portfolio yield for the Year were 10.5% and 12.6% respectively.

Frederic Hervouet
Non-executive Chairman

Date: 30 January 2019

Portfolio Manager's Report

Performance

During the year, Chenavari Toro Income Fund Limited (the "Company") recorded a NAV total return of 11.68% during the Year (year to 30 September 2018: 6.17%), dividends reinvested.

During the Year, the Company made a net profit of €32.7 million (year to 30 September 2018: €19.4 million) and distributed dividends of €25.5 million (year to 30 September 2018:€25.8m), €6.5m of which related to the year ended 30 September 2018.

The Company's total equity was therefore €316.2 million as 30 September 2019. (30 September 2018: €319.9 million).

The month-on-month NAV performance since inception was the following (with dividends reinvested at NAV):

Year	YTD	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2015	**4.53%**	-	-	-	-	2.06%	0.15%	0.45%	0.64%	0.28%	0.02%	0.52%	0.34%
2016	**3.86%**	(0.34%)	(2.44%)	0.69%	0.92%	0.95%	(0.04%)	0.29%	1.13%	1.23%	0.54%	0.67%	0.24%
2017	**9.30%**	1.41%	0.88%	1.21%	0.56%	0.30%	1.49%	0.28%	0.49%	0.51%	0.98%	0.33%	0.48%
2018	**6.76%**	1.37%	0.41%	0.09%	0.39%	0.40%	(0.81%)	1.14%	0.47%	0.76%	2.31%	(0.04%)	0.10%
2019	**9.09%**	1.15%	0.66%	1.06%	1.90%	0.68%	0.74%	1.62%	0.41%	0.53%			

Since inception, the Company has paid the following dividends:

Period ending	**Dividend (cents per Share)**
30 September 2015 (1 dividend)	2.00
30 September 2016 (4 dividends)	6.50
30 September 2017 (4 dividends)	6.75
30 September 2018 (4 dividends)	8.00
30 September 2019 (4 dividends)	8.00

In relation to the Year, the Company declared dividends totalling 8 cents per Share. From May 2017, the dividend target increased to a minimum of 8 cents per annum. Dividend payments in the Year totalled 8 cents per Share as the dividend for the 3 month period ending 30 September 2018 (relating to the previous financial year) was paid in the Year and the dividend for the 3 month period ending 30 September 2019 was paid after the end of the Year.

During the Year, the Company repurchased 17,957,672 Shares via multiple Share Repurchases and at 30 September 2019 the Company had 313,627,456 Shares in issue with 47,822,544 held in treasury.

Portfolio Manager's Report (Continued)

Portfolio breakdown

As of 30 September 2019, the Company's investment, gross of leverage, represented 105.85% of the NAV.

The NAV allocation as of 30 September 2019 was as follows:

Asset class breakdown	30 September 2019 % NAV	30 September 2018 % NAV
Equity securities	0.35%	0.13%
Bond	-	1.59%
Arbitrage CDO	-	0.24%
Commercial mortgage-backed security	0.92%	1.32%
Arbitrage CLO	42.49%	12.41%
Residential mortgage-backed security	5.64%	10.15%
Balance sheet CLO	2.57%	1.88%
Consumer ABS	0.30%	1.40%
Senior loan	0.89%	0.51%
Whole loan	0.03%	0.03%
Mezzanine loan	-	0.21%
Non-performing loan	5.53%	6.55%
Preferred equity	9.15%	9.54%
Equity (including Taurus Originator)	43.26%	41.37%
Derivative financial liabilities	(6.08%)	(1.90%)
Cash and cash equivalents	4.69%	12.15%
Due to/from broker, accruals, other receivables and prepayments	(9.74%)	2.42%
Total	**100.00%**	**100.00%**

Portfolio Manager's Report (continued)

Portfolio breakdown (continued)

The geographical breakdown of the underlying assets is as follows:

Geographic breakdown	30 September 2019 % NAV	30 September 2018 % NAV
Other European Union	5.57%	5.36%
France	12.17%	10.49%
Germany	13.10%	10.48%
Great Britain	11.31%	10.01%
Ireland	7.08%	10.08%
Italy	1.72%	0.29%
Netherlands	7.03%	4.27%
Portugal	0.41%	0.93%
Spain	18.26%	21.58%
USA	11.29%	7.52%
Other	17.11%	4.42%
Cash and cash equivalents	4.69%	12.15%
Due to/from broker, accruals, other receivables and prepayments	(9.74%)	2.42%
Total	**100.00%**	**100.00%**

Portfolio Manager's Report (continued)

Investment Strategy

Public ABS Strategy: The Company invests and trades opportunistically in primary and secondary ABS markets to seek out opportunities that aim to unlock significant value from ABS investments that the Portfolio Manager considers to be mispriced by the market relative to their intrinsic value.

Private Asset Backed Finance Strategy: Through the Portfolio Manager, the Company leverages on the extensive relationships it has with European Banks and retail credit firms in order to gain access and invest in private asset backed finance transactions that are otherwise unlisted and difficult to source.

Direct Origination Strategy: The Company invests primarily, on a buy-to-hold basis, in Originators of securitisation vehicles by retaining the requisite Retention Securities in such vehicles, pursuant to the relevant risk retention requirements in the EU or the US. This strategy benefits from a liquidity premium and 'alpha' by participating in the origination, as well as enhanced economics on the retained interests, with further added value derived from the team's sourcing and structuring capabilities. Additional investment opportunities may also include providing warehouse credit facilities.

Gearing

The Company may use borrowings from time to time for the purpose of short term bridging, financing Share buy backs, repurchase agreements with market counterparties or managing working capital requirements, including hedging facilities. Cash borrowings can contribute alongside other forms of leverage to increase the level of gearing of the Company. The Company may also use gearing to increase potential returns to Shareholders. In the past, the Portfolio Manager has employed leverage against senior tranches of ABS to enhance their returns, and expects it will continue to do so, where the economic terms offered by counterparties can increase potential returns to Shareholders. As of 30 September 2019, the gearing of the Company was approximately 110.58% (exposure/ assets under management) (2018: approximately 86.08%).

Overview

During the financial year, the Company's NAV was up 11.7%, including a €0.08 per share dividend distribution. *Direct Origination Strategy* contributed 9.8%, *Private Asset Backed Finance Strategy* 1% and *Public ABS Strategy* 0.9% to the annual performance. During the year, the Company also completed its first annual tender offer.

Within the Originator entity, Taurus Corporate Finance ("Taurus"), part of the Direct Origination Strategy, as of the financial year end, annualised payment on the retention pieces of TCLO 2, 3, 4, 5 and Bosphorus 4 was 24.7%, 22.7%, 21.3%, 24% and 18.8%, respectively (22.6% gross annualised return on an aggregate basis).

Across the five CLO risk retention pieces held in Taurus, the average WARF ("Weighted Average Rating Factor") was 2,984 (vs 2,914 for the European CLO universe) and the proportion collateral within Taurus trading below 90 was at 4.26% vs 4.91% for the European CLO portfolio universe (vs 9.4% in the US[1]). The WAS ("Weighted Average Spread") was at 399bps compared with the European CLO portfolio universe average of 382bps.

The financial year commenced with a sharp repricing in the CLO market with CLO 2.0 spreads returning to levels last seen in 2016. This continued into the first half of 2019 and, whilst offering significant premium to the broader credit market, rendered CLO Equity arbitrage conditions unattractive due to the relative high cost of debt as well as the rising dispersion. In Q2 2019, together with the CLO Manager and the Arranging Bank, the Company terminated its existing Oasis CLO warehouse.

In Q3 2019, TCLO 6 was priced and it was the first CLO managed by Chenavari implementing Environmental, Social and Governance (ESG) criteria and also the first time for Taurus to invest into a vertical risk retention.

[1] Morgan Stanley Research, CLO Tracker October 2019

Portfolio Manager's Report (continued)
Overview (continued)

Within Private Asset Backed Finance Strategy, key transactions completed included Project Clove which the Company completed the Irish securitisation take out. The transaction consisted of the aggregation of three Irish mortgage loans portfolios acquired over 18 months with senior bank financing. The Company further acquired an Irish residential mortgage portfolio consisting of a mix of performing, re-performing and non-performing loans at a deeply discounted cash price. The Company continued to develop existing and new origination opportunities to diversify away from leveraged loans, especially within consumer risk where the difference between asset yield and cost of debt is compelling. Toro's first Irish buy-to-let mortgage loans RMBS was priced in Q1 2019.

Within the Public ABS Strategy, towards the end of the financial year, the Portfolio Manager rebalanced the Portfolio to senior CLO tranches, which should benefit indirectly from the ECB programme given their relative attractiveness to the broader IG credit universe and the value of Euribor floors.

Taurus Valuation Methodology

In consultation with the Board of Directors and in line with best market practice, the Company switched the valuation methodology on the risk retention pieces to a mark-to-model approach and an independent third-party provider IHS Markit (a leading global provider of fixed income pricing data) was engaged to provide pricing source for all CLO risk retentions held within Taurus, including both the CLO debt/equity pieces and the management fees rebate.

Outlook

The European economy continued to deteriorate slowly in Q3 as European PMIs stabilised at a six-year low level (European composite PMI came out at 50.4 in September as a continued depressed manufacturing PMI was offset by a soft but still expansionary services PMI). Even though negotiations between the U.S. and China might allow for some de-escalation, a comprehensive resolution would be unlikely for the time being preventing any decent rebound in global economic growth. Although the recession in global manufacturing and trade is expected to persist for longer, a broader recession in the near term was considered unlikely and the European economy is expected to continue to expand at a very sluggish rate below its potential.

As at the end of the financial year, the global monetary easing cycle gained steam and the ECB's latest stimulus (rate cut and open-ended QE) should mitigate the downward pressure on growth which should support the consumer and employment outlooks, reducing significantly the risks of a more serious economic slowdown.

These major themes have been driving global credit markets for some time: slowing global growth as the result of trade tensions, and aggressive central bank easing. This current low growth, low rate environment should continue to be supportive for credit fundamentals overall (as of Q3 2019, the European loans index default rate remained at zero for nine months in a row) and idiosyncratic risk is still the Portfolio Manager's main concern, witnessing an increase in the tiering of the corporate credit market.

With this backdrop in mind, the Company's portfolio construction continues to be defensive, biased towards vertical risk retentions which should remain immune from single-name dispersion. As at the end of financial year, although senior tranches offered compelling relative value, the Portfolio Manager would unlikely increase the Company's AAA exposure following the rally in spread in Q3 2019. As spreads on deep mezzanine tranches moved to 2016 levels and compared increasingly wide to other credit instruments, the Portfolio Manager would be looking to rebalance towards BB and B tranches once the geopolitical hurdles are lifted and a rebound in manufacturing, even moderate, is in sight.

Portfolio Manager's Report (continued)
Outlook (continued)

Away from CLOs, attractive investment opportunities within the European consumer space are limited as most consumer securitisations offer extremely low yields and arbitrage is weak due to compressed assets yields. The Portfolio Manager remained constructive on Irish residential risk and continued to look for portfolio opportunities in the Irish mortgage loans sector while also rotating the Fund's RMBS holdings on the back of a strong demand.

At the end of the financial year, Toro's NAV was split between the three strategies as follows: 33.9% in Public ABS, 5.1% in Private Asset Backed Finance and 52.7% in Direct Origination strategies.

Chenavari Credit Partners LLP
Portfolio Manager

30 January 2020

Board of Directors

Directors
The Directors are responsible for the determination of the Company's investment objective and investment policy and have overall responsibility for the Company's activities including the review of investment activity and performance and the control and supervision of the Portfolio Manager. All of the Directors are non-executive and, except for Roberto Silvotti (as described below), are independent of the Portfolio Manager.

The Directors meet at least quarterly.

The Directors are as follows:

Frederic Hervouet, Non-executive Chairman (aged 46)
Fred Hervouet is a resident of Guernsey. Fred has dual nationality with both British and French citizenship. He has more than 20 years of experience in Hedge Funds and Capital Markets roles.

Until end of 2013, Fred was Managing Director and Head of Commodity Derivatives Asia for BNP Paribas including Trading, Structuring and Sales. Prior to BNP Paribas he also worked for two multi-billion, multi- strategy hedge funds. In the last 20 years, Fred has worked in different aspects of the Financial Markets and Asset Management Industry. His experience includes Derivatives Markets, Structured Finance, Structured Products and Hedge Funds, Trading and Risk Management. Fred has worked in Singapore, Switzerland, United Kingdom and France. Most recently, Fred was a member of BNP Paribas Commodity Group Executive Committee and BNP Paribas Credit Executive Committees on Structured Finance projects (structured debt and Trade Finance).

Fred now acts as a full time dedicated Non-Executive Director on both Listed and non-Listed Companies. Fred graduated from the University of Paris Dauphine, France achieving a Masters (DESS 203) in Financial Markets, Commodity Markets and Risk Management and an MSc in Applied Mathematics and International Finance. He is a member of various financial services interest Groups including the UK Institute of Directors, the UK Association of Investment Companies, the Guernsey Chamber of Commerce and of the Guernsey Investment Fund Association ("GIFA").

John Whittle, Non-executive Director (aged 64)
John Whittle has significant experience of the loan market and is a non-executive director of International Public Partnerships Ltd (as senior independent director), Starwood European Real Estate Finance Ltd. (as audit committee chair), India Capital Growth Fund Ltd, Globalworth Real Estate Investments Ltd (as audit committee chair), GLI Finance Ltd (as audit committee chair) and Aberdeen Frontier Markets Investment Company Ltd (as chairman). Mr. Whittle worked as a chartered accountant at PriceWaterhouseCoopers. He is a Chartered Accountant and holds the IoD Diploma in Company Direction. Prior to acting as a non-executive director, Mr. Whittle was finance director at Close Fund Services, a large independent fund administrator. He has also held senior positions at John Lewis, Vodafone and as CFO of Windsmoor (London LSE).

Roberto Silvotti, Non-independent, Non-executive Director (aged 61)
Roberto Silvotti has over 30 years' experience in both academic and senior credit market positions, and was formerly the Chief Risk Officer of the Chenavari Financial Group. He started his career as Professor of Mathematics in institutions such as Columbia University (New York), The Institute for Advanced Study (Princeton, New Jersey) and Scuola Normale Superiore (Pisa, Italy). Mr. Silvotti then moved to the capital markets industry. Over the past 20 years, he has held senior positions in various investment banks, including risk manager at Goldman Sachs, head of credit derivatives risk management for Banca Intesa, global head of structured credit trading at Calyon, global head of derivatives structuring and new product development at Dresdner Kleinwort. Prior to his role as Chief Risk Officer of the Chenavari Financial Group he was co-head of structured credit and head of index strategy at Royal Bank of Scotland. Mr Silvotti is a Director of Chenavari Multi-Strategy Credit Fund SPC and Chenavari Investment Managers (Luxembourg) Sàrl and, as such, is not considered independent of the Portfolio Manager.

Disclosure of Directorships in Public Companies Listed on Recognised Stock Exchanges

The following summarises the Directors' directorships in other public companies:

Company Name	Stock Exchange
Frederic Hervouet	
Funding Circle SME Income Fund Limited	LSE
Crystal Amber Fund Limited	AIM (LSE)
John Whittle	
International Public Partnerships Ltd	LSE
India Capital Growth Fund Ltd	LSE
Aberdeen Frontier Markets Investment Company Ltd	AIM (LSE)
Starwood European Real Estate Finance Limited	LSE
Global worth Real Estate Investments Limited	AIM (LSE)
GLI Finance Ltd	AIM (LSE)
Robert Silvotti	
None held	N/A

Report of the Directors

The Directors are pleased to present their Annual Report and Audited Financial Statements for the Year. In the opinion of the Directors, the Annual Report and Audited Financial Statements are fair, balanced and understandable and provide the information necessary for Shareholders to assess the Company's performance, business model and strategy.

Incorporation
The Company is a closed-ended limited liability company registered in Guernsey under the Companies (Guernsey) Law, 2008 (as amended) with registered number 59940.

Results
The results for the year to 30 September 2019 are set out in the Statement of Comprehensive Income on page 47. The profit for the Year was €32.7 million (2018: €19.4 million).

Dividends
Dividends of 8 cents per Share were declared in respect of the Year. Dividend payments in the Year were 8 cents per Share, which included dividends relating to the previous financial year. For further detail please see note 18 on page 85.

The payment of any dividend by the Company is subject to the satisfaction of a solvency test as required by the Companies (Guernsey) Law, 2008 (as amended).

Share capital and discount control
Details of the rights attaching to the Shares are set out in Note 16 of the Financial Statements on pages 83 & 84. As at 30 September 2019, the Company's issued share capital amounted to 313.63 million shares.

The Company may, subject to compliance with the Companies Law (Guernsey) 2008 (the "Law"), purchase its own Shares in the market on an ad hoc basis with a view to addressing any imbalance between the supply of, and demand for, the Shares, to increase the NAV per Share and to assist in minimising any discount to the NAV per Share in relation to the price at which Shares may be trading.

As set out in the Prospectus, the Directors will give consideration to using surplus cash to purchase Shares under this authority, but are not bound to do so, where the market price of a Share trades at more than 7.5% below the latest published NAV per Share for more than 180 days. Surplus cash for these purposes will comprise undistributed coupons and the proceeds of normal portfolio realisations. The Board will continue to apply the buyback policy published in the Prospectus (and set out above) but may, at its sole discretion and without limit, make additional purchases of Shares beyond those required by the policy.

Investors should note that the purchase of Shares by the Company is entirely discretionary and no expectation or reliance should be placed on the Directors exercising such discretion on any one or more occasions. The Current position of the Board on the use of the Share buyback facility is set out in the Chairman's Statements. Investors should also note that any purchase or redemption of Shares will be subject to the ability of the Company to fund the purchase price or redemption amount. Purchases of Shares may be made only in accordance with the Law, the Disclosure Guidance and Transparency Rules. The Company is not required to comply with the provisions of Chapter 12 of the Listing Rules regarding market repurchases by the Company of its shares. Nonetheless, by adopting the policy above, the Company will voluntarily be complying with the provisions of Listing Rule 12.4.1 and 12.4.2.

The current authority to purchase shares for cancellation or holding in treasury expires on the date of the next Annual General Meeting ("AGM") which will be held in Guernsey on 17 March 2020. The Directors intend to seek annual renewal of this buyback authority from Shareholders each year at the Company's AGM. If the Company purchases any of its Shares, the maximum price (exclusive of expenses) which may be paid for a Share must not be more than the higher of (i) 5% above the average of the mid-market values of a Share for the five Business Days before the purchase is made, or (ii) the higher of the price of the last independent trade and the highest current independent bid for the Shares. In addition, Shares will be purchased through the market only at prices below the last published NAV per Share, which should have the effect of increasing the NAV per Share for the remaining Shareholders. Any such purchase will be carried out in accordance with the Companies Law, which provides inter alia, that any buy-back is subject to the Company passing the solvency test contained in the Companies Law at the relevant time. The minimum price payable per Share is £0.01. During the Year, the Company repurchased 17,957,672 Shares via multiple Share Repurchases.

Report of the Directors (continued)

Share capital and discount control (continued)

The Law allows companies to hold shares acquired by way of market purchase as treasury shares, rather than having to cancel them. This gives the Company the ability to re-issue Shares quickly and cost effectively, thereby potentially improving liquidity and providing the Company with additional flexibility in the management of its capital base. No Shares will be sold from treasury for cash at a price less than the NAV per Share at the time of their sale without Shareholder approval. During the period when the Company holds Shares as treasury shares, the rights and obligations in respect of those Shares may not be exercised or enforced by or against the Company.

Shareholder information

The NAV will be calculated as of the last business day of each month (or at any other times at the Board's discretion) by the Sub-Administrator, based on third party valuations or information supplied by bank counterparties (as applicable) or derived from valuation models prepared by the Portfolio manager. The NAV and the NAV per Share will be published in Euros by an RIS announcement and on the website of the Company at http://www.chenavaritoroincomefund.com/.

Portfolio Manager

The Board keeps the performance of the Portfolio Manager under regular review, and the management engagement committee, comprising all Directors, conducts an annual appraisal of the Portfolio Manager's performance, and makes a recommendation to the Board about the continuing appointment of the Portfolio Manager. The Portfolio Manager has executed the investment strategy according to the Board's expectations and it is the opinion of the Directors that the continuing appointment of Chenavari Credit Partners LLP is in the interests of shareholders as a whole.

The portfolio management fee payable to the Portfolio Manager is paid monthly in arrears at a rate of 1% per annum of NAV, which is based upon the month end NAV and calculated as of the last business day of each month.

The Portfolio Manager shall be entitled to receive from the Company a performance fee in respect of each Class of Shares as detailed in note 4 of the financial statements. Performance fees of €6,037,496 (30 September 2018: €3,442,589) were charged in the Year. As at 30 September 2019 €3,622,497 was payable (2018: €3,442,589).

Non-mainstream pooled investments

On 1 January 2014, FCA rules concerning the promotion of non-mainstream pooled investments came into effect. The Board conducts and intends to continue to conduct its affairs so that the Company's shares will be "excluded securities" under the FCA's new rules. This is on the basis that the Company which is resident outside the EEA, would qualify for approval as an investment trust by the Commissioners for HM Revenue and Customs if resident and listed in the United Kingdom. Promotion of the Company's shares will not be subject to the FCA's restriction on promotion of non- mainstream pooled investments.

Report on viability

The Directors have assessed the viability of the Company over the three years to 30 September 2022. The Board have chosen this timeframe as it reflects a reasonable investment horizon with regards to risks and uncertainty and the Board have reviewed a cash flow forecast prepared by the Portfolio Manager consistent with this time horizon. In making this assessment, the Directors have considered detailed information provided at Board meetings taking account of the Company's Statement of Financial Position, gearing level, share price discount, asset allocation, operating expenses, investment strategy, the potential impact of the relevant principal risks detailed in the Statement of Principal Risks and Uncertainties on pages 29 to 31 and the expected future cash flows based on the current portfolio. The assumptions herein are based on there being no significant change in the global financial and or credit markets over the three year period.

In making this assessment, the Directors had regard for the expected yield from the portfolio and the significant margin over the low cost base of the Company and it is the Board's opinion that the Company would continue to hold sufficient cash to meet its expenses given the inherent liquidity of much of the portfolio.

Based on the above, the Board confirms it has a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the two year period of this assessment.

The aforementioned principal risks, set out on pages 29 to 31, will continue to be monitored closely.

Report of the Directors (continued)

Going concern
Going concern refers to the conclusion that the Company has the resources to continue in operation 12 months from approval of the annual report. After analysing the following, the Directors believe that it is appropriate to adopt the going concern basis in preparing the financial statements:

1. Working capital - As at 30 September 2019, there was working capital of approximately (€15.6) million. The Directors noted that as at 30 September 2019 the gross investment income for the Year was approximately €43.2 million. As such the Board believes the Company has sufficient capital to cover all expenses (which mainly consist of management fees, performance fees, administration fees and professional fees) and to meet all of its obligations as they fall due.

2. Closed-ended Company - The Company has been registered with the Guernsey Financial Services Commission as a Registered Closed-ended Collective Investment Scheme, as such there cannot be any shareholder requested redemptions, and therefore no cash flows out of the Company in this respect. In the year ended 30 September 2018, the Board initiated a buyback programme.

3. Investments - The Company has a tradable portfolio, therefore the investments can be sold for cash in most market conditions. At 30 September 2019 the market value of level 1 and 2 securities was €118 million and the Company had cash balances of €14.8 million. Part of the portfolio (including the assets of the originator) is less liquid, consisting of level 3 assets, under certain market circumstances already seen in the past, most of the portfolio which consists of ABS can become less liquid and the cost of unwinding may become significant. This risk is mitigated by the closed-ended nature of the Company.

Based on the above assessments, the Directors are of the opinion that the Company is able to meet its liabilities as they fall due for payment because it has and is expected to maintain, adequate cash resources. Given the nature of the Company's business, the Directors have a reasonable expectation that the Company has adequate financial resources to continue in operational existence for the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis.

AIFMD
Under UK Law the Company is considered to be an Alternative Investment Fund ("AIF") under the AIFMD and has appointed Carne Global AIFM Solutions (C.I.) Limited as the Company's external alternative investment fund manager ("AIFM").

The Company currently intends to operate as an externally managed non-EEA domiciled AIF with a non-EEA AIFM for the purposes of the AIFM Directive and as such neither it nor the AIFM will be required to seek authorisation under the AIFM Directive. However, following national transposition of the AIFM Directive in a given EU member state, the marketing of shares in non-EEA AIFs with a non-EEA AIFM (such as the AIFM) to investors in that EU member state is prohibited unless certain conditions are met. The AIFM filed a notification on 9 April 2015 with the FCA pursuant to Article 42 of the AIFM Directive to market the Shares in the UK under the UK national private placement regime.

The Foreign Account Tax Compliance Act ("FATCA") and the Common Reporting Standards ("CRS")
FATCA was introduced by the US in 2010 to identify and report on US citizens, corporates and trusts who held financial assets – whether US source or not – with financial institutions in other jurisdictions. The intention was to reduce tax evasion by ensuring such assets and the related income were being declared on US tax returns. CRS is a global tax information sharing initiative promoted by the O.E.C.D., similar to FATCA, which came into force on 1 January 2016. The requirements of CRS are closely aligned to requirements under a FATCA Model 1 Intergovernmental agreement where certain disclosure requirements may be imposed in respect of certain investors in the Company.

The Company's Registrar completed the FATCA and CRS reporting requirements for the year ended 31 December 2018 ahead of the imposed deadlines of 30 June 2019.

The Directors are committed to zero tolerance towards the criminal facilitation of tax evasion.

Further developments will continue to be monitored by the Company's specialist service providers to ensure that the Company remains compliant with each of FATCA and CRS.

Report of the Directors (continued)

Significant shareholdings
The Company has received the following notifications of major interests in Shares:

Name	Number of shares	Percentage of share capital as at 30 September 2019 shares)
Chase Nominees Limited	94,752,600	26.21
Chenavari Toro Income Fund Limited	50,218,138	13.89
Vidacos Nominees Limited	43,733,093	12.10
Hsbc Global Custody Nominee (Uk)	41,317,372	11.43
Lynchwood Nominees Limited	23,893,901	6.61
The Bank Of New York (Nominees)	23,698,847	6.56
Bbhisl Nominees Limited	13,575,858	3.76
Securities Services Nominees	10,194,124	2.82
Euroclear Nominees Limited	9,578,047	2.65

The concert party
As a Guernsey company which has its shares admitted to trading on the Specialist Fund Segment of the London Stock Exchange, the Company is subject to The City Code on Takeovers and Mergers (the “Code”). Under Rule 9 of the Code, any person who acquires an interest (as defined in the Code) in shares which, taken together with shares in which he is already interested and shares in which persons acting in concert with him are interested, carry 30 per cent or more of the voting rights of a company which is subject to the Code, is normally required to make a general offer to all the remaining shareholders to acquire their shares.

Similarly, when any person, together with persons acting in concert with him, is interested in shares which in the aggregate carry not less than 30 per cent. of the voting rights of such a company, but does not hold shares carrying more than 50 per cent. of such voting rights, a general offer will normally be required if any further interests in shares are acquired by any such person.

When members of a concert party hold more than 50 per cent. of the voting rights in a company, no obligations normally arise from acquisitions by any member of the concert party. They may accordingly increase their aggregate interests in shares without incurring any obligation under Rule 9 to make a general offer, although individual members of a concert party will not be able to increase their percentage interests in shares through or between a Rule 9 threshold without Panel consent.

Rule 37 of the Takeover Code further provides that when a company redeems or purchases its own voting shares, any resulting increase in the percentage of shares carrying voting rights in which a person or group of persons acting in concert is interested will be treated as an acquisition for the purpose of Rule 9.

An offer under Rule 9 must be made in cash and at the highest price paid by the person required to make the offer, or any person acting in concert with him, for any interest in shares of the company during the 12 months prior to the announcement of the offer.

Shares representing more than 50% of the voting rights of the Company are held by a concert party comprising Chenavari Credit Partners LLP (acting as discretionary portfolio manager for Chenavari European Opportunistic Credit Fund Limited and Chenavari Fixed Income Credit Opportunities Fund Limited), other group companies in the Chenavari Financial Group, and certain other individuals connected with, or employed by, the Chenavari Financial Group (including Roberto Silvotti, a Director of the Company) (the “Concert Party”).

If the Concert Party’s aggregate shareholding was to increase to greater than 50 per cent of the Company’s total voting rights, as a result of the exercise of the buyback authority and/or the issue of Shares relating to the performance fee or otherwise, no obligations would normally arise from acquisitions by any member of the Concert Party. They may accordingly increase their aggregate interests in Shares without incurring any obligation under Rule 9 to make a general offer, although individual members of the Concert Party will not be able to increase their percentage interests in Shares through or between a Rule 9 threshold without Panel consent. At 30 September 2019 the concert party held 52.286% of the Company’s total voting rights. For further information see note 4.

Report of the Directors (continued)

Directors
The Directors of the Company during the Year and at the date of this Report are set out on page16.

Directors' and other interests
The Directors' holdings and interests in the Company are listed in note 4 on page 64.

Mr Silvotti, by virtue of his directorships of entities within the Portfolio Manager's group, previous roles with the Portfolio Manager and other funds managed within the Chenavari Group is not considered independent of the Portfolio Manager and therefore stands for re-election each year.

Retirement by rotation
Under the terms of their appointment, each Director is required to retire by rotation and be subject to re-election at least every three years. The Directors are required to seek re-election if they have already served for more than nine years. The Company may terminate the appointment of a Director immediately on serving written notice and no compensation is payable upon termination of office as a Director of the Company becoming effective.

Disclosure of information to the Auditor
The Directors who held office at the date of approval of these Financial Statements confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Independent Auditor
Deloitte LLP ("Deloitte") was re-appointed as the Company's Auditor for the 2019 audit following the AGM on 19 March 2019.

A resolution for the re-appointment of Deloitte will be proposed at the next AGM.

Signed on behalf of the Board of Directors by:

Frederic Hervouet, Chairman

John Whittle, Director
30 January 2020

Corporate Governance Report

The Company is admitted to trading on the Specialist Fund Segment ("SFS") of the London Stock Exchange and as such, the Listing Rules applicable to closed-ended investment companies which are listed on the premium listing segment of the Official List of the UKLA do not apply to the Company.

Whilst the Company is subject to the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority ("DTRs") while traded on the SFS, the Directors have resolved that, as a matter of good corporate governance, the Company will also voluntarily comply with certain provisions of the Listing Rules, including the relevant provisions of Chapter 9 regarding corporate governance and continuing obligations.

On 16 July 2018, the Financial Reporting Council ('FRC') published the 2018 Code of Corporate Governance (the Code). The Code is available for download from the Financial Reporting Council's ('FRC') website www.frc.org.uk.

The Company has adopted The AIC Code of Corporate Governance (the AIC Code) for the accounting period beginning 1 October 2018. The Board deem the AIC Code more relevant with respect to the governance of investment companies.

The Board has considered the principles and recommendations of the AIC Code. During the year, the Company has complied with all of the provisions of the Code except as set out below.

- the role of the Chief Executive and Executives of the Board;
- Executive Directors' remuneration;
- the internal audit function; and
- the composition of the Audit Committee and Risk Committee.

The Board considers that the provisions relating to the Chief Executive and Executive Directors' role and remuneration are not relevant to the Company, as the running of the Company's business is outsourced to third parties and there are no Executive Directors. The objective of the AIC Code to separate the roles of the Chairman, who manages and provides leadership to the Board, and the running of the Company, is achieved because the Chairman is independent from the third-party providers.

The Company does not have an internal audit function as the Board believe that it can ensure that the Company's risk management, governance and internal control processes are operating effectively without this. This is because the Company's business is conducted by relatively few individuals (through the outsourced service providers) who report to the Board, and its operations are not complex.

The members of the Audit and Risk Committees have been selected for their experience and expertise in relation to the risks, financial reporting and internal controls relating to the Company. The members bring specific experience in relation to the investment sector and externally managed structures which have been found to be invaluable to each Committee in identifying risks and assessing the mitigating controls which have been established.

Board leadership and Company purpose
In accordance with the Code's Principles A, B, C, D & E, the Board has a majority of wholly independent Non-executive Directors for the year. All of the Directors are non-executive and, except for Roberto Silvotti are independent of the Portfolio Manager. The Board however consider his detailed knowledge of the Company a significant asset and are happy for him to continue as a Non-executive Director. The Board assesses the basis on which the Company generates and preserves value over the long-term. Additionally, the Board considers and addresses the opportunities and risks to the future success of the Company, along with the sustainability of the Company's business model and how its governance contributes to the delivery of its strategy.

This is achieved by considering the following matters:

- The Directors are responsible for the determination of the Company's investment objective and investment policy and have overall responsibility for the Company's activities including review of the investment activity and performance and the control and supervision of the Portfolio Manager within an appropriate risk framework in light of market conditions prevailing from time to time;
- the appointment of the Portfolio Manager, Alternative Investment Fund Manager, administrator and other appropriately skilled service providers and to monitor their effectiveness through regular reports and meetings; and
- the key elements of the Group's performance including NAV growth and the payment of dividends.

Corporate Governance Report (continued)

Board leadership and Company purpose (continued)
The Board values a membership which reflects diversity in its broadest sense. A combination of demographics, culture, skills, experience, race, age, gender, and professional background, combined with other relevant personal skills is considered important in providing the range of perspectives, thought leadership, debates and judgement necessary to support good decision making. The current Board is composed of three members which combine three different nationalities with very diverse skills, experience, age and professional background. The Board is mindful of gender diversity and when board positions become available shall welcome applications from all genders. The Board is similarly conscious of the representation of society's diverse ethnicity and those from the disabled community.

The Company has no direct employees therefore is not required to monitor culture in this respect, however, the Board recognises its wider responsibility to demonstrate to Shareholders that it is operating responsibly, managing its social and environmental impacts for the benefit of all stakeholders. Additionally, the Board is mindful of culture within each of its service providers and stakeholders and where it is not satisfied that policy, practices or behaviours are aligned with the Company's purpose, values and strategy, the Board will seek assurance that management have taken corrective action.

The Board has overall responsibility for maximising success by directing and supervising the affairs of the business and meeting the appropriate interests of Shareholders and relevant stakeholders, while enhancing the value of the Company and also ensuring protection of investors.

Within the Annual Report and Financial Statements, the Directors have set out the Group's investment objective and policy and have reported how the Board and its delegated Committees operate and how the Directors review the risk environment within which the Group operates and set appropriate risk controls. Furthermore, the Board has sought to provide further information to enable Shareholders to understand the Company's business and financial performance better. The Board also maintain a formal schedule of matters specifically reserved solely for their decision.

The Chairman shall also be responsible for the promotion of a culture of openness and debate, for ensuring that the Directors receive accurate, timely and clear information and for ensuring that there is adequate time available for the discussion of agenda items at each Board meeting.

The Board believes that the maintenance of good relations with both institutional and professional Shareholders is important for the long-term prospects of the Company. The Board receives feedback on the views of Shareholders from its corporate broker and Portfolio Manager. Through this process the Board seeks to monitor the views of Shareholders and to ensure an effective communication programme. The Board shall seek to utilise stakeholder communication to inform them of the decisions that the Company and Board takes, whether about the products or services it provides, or about its strategic direction, its long-term health and the society in which it operates. The Board agrees that stakeholder engagement will strengthen the business and promote its long-term success to the benefit of stakeholders and Shareholders alike.

The Chair is open to discussions on governance and strategy with major Shareholders and the other Directors shall also be provided the opportunity to attend these meetings. The Board believes that the Annual General Meeting provides an appropriate forum for investors to communicate with the Board and encourages participation.

The Group regularly reviews the Shareholder profile of the Group. Shareholders may contact the Company directly through Chenavari investor relations (e-mail address TLIR@chenavari.com) or by correspondence sent to the Company Secretary (toro@estera.com) or the Corporate Broker.

The Board identifies and manages conflicts of interest, including those resulting from significant shareholdings, and also ensures that the influence of third parties does not compromise or override independent judgement.

If a Board recommendation for a resolution receives 20% or more of votes cast against it, the Company will explain, when announcing voting results, any actions it intends to take to consult shareholders in order to understand the reasons behind the result. No later than six months after the shareholder meeting, the Company will publish an update on the views received from shareholders and any actions taken. The Board will then provide a final summary in the Annual Report and Financial Statements and, if applicable, in the explanatory notes to resolutions at the next Shareholder meeting, on the impact the feedback has had on the decisions the Board has taken and any actions or resolutions that are to be proposed.

Corporate Governance Report (continued)

Board leadership and Company purpose (continued)
Where Directors have concerns about the operation of the Board or the management of the Company that cannot be resolved, their concerns are recorded in the Board minutes. On resignation, a Non-executive Director will also provide a written statement to the Chair, for circulation to the board, if they have any such concerns in connection with resignation.

Division of responsibilities
In adherence with the Codes Principles F, G, H & I, the Board comprises three Non-executive Directors, one of whom also acts as Chairman of the Company. The Chairman is Fred Hervouet, who is considered to be independent for the purposes of Listing Rule 15 and Provision 9 of the Code as he has neither current nor historical employment with the Portfolio Manager nor any current directorships in any other investment funds managed by the Portfolio Manager. Listing Rule 15 requires there to be a majority of independent Directors on the Board as a whole.

The Board considers its current Non-executive Directors to be of sufficient calibre and number for their views to be of sufficient weight and that no individual or small group can dominate the Board's decision-making process. Their qualifications and experience are relevant to their directorships and in their appointments to the Committees where applicable.

The Directors believe that the Board has an appropriate balance of skills, experience and independence to discharge its duties and provide effective strategic leadership and proper governance of the Company. The Board shall ensure that it conducts its business at all times with only the interests of the Shareholders in mind and independently of any other associations.

Independence of Non-executive Directors
The Code states that the Board should identify in the Annual Report each Non-executive Director it considers to be independent and should consider whether there are any relationships or circumstances that are likely to affect a Director's independence. The Board has a majority of wholly independent Non-executive Directors for the year. All of the Directors are non-executive and, except for Roberto Silvotti are independent of the Portfolio Manager. As part of the annual Board evaluation process the Non-executive Directors will meet without the Chair present to appraise the Chair's performance, and on other occasions as necessary.

Non-executive Directors' shareholdings
The Board has assessed that the holdings of the Directors are not significant and believes such levels of investment should not raise questions regarding their independence. The Board considers that Directors owning shares in the Company directly aligns them with the interests of the Shareholders.

The responsibilities of the Chair, Board and Committees are clear and set out in writing, after they are agreed by the Board. They can be found on the Company's website, http://www.chenavaritoroincomefund.com .

When considering any new appointments, the Board takes into account any other demands on Directors' time. Prior to appointment, any significant commitments are disclosed along with an indication of the time involved. Additionally, any external appointments are not undertaken without prior approval of the Board. Any reasons for permitting significant appointments will be explained further in this report as and when the time arises.

All Directors have access to the advice of the Company Secretary, who is responsible for advising the Board on significant governance matters. Both the appointment and removal of the Company Secretary would be a matter for the whole Board.

Composition, succession and evaluation
With reference to the Codes Principles J, K & L, the Board has not established a Nomination or Remuneration Committee. In view of its non-executive nature, the Board considers that it is not appropriate for there to be a separate remuneration and nominee committee. The Board of Directors make all representations regarding Directors' remuneration. The Board as a whole fulfils the functions of the remuneration committee, and a separate Directors' Remuneration Report is set out on page 36 of these Financial Statements.

Corporate Governance Report (continued)

Re-election

All newly-appointed Directors shall stand for election by the Shareholders at the next Annual General Meeting following their appointment. There are provisions in the Company's Articles of Association which require Directors to seek re-election on a periodic basis, however, in accordance with the Code all Directors shall also offer themselves for annual re-election. There is no limit on length of service, nor is there any upper age restriction on Directors. The names of all Directors standing for appointment or reappointment shall be accompanied by sufficient biographical details and the specific reasons why their contribution is, and continues to be, important to the Company's long-term sustainable success in order to enable Shareholders to make an informed decision.

The Board considers that there is significant benefit to the Company arising from continuity and experience among Directors, and accordingly does not intend to introduce restrictions based on age or tenure. It does, however, believe that shareholders should be given the opportunity to review membership of the Board on a regular basis.

The Board is satisfied that all the Board members standing for re-election should be re-elected as they have the right skills and experience to continue to manage the Group. The Board maintains its right to appoint further Members if deemed necessary and considers succession on a regular basis.

In line with the requirements of the Code, the Company will continue its annual performance evaluations of the Board, the Committees and the processes utilised by each forum. The aim of the evaluation is to recognise the strengths and address any weaknesses and consider improvements to the management process. The evaluation is designed to ensure that the Board meets its objectives and effectiveness is maximised.

The evaluations focus on the following issues:

- the frequency of meetings and the business transacted;
- the workload of each forum;
- diversity and how effectively members work together to achieve objectives;
- the timing, level of detail and appropriateness of information put before meetings;
- the reporting process from Committees to the Board and delegation process itself;
- the levels of expertise available within the membership of the Committees and the need for, selection of and the use of external consultants; and
- the effectiveness of internal controls following the review and report of the Audit Committee.

The process of performance evaluation is designed to consider all elements of performance including any perceived shortcomings, training or development needs and unforeseen tasks and responsibilities that have arisen during the year.

The Chairman shall act on the results of the evaluation by recognising the strengths and addressing any weaknesses of the Board. Each Director shall engage with the process and take appropriate action where development needs have been identified.

The Chairman and the Board have agreed to regular externally facilitated Board evaluations being undertaken, which shall occur as necessary under the requirements of the Code.

While no KPIs are set for individual Non-executive Directors, the time, effort and application to the performance of their duties for the Board and Committees is taken into account.

Corporate Governance Report (continued)

Audit Committee

An Audit Committee has been established and is chaired by John Whittle and also has Frederic Hervouet and Roberto Silvotti as members. The Audit Committee's primary function is to assist the Board in fulfilling its oversight responsibilities and under the Terms of Reference its main duties include financial reporting, risk management systems, compliance, whistle blowing and fraud. It will review the scope, results, cost effectiveness, independence and objectivity of the external auditor. Further details on the Audit Committee can be found in the Audit Committee Report on pages 32 to 35.

In adherence with the Code's Principles M & N, the Audit Committee is responsible for ensuring that the accounting policies of the Company are appropriate and being followed, disclosures provided are clear and for reviewing the half-year and annual financial statements before their submission to the Board. In addition, the Audit Committee is specifically charged under its terms of reference to advise the Board on the terms and scope of the appointment of the auditors, including their remuneration, independence and objectivity and reviewing with the auditors the results and effectiveness of the audit. The Committee reviews and provides advice on whether the content of the Annual Report and Accounts is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Company's performance, business model and strategy.

The Company does not currently have an internal audit function, as the Board believes that it can ensure that the Group's risk management, governance and internal control processes are operating effectively without this. This is because the Group's business is conducted by relatively few individuals (through the outsourced service providers) who report to the Board, and its operations are not complex at present.

The Board is satisfied that 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 Group's position and performance, business model and strategy.

Management Engagement Committee

The Board has established a Management Engagement Committee with formal duties and responsibilities. The Management Engagement Committee commits to meeting at least once a year and comprises the entire Board with John Whittle appointed as Chairman. Its principal duty is to consider the terms of appointment of the Portfolio Manager and it will annually review that appointment and the terms of the Portfolio Management Agreement. Its duties and responsibilities also extend to the regular review of the performance of and contractual arrangements with other service providers.

The Management Engagement Committee carried out its review of the performance and capabilities of the Portfolio Manager at its meeting on 17 January 2020 to confirm that the continued appointment of Chenavari Credit Partners LLP as Portfolio Manager is deemed to be in the interest of shareholders.

At the same meeting, the Management Engagement Committee concluded that the Company's other service providers were performing in accordance with the Company's expectations and contractual arrangements in place.

Effectiveness

The Company holds a minimum of four Board meetings per year to discuss general management, structure, finance, corporate governance, marketing, risk management, compliance, asset allocation and gearing, contracts and performance. The reports provided by the outsourced providers are the principal source of regular information for the Board enabling it to determine policy and to monitor performance, compliance and controls, which are supplemented by communication and discussions throughout the year. The Board carries out internal evaluations of its effectiveness by considering the balance of skills, experience, independence and knowledge of the Company on the Board, its diversity, how the Board works together as a unit, the allocation of sufficient time to the Company as well as other factors relevant to its effectiveness..

Committees of the Board

The terms of reference for the Board Committees are available on the Company website at
http://www.chenavaritoroincomefund.com

Corporate Governance Report (continued)

Board and Committee meetings

The table below sets out the number of Board, Audit Committee, Risk Committee, Property Valuation Committee, Management Engagement Committee and Nomination and Remuneration Committee meetings held during the year ended 31 December 2018 and, where appropriate, the number of such meetings attended by each Director.

Director	Board meetings		Audit Committee meetings		Management Engagement Committee meetings	
	Held	Attended	Held	Attended	Held	Attended
Frederic Hervouet	8	8	2	2	1	1
John Whittle	8	8	2	2	1	1
Roberto Silvotti	8	8	2	2	1	1

Information and support for Directors

Any new Directors will receive a full, formal and tailored induction on joining the Board in order to further inform them of the Group's activities and structure. Upon appointment new Directors shall be briefed about their responsibilities and duties, together with relevant background information on the Company and assistance and information from representatives of the Investment Advisers and the Administrators.

New Directors shall also be provided with an opportunity to observe the Board before their appointment and meet representatives of the Property Advisors and Administrators to the Company.

All the Directors comply with mandatory continued professional development requirement and are encouraged to attend industry and other seminars covering issues and developments relevant to investment companies, and Board meetings regularly include agenda items on recent developments in governance and industry issues.

The Chair regularly reviews and agrees with each Director their training and development needs.

All Directors are able to take independent professional advice at the Company's expense in the furtherance of their duties, if necessary. The Company purchases appropriate insurance in respect of legal action against its Directors and Officers.

Company Secretary

The Company Secretary is responsible for ensuring that Board procedures are followed. Under the guidance of the Chairman, the Secretary ensures that appropriate and timely information flows between the Board, the Committees and to/from the Directors. It facilitates inductions to new Directors and the provision of additional information where required and appropriate.

The Secretary is responsible for advising the Board on governance matters and is available to all Directors for advice and support as required. The Board deems the AIC Code more relevant with respect to the governance of investment companies.

Statement of Principal Risks and Uncertainties

Summary

An investment in the Shares is only suitable for institutional investors and professionally advised private investors who understand and are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses (which may equal the whole amount invested) that may result from such an investment. Furthermore, an investment in the Shares should constitute part of a diversified investment portfolio. It should be remembered that the price of securities and the income from them can go down as well as up.

The Directors review the principal risks facing the Company on an ongoing basis and these risks, and the controls in place to mitigate them, are reported and discussed at Board meetings. The Directors have carried out a robust assessment of the principal risks facing the Company and consider the following to be the most material risks relating to an investment in the Shares:

Risk	Mitigation
1. Share price discount The price of the Company's shares may trade at a discount relative to the underlying net asset value of the shares.	The Board continually monitors the Company's share price discount or premium to the published NAV and regularly consults with the Company's brokers regarding share trading volumes, significant buyers and sellers, and comparative data from the Company's peer group. In order to manage the discount, the Board announced on 22 November 2018 its intention to repurchase annually, for the next five years, at least 10 per cent of the Company's issued share capital (excluding any Shares currently held in treasury), via a single or a series of tender offers. During the year the Company completed two tender offers, one in February and one in August 2019, each for 5 per cent of the shares in issue.
2. Portfolio Manager risk The Company is dependent on the expertise of the Portfolio Manager and their respective key personnel to evaluate investment opportunities and to implement the Company's investment objective and investment policy.	The Board has instructed the Portfolio Manager to conduct the Company's investment related activities in compliance with applicable law, the Company's investment objectives and guidelines and the Company's contractual obligations. The Management Engagement Committee carried out its review of the performance and capabilities of the Portfolio Manager at its meeting on 17 January 2020 and confirmed that the continued appointment of the Portfolio Manager is deemed to be in the best interest of shareholders.
3. Fund performance The Company is exposed to several market factors, including asset appreciation/depreciation in the underlying collateral (see the "Collateral Risk" section below). Unrealised performance can be affected by the sentiment of the market, supply/demand of asset types, expectations on unemployment, GDP growth, credit cycle and stability of the Eurozone. Because the liquidity of the instruments is relatively low, prices will tend to be sticky, but can be at risk of sudden falls in price when momentum of sentiment is strong enough and certain pools of investors are forced to liquidate. The timing of these technical factors can be quite out of sync with fundamentals.	The Company is closed ended and has a tight limit on leverage. It is well setup to ride out any short-term dislocations in pricing without being forced to liquidate investments at technically distressed prices. This is achieved by employing hedging strategies using liquid instruments. This reduces the beta of the portfolio compared to some of its peers. During the year a significant proportion of the Company's portfolio was invested in CLO debt. Despite recent poor performance of this asset class the Portfolio Manager was able to maintain positive returns through good asset selection and risk management.

Risk	Mitigation
4. Collateral risk (default, recovery, prepayment) Investment Instruments purchased by the Company are linked to the credit performance of the underlying Collateral. This means that defaults or credit losses in the Collateral may adversely impact the performance of the company, the NAV and the value of the Shares.	The Portfolio Manager conducts detailed fundamental, statistical and scenario analyses. Where it is considered desirable, the Company may enter into hedging transactions designed to protect against or mitigate the consequences of single reference obligations defaulting and/or more generalised credit events. Alongside the fundamental credit analysis, the structural features of the transaction are also assessed. This includes a review of the payment waterfall, the subordination of the proposed investment instrument, the extent of the reserve fund, the amortisation profile and extension risk. Fundamental default risk has been increasing during the year as the credit cycle matures. This is evidenced by increased net debt/EBITDA levels, an increase in the issue of 'covenant-lite' loans and an increase in downgrades of high yield debt. As a result, risk management has increased its focus on issuer default risk sensitivity analysis.
5. Product liquidity The illiquid nature of some Asset Backed Securities, originated credit investments, CLO securities and retention securities held within the portfolio may result in significant asset price fluctuations during times of market volatility. Assets may be difficult to sell and the price may be at a discount from the outstanding principal amount.	The Company has strict limits on the proportion of listed versus non-listed investments that can be held within the portfolio, and these limits are monitored daily. During the year the Portfolio Manager has reduced exposure to private origination and increased exposure to more liquid products such as CLO 2.0. CLO investments have also included investment grade tranches.
6. Direct lending As part of the private asset backed finance strategy, the Company has diversified away from classic secondary corporate loans and residential mortgages into new asset classes. Examples include or have included investment in Spanish real estate and direct investment in marine vessels via a trade finance deal. Such investments expose the Company to new types of investment risk, including political and macroeconomic factors. The illiquidity of such investments may make them difficult to dispose of at fair value and there may be a significant period between the date that an investment is made and the date that any capital gain or loss on such investment is realised.	The Company mitigates liquidity risk by maintaining a balance between continuity of funding and flexibility through the use of bank deposits and loans. The Company is closed-ended and not subject to the need to liquidate holdings quickly in order to meet redemptions. During the year origination in direct lending has been low and profit has been taken on existing positions.
7. Valuation risk Investments are valued in accordance with the Company's Valuation Policy which is compiled with reference to key principles comprising; independence, transparency, consistency and relevance. The policy documents the pricing process and timeline, with particular reference to difficult to value securities, and sets out escalation procedures.	The Sub-Administrator maintains the official, independent books and records of the Company, and values each investment asset in accordance with the Valuation Policy and the Company documentation. The Board has established a Valuation Committee to review the valuation of illiquid investment instruments, particularly where a valuation is provided by a single counterparty or where the Portfolio Manager's risk officer recommends a more conservative valuation than that provided by a counterparty. The Portfolio Manager has also engaged Duff & Phelps, Ltd ("Duff & Phelps"), on behalf of the Company, as a valuation

Risk	Mitigation
7. Valuation risk (continued)	advisor to provide an additional assessment of valuation for certain transactions, and has engaged IHS Markit to provide external valuations on retention CLO equity. The Valuation Committee remains ultimately responsible for the determination of the Fair Value of each transaction but may consider Duff & Phelps' input in making such determinations. Specifically, Duff & Phelps has estimated ranges of Fair Value for the Company's interests in 1 transaction as of 30 September 2019 (as well as one transaction as at 31 August 2018). The Board requested the Audit Committee to further consider this risk with work undertaken by the Audit Committee discussed on pages 32 to 35. As a result of the work undertaken by the Audit Committee, the Board is satisfied that the valuation of financial assets at fair value through profit or loss is correctly stated in the Financial Statements.
8. IT security Inappropriate access to customer or Company data leading to loss of sensitive information may result in a material adverse effect on the Company's financial condition, reputation and investor confidence.	The Company's service providers maintain cyber security policies. These are reviewed by the AIFM as part of its oversight responsibilities and reported to the Board on a quarterly basis, including any breaches of information security. Service providers perform regular testing of their cyber security controls to ensure that they remain robust.
9. Brexit Risk Risks of a disorderly exit of the United Kingdom from the European Union exist, either directly as a result of significant trade and operational disruption or indirectly as a result of a general market downturn.	In this scenario, it is anticipated that the majority of the Company's investments would be affected indirectly, since they are continental assets with a low market beta risk.
10. Regulatory risk Non-compliance with regulatory requirements, including but not exclusive to the Alternative Investment Fund Managers Directive (AIFMD), UK listing, disclosure and transparency rules, money laundering/financial crime legislation, General Data Protection Regulations (GDPR), Packaged Retail and Insurance-based Investment Products Regulation (PRIIPs) and EU Risk Retention Requirements may result in a material adverse effect to the Company's financial position, through fines and penalties, its reputation and operating status.	Potential changes to the regulatory, legislative and political environment are notified to the Board or Audit Committee by the compliance function within the Company's Administrator. Additional assistance is provided on request by the Company's legal advisers. There is quarterly compliance monitoring and reporting from the compliance officer. The Board actively engages with its advisers to implement changes to policies and procedures in response to regulatory change. For example, the website and relevant documentation were updated in order to comply with GDPR, and with the requirement under PRIIPs to produce a key information document (KID).

Audit Committee Report

I am pleased to report to you on the activities of the Audit Committee for the year ended 30 September 2019.

The Board has established terms of reference in respect of the membership of the Audit Committee, its duties, reporting responsibilities, and authority given to its members (the "Terms of Reference").

The Audit Committee is supportive of the latest AIC Code recommendations and is of the opinion that the AIC Code allows it to act as a key independent oversight committee contributing to a climate of discipline and control.

Terms of reference
The Audit Committee's primary function is to assist the Board in fulfilling its oversight responsibilities and, under the Terms of Reference, its main duties include:

Financial reporting
- monitoring the integrity of the financial statements of the Company, including its annual and half-yearly reports and any other formal announcement relating to its financial performance, reviewing significant financial reporting issues and judgments which they contain.

Risk management systems
- review the adequacy and effectiveness of the Company's risk management systems and review and approve the statements to be included in the annual report concerning risk management.

Compliance, whistle blowing and fraud
- review the adequacy and security of the Company's arrangements to raise concerns, if any, about possible wrongdoing in financial reporting or other matters;
- reviewing the Company's procedures for detecting fraud;
- reviewing the Company's systems and controls for the prevention of bribery and receive reports on non-compliance;
- reviewing the adequacy and effectiveness of the Company's anti-money laundering systems and controls; and
- reviewing the adequacy and effectiveness of the Company's compliance function.

External audit
- overseeing the relationship with the external auditor including making recommendations of remuneration, terms of engagement, assessing independence and objectivity, compliance with relevant ethical and professional guidance on the rotation of audit partners, the level of fees paid by the Company, assessing qualifications, expertise and resources and the effectiveness of the audit process.

In regard to the above duties, I confirm, on behalf of the Audit Committee, that, to the best of our knowledge and belief, we have fulfilled our responsibilities in line with our Terms of Reference and in accordance with the AIC Code.

Delegation of duties
The Company has no employees and all functions, including the preparation of the financial statements, have been outsourced to various service providers. Estera Administration Limited have been appointed as Administrator and Company Secretary, US Bank Global Fund Services (Ireland) Limited as Sub-Administrator, Chenavari Credit Partners LLP as Portfolio Manager, Carne Global AIFM Solutions (C.I.) Limited as AIFM, JPMorgan Chase Bank National Association as Custodian, Depositary and Principal Bankers and Link Asset Services as Registrar (together the "Outsourced Service Providers"). Please see note 5 for further details in relation to these service providers.

Membership of the committee
The Audit Committee was established on incorporation and consists of Frederic Hervouet, Roberto Silvotti and myself, John Whittle, as its Chairman. All the members of the Audit Committee are non-executive Directors. Mr Hervouet and I are considered independent of the Advisers for the purposes of the Company's compliance with the AIC Code however Mr Silvotti, by virtue of his directorship and previous roles with the Portfolio Manager and other funds managed within the Chenavari Group is not considered independent of the Advisers. The Audit Committee has concluded that its membership meets the requirements of AIC Code and each member is financially literate and has knowledge of the following key areas:

- financial reporting principles and accounting standards;
- the regulatory framework within which the Company operates;
- the Company's internal control and risk management environment; and
- factors impacting the Company's Financial Statements.

Audit Committee Report (continued)

Membership of the Committee (continued)
The Audit Committee meets at least two times a year. During the Year the Audit Committee has met two times. Personnel from the Company's Outsourced Service Providers along with representatives of the Company's external auditor, Deloitte LLP ("Deloitte"), attend Audit Committee meetings when appropriate.

In his role as a member of the Audit Committee, each member is available to discuss any particular matter with his fellow Board members and in addition the Audit Committee has the opportunity to meet with Deloitte without the presence of Outsourced Service Providers. In order to ensure that all Directors are kept up to date and informed of the Audit Committee's work, I provide a verbal report to the Board at Board meetings on key matters discussed at the Audit Committee meetings. In addition, the minutes of all Audit Committee meetings are available to the Board.

How the Audit Committee has discharged its responsibilities
In the period under review, the Audit Committee has met two times, attendance at which is set out on page 28. The Audit Committee meetings focused on the following key areas:

Monitoring the integrity of the financial statements including significant judgments

- We reviewed the appropriateness of the Company's significant accounting policies, critical accounting judgments and key sources of uncertainty and monitored changes to, and compliance with, accounting standards on an ongoing basis.
- Prior to making any recommendations to the Board, we reviewed the Annual Report and Audited Financial Statements for the year ended 30 September 2019 (the "Annual Report"). We compared the results with management accounts, budgets and monthly NAVs, focusing on the significant accounting matters set out below.
- In undertaking this review, we discussed with the Administrator, Sub-Administrator and Deloitte the critical accounting policies and judgments that have been applied and at the request of the Audit Committee, the Administrator and Sub-Administrator confirmed that they were not aware of any material misstatements including matters relating to the Annual Report presentation. Deloitte also reported to the Audit Committee on any misstatements that they had found during the course of their work and confirmed no material amounts remained unadjusted.
- At its meeting to review the Annual Report, the Audit Committee received and reviewed a report on the audit from Deloitte. On the basis of its review of the report, the Audit Committee is satisfied Deloitte has fulfilled its responsibilities with diligence and professional scepticism.
- The Audit Committee is satisfied that the Annual Report appropriately addresses the critical judgments and key estimates (both in respect to the amounts reported and the disclosures) and that the significant assumptions used for determining the value of assets and liabilities determined were in compliance with IFRS and were reasonable.
- The Audit Committee is therefore satisfied that the Annual Report, 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.

Significant accounting matters
During the Period the Audit Committee considered key accounting issues, matters and judgments regarding the Company's financial statements and disclosures including those relating to:

Valuation and classification of financial assets at fair value through profit or loss
At 30 September 2019, the Company's investments had a fair value of €332.1 million after the inclusion of financial liabilities at fair value through profit or loss and represented 105.5% of net assets of the Company. As such this is the largest factor in relation to the accuracy of the financial statements and is monitored by the Portfolio Manager, the Administrator, the Sub-Administrator, the Custodian, the Audit Committee, the AIFM and the Board.

Investments are valued in accordance the Company's Valuation Policy and with the Accounting Policies set out in note 2.2 to the financial statements. The Valuation Policy is compiled with reference to key principles comprising; independence, documentation, transparency, consistency and relevance and documents the pricing process and timeline, with particular reference to difficult to value securities, and sets out escalation procedures.

Audit Committee Report (continued)

The Audit Committee required the Portfolio Manager to provide detailed analysis of the broker quotes obtained for investments, including the liquidity, the number of quotes received, and the range of quotes. For primary transactions, the Portfolio Manager's own analysis of the fair value of the deal was compared to the quotes obtained and where pricing was obtained from the manager of the transaction, the Portfolio Manager provided an assessment of the manager's independence and reliability. Additionally, the Audit Committee required the Portfolio Manager to provide a reasoned assessment of fair value for each investment held and its classification in the fair value hierarchy including those valued through internal models.

In consultation with the Board of Directors and in line with best market practice, the Company switched the valuation methodology on the risk retention pieces to a mark-to-model approach and an independent third-party provider IHS Markit (a leading global provider of fixed income pricing data) was engaged to provide pricing source for all CLO risk retentions held within Taurus, including both the CLO debt/equity pieces and the management fees rebate.

During the Year the Portfolio Manager also engaged Duff & Phelps, Ltd ("Duff & Phelps"), on behalf of the Company, as a valuation advisor to provide certain limited procedures on some Transactions' valuation which the Investment Adviser identified and requested Duff & Phelps to perform. For the avoidance of doubt, notwithstanding the engagement with Duff & Phelps, the Board of the Company remains ultimately responsible for the determination of the fair value of each Transaction, but may consider Duff & Phelps' input in making such determinations. Specifically, as of 30 September 2019, Duff & Phelps estimated ranges of fair value for the Company's interests in one transaction.

Following discussion, we were satisfied that the judgments made and methodologies applied were fair value and appropriate and that the correct accounting treatment has been adopted. Please see further details outlined in notes 2 and 8 to the financial statements.

Income recognition
For primary and secondary transactions, the Audit Committee considered whether the separate presentation of interest income in the Statement of Comprehensive Income is required or if a net fair value movement is more appropriate.

Due to the nature of the Company's investment strategy resulting in the possibility of investments being sold before maturity and given the consequent inherent uncertainty of using maturity dates to calculate income using the Effective Interest Rate method, for both primary and secondary investments, the Company's accounting policy recognises only a net fair value movement rather than reporting a split between fair value movement and interest income in the Statement of Comprehensive Income. This is explained further in note 2.4 to the financial statements.

Assessment of principal risks and uncertainties
The risks associated with the Company's financial assets, as disclosed in the financial statements, particularly in note 6, represent a key accounting disclosure. The Audit Committee critically reviews, on the basis of input from relevant Outsourced Service Providers, the process of ongoing identification and measurement of these risks disclosures.

Risk management and internal controls
The Board as a whole is responsible for the Company's system of internal control; however, the Audit Committee assists the Board in meeting its obligations in this regard. The daily operational activities of the Company were delegated to the Outsourced Service Providers and as a result the Company has no direct internal audit function and instead places reliance on the external and internal audit controls applicable to the Outsourced Service Providers as regulated entities. The Audit Committee regularly monitors confirmations from the Outsourced Service Providers that no material issues have arisen in respect of the system of internal controls and risk management operated within the Company's Outsourced Service Providers.

The Audit Committee confirms that this is an ongoing process in order to manage the significant risks faced by the Company. Annually, the Audit Committee reviews the effectiveness of the Company's material controls, including financial, operational and compliance controls. We deem that, to date, there are no significant issues in this area that need to be brought to your attention.

Audit Committee Report (continued)

External audit
It is the responsibility of the Audit Committee to monitor the performance, independence, objectivity and re-appointment of Deloitte. On 13 September 2019, we met with Deloitte who presented their Audit Strategy and Plan for the Year; we agreed the audit plan for the Year, highlighting the key financial statement and audit risks, to seek to ensure that the audit was appropriately focused. Deloitte attended our Audit Committee meetings throughout the Year, as appropriate, which allows the opportunity to discuss any matters the auditor may wish to raise without the Portfolio Manager or other Outsourced Service Providers being present. Deloitte provides feedback at each Audit Committee meeting on topics such as the key accounting matters, mandatory communications and the control environment.

The Committee is required to assess and report to the Board on the effectiveness of the audit process. During the Year it accomplished this as follows:

- Met with Deloitte and reviewed the audit plan as above;
- Met with Deloitte and reviewed the audit report at the conclusion of the audit;
- In addition the Chairman discussed the effectiveness of the audit with staff of the Administrator and Sub-Administrator;
- Completed a comprehensive check list covering all aspects of the audit process; and
- Reviewed the FRC audit quality review.

From its work the Committee concluded that audit process had been effective.

Deloitte was re-appointed as the Company's auditor for the 2019 audit following the AGM on 19 March 2019. The lead audit partner will be rotated every five years to ensure continued independence and objectivity. The Audit Committee continues to be satisfied with the performance of Deloitte. We have therefore recommended to the Board that Deloitte, in accordance with agreed terms of engagement and remuneration, should continue as the Company's auditor until the forthcoming AGM. In advance of the commencement of the annual audit, the Audit Committee reviewed a statement provided by Deloitte confirming their independence within the meaning of the regulations and professional standards. In addition, in order to satisfy itself as to Deloitte's independence, the Audit Committee undertook a review of the auditor compensation and the balance between audit and non-audit fees.

During the Year the value of non-audit services provided by Deloitte amounted to €34,114 consisting of tax and reporting services. Non-audit services were primarily in relation to Passive Foreign Investment Company ("PFIC") statement preparation for the Company and the Audit Committee is satisfied that the overall quantum of ongoing non-audit services is not anticipated to be material. Deloitte also charged a fee for reviewing the interim financial statements of €29,408.

Committee effectiveness
The effectiveness of the Audit Committee was reviewed by both the Board and Audit Committee as part of the annual Board Evaluation process at the meeting held on 17 January 2020. A member of the Audit Committee will be available to shareholders at the forthcoming AGM of the Company to answer any questions relating to the role of the Audit Committee.

Signed on behalf of the Audit Committee by:

John Whittle
Chairman, Audit Committee

30 January 2020

Directors' Remuneration Report

The Directors' remuneration report has been prepared on behalf of the Directors in accordance with the AIC code.

The Directors do not consider it necessary for the Company to establish a separate Remuneration Committee. The Board's remuneration along with the matters recommended by the AIC code that would be delegated to such a committee, are considered by the Board as a whole.

The Company's policy is to ensure that the fees payable to the Directors reflect the time spent by the Directors on the Company's affairs, the responsibilities borne by the Directors and be sufficient to attract, retain and motivate directors of a quality required to run the Company successfully. The Chairman of the Board is paid a higher fee in recognition of his additional responsibilities, as are the Chairman of the Audit Committee and the Management Engagement Committee. The policy is to review fee rates periodically, although such a review will not necessarily result in any changes to the rates, account will be taken of fees paid to directors of comparable companies.

No element of the Directors' remuneration is performance related, nor does any Director have any entitlement to pensions, share options or any long term incentive plans from the Company.

Following a recommendation from the Chairman, having regard to the level of fees payable to non-executive Directors that reflects comparable compensation levels of the peer universe for the Company, the role that individual Directors fulfil in respect of Board and Committee responsibilities, it is the responsibility of the Board as a whole to determine and approve the directors' fees.

The Chairman's remuneration is decided separately and is approved by the Board as a whole.

The Directors are currently entitled to the following annual remuneration in the form of directors' fees:

Frederic Hervouet (Chairman of the Board)	£55,000
John Whittle (Audit Committee Chair)	£45,000
Roberto Silvotti	£35,000
Total	**£135,000**

The Company's Articles limit the fees payable to Directors in aggregate to £300,000 per annum.

Directors' annual remuneration was reviewed and increased by £5,000 per annum per Director on 6 November 2018 backdated and effective from 1 April 2018.

The remuneration policy set out above is the one applied for the year ended 30 September 2019.

Directors' and Officers' liability insurance cover is maintained by the Company on behalf of the Directors.

The Directors were appointed as non-executive Directors by letters issued on 20 April 2015. Each Director's appointment letter provides that all records received by them during the course of their directorship remain the property of the Company. The Directors' appointments can be terminated in accordance with the Articles and without compensation. There is no notice period specified in the Articles for the removal of Directors. The Articles provide that the office of Director shall be terminated by, among other things: (a) written resignation; (b) unauthorised absences from board meetings for a consecutive period of twelve months and the Board resolve that the Director in question's office be vacated; (c) unanimous written request of the other Directors; and (d) the Director in question becomes ineligible to be a Director in accordance with Section 137 of the Law.

Under the terms of their appointment, each Director is required to retire by rotation and be subject to re-election at least every three years. The Directors are required to annually seek re-election if they have already served for more than nine years. The Company may terminate the appointment of a Director immediately on serving written notice and no compensation is payable upon termination of office as a Director of the Company becoming effective.

The amounts payable to Directors shown in note 4 to the Financial Statements were for services as non-executive Directors. No Director has a service contract with the Company, nor are any such contracts proposed.

None of the Directors has any personal financial interest in any of the Company's investments.

Directors' Remuneration Report (continued)

Quantitative remuneration disclosure
Disclosure in accordance with Article 22(2)(e) and 22(2)(f) of the AIFMD is set out at appendix 1.

Signed on behalf of the Board of Directors by:

Frederic Hervouet, Chairman

30 January 2020

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable Guernsey law and regulations.

The Companies (Guernsey) Law, 2008 requires the Directors to prepare financial statements for each financial year. Under that law they are required to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and applicable law.

Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, International Accounting Standards 1states that the Directors are required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that 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 the financial statements comply with The Companies (Guernsey) Law, 2008. They are also responsible 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 are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in Guernsey and the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' responsibility statement
We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with IFRS as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company;

- the Directors' report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces;

- the Annual Report and Audited Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for Shareholders to assess the Company's position and performance, business model and strategy; and

- the Annual Report includes information required by the LSE and the Company complies with the relevant provisions of the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority

This responsibility statement was approved by the Board of Directors on 30 January 2020 and is signed on its behalf by:

Frederic Hervouet
Non-executive Chairman

30 January 2020

Independent Auditor's Report to the Members of Chenavari Toro Income Fund Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Chenavari Toro Income Fund Limited (the 'Company'):

- **give a true and fair view of the state of the Company's affairs as at 30 September 2019 and of the its profit for the year then ended;**
- **have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and**
- **have been prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.**

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity;
- the statement of cash flows;
- the condensed schedule of investments; and
- the related notes 1 to 23.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (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.

Summary of our audit approach

Key audit matters	The key audit matter that we identified in the current year was: • Valuation of investments and classification in the fair value hierarchy.
Materiality	The materiality that we used in the current year was €6.3m which was determined on the basis of 2% of net assets value.
Scoping	Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.
Significant changes in our approach	As judgements relating to revenue recognition are principally driven by the valuation of the portfolio we no longer propose to refer to this risk as a key audit matter in our report. Excluding the former, there has been no significant changes in our approach from the prior year.

Independent Auditor's Report to the Members of Chenavari Toro Income Fund Limited (continued)

Conclusions relating to going concern, principal risks and viability statement

Going concern
We have reviewed the directors' statement in note 2 to 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.

We considered as part of our risk assessment the nature of the Company, its business model and related risks including where relevant the impact of Brexit, the requirements of the applicable financial reporting framework and the system of internal control. We evaluated the directors' assessment of the Company's ability to continue as a going concern, including challenging the underlying data and key assumptions used to make the assessment, and evaluated the directors' plans for future actions in relation to their going concern assessment.

We state whether we have anything material to add or draw attention to in relation to that statement that would be required by Listing Rule 9.8.6R(3) if the company had a premium listing and report if the statement is materially inconsistent with our knowledge obtained in the audit

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

Principal risks and viability statement
Based solely on reading the directors' statements and considering whether they were consistent with the knowledge we obtained in the course of the audit, including the knowledge obtained in the evaluation of the directors' assessment of the Company's ability to continue as a going concern, we are required to state whether we have anything material to add or draw attention to in relation to:

- the disclosures on pages 29-31 that describe the principal risks, procedures to identify emerging risks, and an explanation of how these are being managed or mitigated;
- the directors' confirmation on page 19 that they have carried out a robust assessment of the principal and emerging risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity; or
- the directors' explanation on page 18-22 as to how they have assessed the prospects of the Company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to report whether the directors' statement relating to the prospects of the group required by Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

Key audit matters

Key audit matters are those matters that, in our professional judgement, 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 forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of investments and classification in the fair value hierarchy

Key audit matter description

Investments at fair value through profit or loss held by the Company as at 30 September 2019 had a fair value of €352m (2018: €279m) representing 111% of the net asset value of the Company. Details of investments are disclosed in note 8 to the financial statements. Valuation is a key area of judgement and has a significant impact on the Net Asset Value ("NAV") which is the most significant Key Performance Indicator ("KPI") for the Company. Investment valuations also drive the bulk of revenue in the income statement.

Most investments are not actively traded and their valuation is reliant on broker quotes, valuation models prepared by the Investment Manager or audited NAV in the case of Taurus Corporate Finance LLP ("Taurus"). The inputs to those valuation models can be judgemental. As these assumptions involve a degree of management judgement and drive the performance of the Company, we consider these valuations to represent a potential fraud risk.

In addition, the classification within the fair value hierarchy also requires significant judgement. In particular determining what constitutes observable evidence of trading in investments is subjective in the absence of public sources of information. This includes the determination of the appropriate disclosure of risks and sensitivities of level 3 investments.

Valuation of investments:

Priced by brokers (31% of the portfolio)

- Investments in a number of purchased asset backed securities are valued using broker quotes. Management rely on such prices from brokers, being the market makers for such investments. This pricing methodology is applied to a significant portion of the portfolio and some of the valuations provided by brokers may include unobservable inputs with the possibility of only having one broker quote for some positions.

Investment in Taurus (41% of the portfolio)

- The investment in Taurus is held at fair value through profit or loss, consistent with the requirements of IFRS 10. NAV is considered to be a reasonable measure of fair value as materially all assets held by Taurus are marked to market. The balance consists predominantly of internally originated CLO ("Colateralised Loan Obligation") tranches valued through an independent pricing provider, (IHS Markit) where significant judgements are applied.

Valued at cost (15% of the portfolio)

- The fair value of these investments is considered to be cost given the underlying factors driving the valuation of the investments have not developed significantly from initial purchase. There exists judgement as to whether this basis is appropriate as at 30 September 2019.

Valued using internal models (12% of the portfolio)

- Inputs to the valuation models can be judgemental and may include estimation of interest rates, pre-payment rates, discount rates and credit default rates. Valuations can be sensitive to small changes to the inputs and in certain cases are subjective. Management have used independent valuers to provide an assessment of some of the positions. In the period, the Wind position was also valued by Duff & Phelps.

Further details of the accounting policy and methodology for the valuation of investments are described in note 3.1 to the financial statements. This is also highlighted as significant matter in the Audit Committee report on page 34.

How the scope of our audit responded to the key audit matter

To test the valuation of investments as at 30 September 2019 we performed the following procedures:

- Assessed the design and implementation of key controls over the valuation of investments to determine whether appropriate oversight have been exercised within the valuation process;
- Assessed the valuation policy and methodology adopted by management in comparison to IFRS and industry practice;

For investments priced by brokers:

- We obtained independent price quotes from the brokers;
- For a sample of investments, we obtained price information from independent sources to determine whether this information is consistent with prices used; and
- For a sample of investments realised during the period, we reviewed the accuracy of management's valuations by comparing the price at which investments were realised to the price recorded by the Company at the time of disposal.

For the investment in Taurus:

- We agreed the net asset value recorded to the audited financial statements of Taurus also audited by the engagement team.
- In respect of CLO positions held by Taurus, we assessed the independence and competence of the newly appointed valuers. We involved our internal specialists in our challenge of the methodology adopted by the external valuer to assess whether this is in line with market practice and the requirements of IFRS 13, challenged assumptions made by performing our own independent valuations and sensitivity analysis.
- We considered whether any adjustments should be made to the NAV to more accurately reflect fair value.

For investments valued at cost:

- We challenged the rationale behind cost being representative of fair value and whether this is reasonable in light of available evidence including post year-end trading or performance of underlying collateral.

For investments valued using internal models:

- We involved our internal specialists in our challenge of the methodology adopted by the investment advisor to assess whether this is in line with market practice and the requirements of IFRS 13, challenged assumptions made also considering the potential impact of brexit of these as well as auditing the inputs into the models and their arithmetical accuracy; and
- We assessed the independence and competence of the external valuer where one is used. We compared the external valuations to those prepared by the investment advisor and challenged key differences in methodology and assumptions. We challenged key assumptions by sensitising inputs and benchmarking procedures.

To test the classification of the investments on the fair value hierarchy, we reviewed and challenged management's classification of investments within the fair value hierarchy and the associated disclosures by performing the following

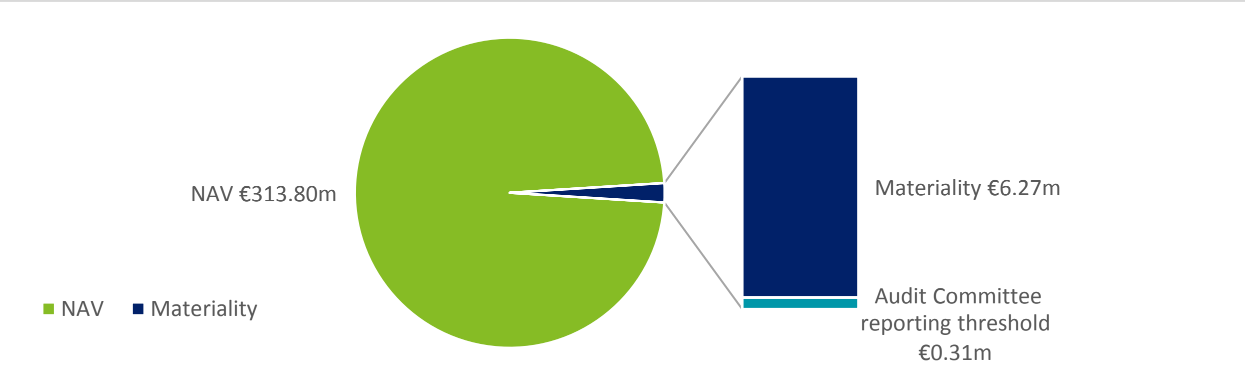
	procedures to assess whether fair value classification is in line with the levelling policy: • Assessed the design and implementation of key controls over management's classification and disclosure process in regards to the fair value hierarchy. • Reviewed the number of broker quotes obtained by management for each applicable investment, which provides an indicator for where the investment is positioned in the fair value hierarchy; • Reviewed evidence of third party transactions used to corroborate broker valuations; and • Reviewed the disclosures provided, including sensitivity analysis to movements in key inputs for investments classified as level 3 in the fair value hierarchy
Key observations	Based on the work performed, we are satisfied that the key assumptions, judgements and estimates applied by the directors underlying the valuation of investments and their classification in the fair value hierarchy are appropriate.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Materiality	€6,274,000 (2018: €6,397,000)
Basis for determining materiality	2% of net asset value (2018: 2% of net asset value).
Rationale for the benchmark applied	We have derived our materiality based on the net asset value of the Company as we consider it to be the most important balance upon which the shareholders would judge the performance of the Company.



We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of €313,000 (2018: €319,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

Independent Auditor's Report to the Members of Chenavari Toro Income Fund Limited (continued)

An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the Company and its environment, including internal control, and assessing the risks of material misstatement. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

Consistent with 2018, we tailored the scope of our audit taking into account the types of investments held within the Company.

The administrator and sub-administrator maintain the books and records of the Company. The investment manager and investment adviser maintain detailed documentation pertaining to the investment activities of the Company. Our audit therefore included obtaining an understanding of these service organisations (including, in respect of the sub-administrator, obtaining their internal controls report) and their relationship with the Company.

Other information

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

We have nothing to report in respect of these matters.

Our opinion on the financial statements does not cover the other information and 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 this other information, we are required to report that fact.

In this context, matters that we are specifically required to report to you as uncorrected material misstatements of the other information include where we conclude that:

- *Fair, balanced and understandable* – 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 position and performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- *Audit committee reporting* – 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* – the parts of the directors' statement that would be required if the company had a premium listing 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

Independent Auditor's Report to the Members of Chenavari Toro Income Fund Limited (continued)

Responsibilities of directors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Report on other legal and regulatory requirements

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

Under the Companies (Guernsey) Law, 2008 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records.

We have nothing to report in respect of these matters.

Independent Auditor's Report to the Members of Chenavari Toro Income Fund Limited (continued)

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Section 262 of the Companies (Guernsey) Law, 2008. 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.

David Becker ACA (Senior Statutory Auditor)

For and on behalf of Deloitte LLP

Recognised Auditor

Guernsey, Channel Islands

January 2019

Statement of Comprehensive Income
For the year ended 30 September 2019

	Notes	Year ended 30 September 2019 €	Year ended 30 September 2018 €
Income			
Net gain on financial assets and financial liabilities held at fair value through profit or loss	12	43,498,758	27,751,238
Interest income		888	7,388
Total income		**43,499,646**	**27,758,626**
Expenses			
Management fees	4 (c)	3,164,198	3,221,619
Performance fees	4 (c)	6,037,496	3,442,589
Administration fees	5 (b)	80,796	82,067
Sub-administration fees	5 (c)	153,400	171,392
Custodian and brokerage fees	5 (d)	107,265	35,661
Legal fees		83,668	78,385
Directors' fees	4(a)	152,905	135,853
Audit fees		92,875	92,833
AIFM fees	4 (c)	76,405	85,172
Recharge Fee		68,776	-
Other operating expenses		413,290	577,257
Total operating expenses		**10,431,074**	**7,922,828**
Financing costs			
Interest expense		339,136	407,017
Profit for the year		**32,729,436**	**19,428,781**
Other comprehensive income		**-**	**-**
Total comprehensive income		**32,729,436**	**19,428,781**
Earnings per Share			
Basic and diluted	9	10.17 cents	5.97 cents

All items in the above statement derive from continuing operations.

The Condensed Schedule of Investments and notes to the financial statements are an integral part of the financial statements.

Statement of Financial Position
As at 30 September 2019

	Notes	30 September 2019	30 September 2018
Assets		**€**	**€**
Financial assets at fair value through profit or loss	2.2,8,11	352,031,829	279,414,468
Due from broker	13	8,775,237	14,157,242
Other receivables and prepayments	14	9,801	4,472
Cash and cash equivalents	2.5	14,837,232	38,863,722
Total assets		**375,654,099**	**332,439,904**
Equity			
Share capital and share premium	16	354,752,496	354,752,496
Treasury Reserve		(40,270,143)	(29,335,832)
Retained earnings/(deficits)		1,681,352	(5,556,006)
Total equity		**316,163,705**	**319,860,658**
Current liabilities			
Financial liabilities at fair value through profit or loss	2.2,8,11,2.13	19,917,167	6,157,693
Due to broker	13	35,471,879	2,416,400
Accrued expenses	15	4,101,348	4,005,153
Total current liabilities		**59,490,394**	**12,579,246**
Total equity and liabilities		**375,654,099**	**332,439,904**
Shares outstanding	16	313,627,456	327,002,156
NAV per share	10	100.81 cents	97.82 cents

Director:
Date:

Director:
Date:

The Condensed Schedule of Investments and notes to the financial statements are an integral part of the financial statements.

Statement of Changes in Equity
For the year ended 30 September 2019

	Notes	Retained earnings/(deficits) €	Share capital and share premium €	Treasury reserve €	Total €
At 30 September 2018		**(5,556,006)**	**354,752,496**	**(29,335,832)**	**319,860,658**
Profit for the year		32,729,436	-	-	32,729,436
Reissue of shares	16	-	-	419,190	419,190
Transfer from treasury reserve on settling of performance fees	4(c)	-	-	3,792,035	3,792,035
Repurchase of shares	16	-	-	(15,145,536)	(15,145,536)
Dividends paid to equity shareholders	18	(25,492,078)	-	-	(25,492,078)
At 30 September 2019		**1,681,352**	**354,752,496**	**(40,270,143)**	**316,163,705**

	Notes	Retained earnings/(deficits) €	Share capital and share premium €	Treasury reserve €	Total €
At 30 September 2017		**841,688**	**354,752,496**	**(31,277,176)**	**324,317,008**
Profit for the year		19,428,781	-	-	19,428,781
Transfer from treasury reserve on settling of performance fees	4(c)	-	-	1,941,344	1,941,344
Dividends paid to equity shareholders	18	(25,826,475)	-	-	(25,826,475)
At 30 September 2018		**(5,556,006)**	**354,752,496**	**(29,335,832)**	**319,860,658**

Statement of Cash Flows
For the year ended 30 September 2019

	Year ended 30 September 2019 €	Year ended 30 September 2018 €
Cash flows from operating activities		
Profit for the year	32,729,436	19,428,781
Adjustments for non-cash items and working capital:		
Purchase of investments*	(136,073,980)	(148,073,081)
Disposal and paydowns of investments*	116,136,925	161,838,203
Net gain on financial assets and derivatives at fair value	(38,920,832)	(36,376,335)
Decrease in amounts due from brokers	5,382,005	2,553,388
(Increase)/decrease in other receivables and prepayments	(5,329)	45,830
Increase/(decrease) in amounts due to brokers	33,055,479	(1,769,156)
Increase in accrued expenses**	4,307,420	283,581
Net cash inflow/(outflow) from operating activities	**16,611,124**	**(2,068,789)**
Cash flows from financing activities		
Dividends paid to equity shareholders	(25,492,078)	(25,826,475)
Repurchase of shares net of costs	(15,145,536)	-
Net cash outflow from financing activities	**(40,637,614)**	**(25,826,475)**
Net decrease in cash and cash equivalents	(24,026,490)	(27,895,264)
Cash and cash equivalents at beginning of the year	38,863,722	66,758,986
Cash and cash equivalents at end of the year	**14,837,232**	**38,863,722**

* Investments relate to the main revenue producing activity of the Company, hence classified as operating activities.
**Increase in accrued expenses incorporates accrued expenses & settlement of accrued performance fees with treasury shares as it is a non-cash transaction.

The Condensed Schedule of Investments and notes to the financial statements are an integral part of the financial statements.

Condensed Schedule of Investments, at Fair Value
As at 30 September 2019

	Europe	France	Germany	Great Britain	Ireland	Italy	Netherlands	Portugal	Spain	U.S.A	Other	Total	NAV
	€	€	€	€	€	€	€	€	€	€	€	€	%
Financial assets at fair value through profit or loss													
Equity securities													
Mortgage portfolio	-	-	-	-	1,628,549	-	-	-	-	-	161,695	1,790,244	0.57%
Equities securities total	**-**	**-**	**-**	**-**	**1,628,549**	**-**	**-**	**-**	**-**	**-**	**161,695**	**1,790,244**	**0.57%**
Debt securities													
Commercial mortgage-backed security	-	-	-	2,919,463	-	-	-	-	-	-	-	2,919,463	0.92%
Arbitrage CLO	-	27,619,885	21,709,899	16,423,787	1,339,551	3,341,857	12,504,749	494,997	4,210,439	19,787,768	26,872,475	134,305,407	42.49%
Residential mortgage-backed security	-	-	20,643	1,066,283	15,928,040	-	-	803,127	-	-	-	17,818,093	5.64%
Balance sheet CLO	-	-	-	5,764,750	-	-	-	-	2,373,676	-	-	8,138,426	2.57%
Consumer ABS	-	-	-	-	-	-	-	-	939,000	-	-	939,000	0.30%
Senior loan	-	-	-	-	2,828,079	-	-	-	-	-	-	2,828,079	0.89%
Whole loan	-	-	-	-	-	-	-	-	-	-	100,655	100,655	0.03%
Non-performing loan	-	-	-	-	-	-	-	-	17,497,721	-	-	17,497,721	5.53%
Preferred equity	-	-	-	447,876	-	-	-	-	28,487,719	-	-	28,935,595	9.15%
Equity*	17,681,755	14,371,863	21,837,218	11,651,767	1,681,079	3,348,498	11,196,080	-	4,852,000	17,992,073	32,146,813	136,759,146	43.26%
Debt securities total	**17,681,755**	**41,991,748**	**43,567,760**	**38,273,926**	**21,776,749**	**6,690,355**	**23,700,829**	**1,298,124**	**58,360,555**	**37,779,841**	**59,119,943**	**350,241,585**	**110.78%**
Financial assets at fair value through profit or loss total	**17,681,755**	**41,991,748**	**43,567,760**	**38,273,926**	**23,405,298**	**6,690,355**	**23,700,829**	**1,298,124**	**58,360,555**	**37,779,841**	**59,281,638**	**352,031,829**	**111.35%**

*Investment in the originator (Taurus) is presented in "Equity".

Condensed Schedule of Investments, at Fair Value
As at 30 September 2019

	Europe	France	Germany	Great Britain	Ireland	Italy	Netherlands	Portugal	Spain	U.S.A	Other	Total	NAV
	€	€	€	€	€	€	€	€	€	€	€	€	%
Financial liabilities at fair value through profit or loss													
Equity securities													
Mortgage portfolio	-	-	-	-	(700,042)	-	-	-	-	-	-	(700,042)	(0.22%)
Equities securities total	**-**	**-**	**-**	**-**	**(700,042)**	**-**	**-**	**-**	**-**	**-**	**-**	**(700,042)**	**(0.22%)**
Derivative financial liabilities													
CDS	-	(426,282)	(295,014)	(524,481)	(65,572)	(98,346)	(327,788)	-	(98,395)	-	(622,778)	(2,458,656)	(0.78%)
TRS	-	-	-	-	-	-	-	-	-	(31,134)	-	(31,134)	(0.01%)
Repurchase agreement	-	(3,080,857)	(1,862,514)	(1,996,349)	(250,002)	(1,149,842)	(1,137,342)	-	(541,171)	(2,046,349)	(4,602,369)	(16,666,795)	(5.27%)
Forward FX contracts	(60,540)	-	-	-	-	-	-	-	-	-	-	(60,540)	(0.02%)
Derivative financial liabilities total	**(60,540)**	**(3,507,139)**	**(2,157,528)**	**(2,520,830)**	**(315,574)**	**(1,248,188)**	**(1,465,130)**	**-**	**(639,566)**	**(2,077,483)**	**(5,225,147)**	**(19,217,125)**	**(6.08%)**
Financial liabilities at fair value through profit or loss total	**(60,540)**	**(3,507,139)**	**(2,157,528)**	**(2,520,830)**	**(1,015,616)**	**(1,248,188)**	**(1,465,130)**	**-**	**(639,566)**	**(2,077,483)**	**(5,225,147)**	**(19,917,167)**	**(6.31%)**
Total net investments	**17,621,215**	**38,484,609**	**41,410,232**	**35,753,096**	**22,389,682**	**5,442,167**	**22,235,699**	**1,298,124**	**57,720,989**	**35,702,358**	**54,056,491**	**332,114,662**	**105.05%**
Other assets and liabilities												**(15,950,957)**	**(5.05%)**
Net assets												**316,163,705**	**100.00%**

Condensed Schedule of Investments, at Fair Value
As at 30 September 2018

	Europe	France	Germany	Great Britain	Ireland	Italy	Netherlands	Portugal	Spain	U.S.A	Other	Total	NAV
	€	€	€	€	€	€	€	€	€	€	€	€	%
Financial assets at fair value through profit or loss													
Equity securities													
Hotels, restaurants & leisure	-	-	-	-	270,500	-	-	-	-	-	151,770	422,270	0.13%
Equities securities total	**-**	**-**	**-**	**-**	**270,500**	**-**	**-**	**-**	**-**	**-**	**151,770**	**422,270**	**0.13%**
Debt securities													
Bond	-	-	-	-	-	-	-	-	5,094,531	-	-	5,094,531	1.59%
Arbitrage CDO	16,772	148,284	-	156,655	9,865	-	-	-	-	-	420,427	752,003	0.24%
Commercial mortgage-backed security	-	366,790	7,385	3,846,697	-	-	6,884	-	-	-	-	4,227,756	1.32%
Arbitrage CLO	2,046,604	8,182,051	6,275,187	7,003,443	266,685	442,641	4,288,633	14,602	1,542,310	6,158,578	3,470,605	39,691,339	12.41%
Residential mortgage-backed security	745,662	-	17,356	1,384,216	25,623,247	-	-	631,708	4,064,392	-	-	32,466,581	10.15%
Balance sheet CLO	-	-	-	-	-	-	-	2,352,000	3,653,093	-	-	6,005,093	1.88%
Consumer ABS	-	-	-	3,574,188	-	-	-	-	894,000	-	-	4,468,188	1.40%
Senior loan	-	-	-	-	1,646,610	-	-	-	-	-	-	1,646,610	0.51%
Whole loan	83,788	-	-	-	-	-	-	-	-	-	-	83,788	0.03%
Mezzanine loan	-	-	-	-	673,417	-	-	-	-	-	-	673,417	0.21%
Non-performing loan	-	-	-	-	-	-	-	-	20,936,372	-	-	20,936,372	6.55%
Preferred equity	-	-	-	-	-	-	-	-	30,510,734	-	-	30,510,734	9.54%
Equity*	15,506,961	25,665,213	27,646,931	18,208,719	3,824,307	692,469	10,159,060	-	2,532,931	17,907,476	10,186,741	132,330,808	41.37%
Debt securities total	**18,399,787**	**34,362,338**	**33,946,859**	**34,173,918**	**32,044,131**	**1,135,110**	**14,454,577**	**2,998,310**	**69,228,363**	**24,066,054**	**14,077,773**	**278,887,220**	**87.20%**
Derivative financial asset													
CDS	-	-	-	-	-	104,978	-	-	-	-	-	104,978	0.03%
Derivative financial asset total	**-**	**-**	**-**	**-**	**-**	**104,978**	**-**	**-**	**-**	**-**	**-**	**104,978**	**0.03%**
Financial assets at fair value through profit or loss total	**18,399,787**	**34,362,338**	**33,946,859**	**34,173,918**	**32,314,631**	**1,240,088**	**14,454,577**	**2,998,310**	**69,228,363**	**24,066,054**	**14,229,543**	**279,414,468**	**87.36%**

*Investment in the originator (Taurus) is presented in “Equity”.

Condensed Schedule of Investments, at Fair Value (continued)
As at 30 September 2018

	Europe	France	Germany	Great Britain	Ireland	Italy	Netherlands	Portugal	Spain	U.S.A	Other	Total	NAV
	€	€	€	€	€	€	€	€	€	€	€	€	%
Financial liabilities at fair value through profit or loss													
Derivative financial liabilities													
CDS	(1,223,249)	(805,121)	(425,173)	(2,146,125)	(64,574)	(312,525)	(806,684)	(22,677)	(194,820)	-	(137,013)	(6,137,961)	(1.92%)
Forward FX contracts	(19,732)	-	-	-	-	-	-	-	-	-	-	(19,732)	(0.01%)
Derivative financial liabilities total	**(1,242,981)**	**(805,121)**	**(425,173)**	**(2,146,125)**	**(64,574)**	**(312,525)**	**(806,684)**	**(22,677)**	**(194,820)**	**-**	**(137,013)**	**(6,157,693)**	**(1.93%)**
Financial liabilities at fair value through profit or loss total	**(1,242,981)**	**(805,121)**	**(425,173)**	**(2,146,125)**	**(64,574)**	**(312,525)**	**(806,684)**	**(22,677)**	**(194,820)**	**-**	**(137,013)**	**(6,157,693)**	**(1.93%)**
Total net investments	**17,156,806**	**33,557,217**	**33,521,686**	**32,027,793**	**32,250,057**	**927,563**	**13,647,893**	**2,975,633**	**69,033,543**	**24,066,054**	**14,092,530**	**273,256,775**	**85.43%**
Other assets and liabilities												**46,603,883**	**14.57%**
Net assets												**319,860,658**	**100.00%**

Notes to the Financial Statements

1. General information

The Company is a closed-ended investment company limited by shares. The Company was incorporated with limited liability in Guernsey under the Companies Law (Guernsey) 2008 (the "Law") on 2 March 2015 with registered number 59940, to be a Registered Closed-ended Collective Investment Scheme. The principal legislation under which the Company operates is the Law.

The Company has appointed Carne Global AIFM Solutions (C.I.) Limited as the Company's external AIFM. The AIFM has delegated portfolio management to the Portfolio Manager, Chenavari Credit Partners LLP, a wholly owned member of the Chenavari Financial Group.

The Company's Shares are admitted to trading on the SFS of the London Stock Exchange. Such Shares were also listed on the Official List of The International Stock Exchange ("TISE") on 8 May 2015. The Initial Public Offering (IPO) of the Company raised gross proceeds of €331.8 million, with further issues raising €16.4 million (gross of issue) costs on 21 July 2015 and €8.8 million (gross of issue costs) on 3 August 2015.

Investment objective
The investment objective of the Company is to deliver an absolute return from, investing and trading in ABS and other structured credit investments in liquid markets and investing directly or indirectly in asset backed transactions including without limitation, through the origination of credit portfolios.

Target returns and dividend policy
On the basis of market conditions, and whilst not forming part of its investment objective or investment policy, the Company will target a net total return on invested capital of 9 to 11 per cent per annum over three to five years. Returns to Shareholders will be predominantly as dividend income.

Subject to compliance with the Law and the satisfaction of the solvency test, the Company intends to distribute all of its income from investments, net of expenses, by way of dividends payable quarterly in March, June, September and December of each year.

The target returns and dividend payments should not be taken as a forecast of the Company's future performance, profits or results. The target returns and dividend payments are targets only and there is no guarantee that they can or will be achieved and they should not be seen as an indication of the Company's actual return. Accordingly, investors should not place any reliance on the target returns and dividend payments in deciding whether to invest in the Shares. Dividend payments may fall short of or exceed, the amounts indicated above.

Investment policy
The Company will seek to invest in a diversified portfolio of exposures to predominantly European based obligors. The Company's investment strategies will be:

The Opportunistic Credit Strategy – the Company will opportunistically invest or trade in primary and secondary market ABS and other structured credit investments including private asset backed finance investments.

The Originated Transactions Strategy – the Company will invest in transactions on a buy-to-hold basis, via a variety of means, including, without limitation, Warehouse Credit Facilities, which can originate credits that may be refinanced in structured credit markets as well as other financing opportunities.

Originated transactions
The Company intends to invest in Originators (Originators or sponsors of originated credit investments- CLO's or securitisations of pools of consumer loans including residential mortgages, credit card receivables or auto loans) which establish securitisation vehicles and retain the requisite Retention Securities in such vehicles pursuant to the EU Risk Retention Requirements and/or, in future, the U.S. Risk Retention Regulations. In exchange for its capital and participation facilitating retention compliant origination transactions, the Company expects to receive enhanced returns relative to direct investment in structured credit investments (such as CLOs). Such returns may take the form of additional returns from fees, fee rebates or other financial accommodations agreed by parties who may benefit from the Company's involvement depending upon the asset class of a securitisation vehicle.

Notes to the Financial Statements (continued)

1. General information (continued)

Eligible investments
Each investment shall, as of the date of acquisition by the Company, be a debt obligation (including, but not limited to, a bond or loan), a share or equity security, a hybrid instrument, derivative instrument or contract or an equitable or other interest. In addition, the Company may from time to time have surplus cash (for example, following the disposal of an acquired investment). Cash held by the Company pending investment or distribution will be held in either cash or cash equivalents, including but not limited to money market instruments or funds, bonds, commercial paper or other debt obligations with banks or other counterparties provided such bank or counterparty has an investment grade credit rating (as determined by any reputable rating agency selected by the Company on the advice of the Portfolio Manager).

Investment restrictions
Concentration limits
The Company shall comply with the concentration limits set out below, which shall, in relation to each new investment, be tested at the point such new investment is made assessed in accordance with the exposure limit policy.

Where investments are issued by entities with a compartmentalised or cellular legal structure, each compartment or cell shall be considered to be a separate issuer/counterparty provided that the principle of segregation and insolvency remoteness of commitments of the different compartments/cells of such issuer is materially established by law, contract and/or trust.

None of the restrictions set out below shall apply to investments issued or guaranteed by the government of an OECD Member State.

In relation to investments made:

- no more than 20 per cent of NAV shall be exposed to the credit risk of any underlying single transaction or issue;

- the top five exposures to any transactions or issues shall not, in aggregate, account for more than 50 per cent. of NAV;

- no more than 50 per cent of NAV, in aggregate, shall be invested in unlisted investments;

  and in each case, the restrictions set out above shall not apply to the Company's investment in Originators but shall be applied on a look through basis to the investments of such Originators; and

- no more than 20 per cent of NAV, in aggregate, shall be exposed to transactions or issues where the underlying collateral is non-European.

For the purposes of interpreting the above provision, Europe shall include Switzerland, the member states of the EU and EEA and the European Common Customs Territory (from time to time) and, for the avoidance of doubt, shall continue to include any members, who being or subsequently joining as members of such groupings, subsequently cease to be members.

Hedging and derivatives
The Company may implement hedging and derivative strategies designed to protect investment performance against material movements in exchange rates and interest rates and to protect against credit risk. Such strategies may include (but are not limited to) options, forwards and futures and interest rate or CDS and will only be entered into when they are available in a timely manner and on terms acceptable to the Company. The Company may also bear risks that could otherwise be hedged where it is considered appropriate to the investment objective and investment policy.

The Company may also use hedging or derivatives (both long and short) for investment purposes, for efficient portfolio management, financing or protection of individual or aggregate positions.

In addition, as the Company's base operating currency is Euro, the Company proposes to engage in currency hedging in an attempt to reduce the impact on the Sterling Shares (if any) of currency fluctuations.

Notes to the Financial Statements (continued)

1. General information (continued)

Borrowing limits
The Company may use borrowings from time to time for the purpose of short term bridging, financing Share buy backs, repurchase agreements with market counterparties or managing working capital requirements, including hedging facilities. Cash borrowings can contribute alongside other forms of leverage to increase the level of gearing of the Company. The Company may also use gearing to increase potential returns to Shareholders. In the past, the Portfolio Manager has employed leverage against senior tranches of ABS to enhance their returns, and expects it will continue to do so, where the economic terms offered by counterparties can increase potential returns to Shareholders.

The Company has set a borrowing limit such that the Company's gearing shall not exceed 130 per cent at the time of incurrence and deployment of any borrowing. For the purposes of this calculation, gearing will be calculated as the sum of the Company's exposures to each position directly held, divided by the last published NAV (and for the avoidance of doubt, will include the full exposure held by the Company under any full recourse total return swap, but will exclude any borrowing arrangements that are limited-recourse to the Company, such as borrowings by an Originator).

Borrowings employed by the Company may be secured on individual assets or portfolios without recourse to the Company or by a charge over some or all of the Company's assets to take advantage of potentially preferential terms.

The Board will oversee the gearing levels in the Company, and will review the position with the AIFM and the Portfolio Manager on a regular basis.

It is anticipated that the gearing level of any Originators will differ from the above restrictions. Any leverage of an Originator shall be nonrecourse to the Company. In particular, such an Originator may enter into Warehouse Credit Facilities to acquire exposure to assets. Where a Warehouse Credit Facility takes the form of a loan facility, an Originator will borrow funds to acquire assets in anticipation of the creation of a securitisation vehicle to securitise such assets, such facilities generally being non-recourse to the assets of such Originator (other than assets acquired with such funding) and repaid following the transfer of such assets to a securitisation vehicle. Originators will be required to give representations, warranties and indemnities to financing providers including confirmations relating to compliance with risk retention requirements.

Cash uses and cash management activities
In accordance with the Company's investment policy, the Company's principal use of cash (including the Net Issue Proceeds) has been to fund investments sourced by the Portfolio Manager, ongoing operational expenses and payment of dividends and other distributions to Shareholders in accordance with the Company's dividend policy as set out in the section entitled "Dividend Policy" in Part I of the prospectus.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

2.1 Basis of preparation

The Audited Annual Financial Statements for the year ended 30 September 2019 have been prepared in accordance with IFRS as adopted by the European Union, the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority and applicable legal and regulatory requirements of the Law.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities held at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the Board of Directors to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

Notes to the Financial Statements (continued)

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

The Directors are of the opinion that the Company is able to meet its liabilities as they fall due for payment because it has and is expected to maintain, adequate cash resources. Given the nature of the Company's business, the Directors have a reasonable expectation that the Company has adequate financial resources to continue in operational existence for the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis.

New standards, interpretations and amendments adopted

IFRS 9 Financial Instruments
The Company adopted IFRS 9 Financial Instruments on 1 October 2018. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement and introduces new requirements for classification and measurement, impairment and hedge accounting. IFRS 9 is not applicable to items that have already been derecognised at 1 October 2018, the date of initial application.

As a result of the adoption of IFRS 9, the Company adopted consequential amendments to IAS 1 Presentation of Financial Statements which requires impairment of financial assets to be presented in a separate line item in the Statement of Comprehensive Income. Additionally, the Company adopted consequential amendments to IFRS 7 Financial Instruments. 2018 comparatives have not been restated as there was no impact of adopting IFRS 9.

IFRS 15 Revenue from contracts with customers
The Company adopted IFRS 15 Revenue from contracts with customers 1 October 2018. IFRS 15 replaces IAS 18 Revenue and establishes a five-step model to account for revenue arising from contracts with customers. In addition, guidance on interest and dividend income has been moved from IAS 18 to IFRS 9 without significant changes to the requirements. Therefore, there was no impact of adopting IFRS 15 for the Company. Given the nature of the Company's operations, this standard does not have a pervasive impact on the Company's financial statements as the Company adopts fair value accounting in relation to all its significant financial instruments.

Application of IFRS 10, its related Investment Entities Amendment and IFRS 12
The Company has adopted IFRS 10 'Consolidated Financial Statements' and as an investment entity is required to measure the investment in its subsidiaries at fair value, to the extent that these subsidiaries also meet the definition of investment entities themselves. The financial statements therefore comprise the results of the Company only. A subsidiary is an entity controlled by the Company. A Company has control of an investee, when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee as defined in IFRS 10 'Consolidated Financial Statements'.

The Company has an investment in a subsidiary, Taurus Corporate Financing LLP ("Taurus" or "Originator") in which it holds 100% of the partnership interest. The Board determined that both the Company and Taurus meet the definition of an investment entity as set out under IFRS 10 and that therefore the Company should measure its investment in Taurus at fair value rather than consolidate its results.

An entity shall consider all facts and circumstances when assessing whether it is an investment entity, including its purpose and design. Under the definition of an investment entity, as set out in paragraph 27 in the standard, the entity must satisfy all three of the following tests:

i) Obtains funds from one or more investors for the purpose of providing those investors with investment management services;
ii) Commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both (including having an exit strategy for investments); and
iii) Measure and evaluate the performance of substantially all of its investments on a fair value basis.

Notes to the Financial Statements (continued)

2. Summary of significant accounting policies (continued)
2.1 Basis of preparation (continued)

The three essential criteria met by the Company and the Originator are:

i) Typically, an investment entity would have several investors who pool their funds to gain access to investment management services and investment opportunities that they might not have had access to individually. The Company and the Originator through the Company obtain funds from a diverse group of external shareholders;
ii) An investment entity should not hold its investments indefinitely. Whilst some investments held by either the Company or the Originator may be retained for a longer period, such investments will have a contractual maturity and hence a limited life;

Application of IFRS 10, its related Investment Entities Amendment and IFRS 12 (continued)
iii) The Company and the Originator measure and evaluate the performance of their investments on a fair value basis and believe that investor focus is on the fair value of the portfolio. This is also consistent with the basis of reporting internally to the Board of each entity which will use the fair value information as the primary measurement attribute to evaluate the performance of substantially all of their investments and to make investment decisions.

The Directors are of the opinion that the Company and the Originator therefore meet the criteria set out in IFRS 10.

New standards and interpretations not yet adopted:

IFRS 16 Leases ("IFRS 16")

IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially from its predecessor, IAS 17.

IFRS 16 was issued in January 2016 and applies to annual reporting periods beginning on or after 1 January 2019. No impact is anticipated as the company holds no leases.

Other IFRS and amendments that are issue but not yet effective which are not envisaged to have a material impact on the financial statements:

Title	**Effective for periods beginning on or after**
Interpretations 23 uncertainty over tax treatments	01 January 2019
Prepayment Features with negative Compensation - Amendments to IFRS 9	01 January 2019
Long- term interest in Associates and Joint Ventures - Amendments to IAS 28	01 January 2019
Annual Improvements to IFRS Standards 2015 - 2017 Cycle	01 January 2019
Plan amendments, curtailment or Settlement - Amendments to IAS 19	01 January 2019
Amendments to References to conceptual Framework in IFRS Standards	01 January 2020
IFRS 17 Insurance Contracts	01 January 2021

Notes to the Financial Statements (continued)

2. Summary of significant accounting policies (continued)

2.2 Financial assets and financial liabilities at fair value through profit or loss

(a) Classification

The Company classifies its investments and derivatives as financial assets or financial liabilities at fair value through profit or loss.

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, Fair Value through Other Comprehensive Income (FVOCI) and fair value through profit or loss. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

Financial assets or financial liabilities are those acquired or incurred principally for the purposes of selling or covering for short term gain. Derivatives are also categorised as financial assets or financial liabilities. The Company does not classify any derivatives as hedges in a hedging relationship. All financial assets previously held at fair value continue to be measured at fair value having assessed the business model of the Company and having assessed that the cash flows arising from its investments do not meet the Solely Payments of Principal and Interest ("SPPI") criteria. Financial assets and financial liabilities designated at fair value through profit or loss at inception are those that are managed and their performance evaluated on a fair value basis in accordance with the Company's documented investment strategy. The Company's policy is for the Portfolio Manager and the Board of Directors to evaluate the information about these financial assets on a fair value basis together with other related financial information.

(b) Recognition/derecognition
Regular-way purchases and sales of investments are recognised on the trade date – the date on which the Company commits to purchase or sell the investment. Investments 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.
ABS transactions may be structured in a variety of ways and are highly bespoke to the needs of the bank involved and the investors in the transaction. In all situations, the amount of interest and principal payable on the instrument will be linked to the credit performance of the underlying collateral. The investment characteristics of ABS transactions are such that principal payments are made more frequently than traditional debt securities. The principal may be repaid at any time because the underlying debt or other assets generally may be repaid at any time.

(c) Measurement
Financial assets and financial liabilities at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed in the Statement of Comprehensive Income. Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value.

Gains and losses arising from changes in the fair value of the 'financial assets or financial liabilities at fair value through profit or loss' category are presented in the Statement of Comprehensive Income in the period in which they arise. The net gain on financial assets and financial liabilities held at fair value through profit or loss consists of coupons and interest received and both realised and unrealised gains and losses on financial assets and financial liabilities at fair value through profit or loss, calculated as described in note 8. For the purposes of the Statement of Cash Flows, the coupon income is considered an operating activity.

(d) Impairment
IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. Under IFRS 9, credit losses are recognised earlier than under IAS 39. The new impairment requires the Company to record ECLs on all of its financial assets at amortised cost, being cash and cash equivalents and other assets on either a 12-month or lifetime basis. As the Company holds receivables and cash it has exposure to credit risk. An ECL assessment was carried out, based on this ECL assessment; there is an immaterial exposure to default risk.

The Investment Manager is continuously monitoring the ECL of all counterparties related to financial assets at amortised costs across all funds through the appointment of a counterparty committee that meets regularly do discuss and monitor the current credit ratings of all counterparties associated with the funds. The Company avoids entering into any loan agreements and all "receivables" due from brokers are kept to a maximum of 3 month periods giving the Investment Manager comfort that the ECL risk is of minimum concern.

Notes to the Financial Statements (continued)

2. Summary of significant accounting policies (continued)

2.2 Financial assets and financial liabilities at fair value through profit or loss

(e) 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 fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and trading securities) are based on quoted market prices at the close of trading on the reporting date. The Company adopted IFRS 13 and this standard requires the Company to use an exit price (a traded market price or mid-price) for both financial assets and financial liabilities where such price falls within the bid-ask spread. In circumstances where the exit price is not within the bid-ask spread, management will determine the point within the bid-ask spread that is most representative of fair value.

If a significant movement in fair value occurs subsequent to the close of trading up to midnight on the year end date, valuation techniques will be applied to determine the fair value. A significant event is any event that occurs after the last market price for a security, close of market or close of the foreign exchange, but before the Company's valuation time that materially affects the integrity of the closing prices for any security, instrument, currency or securities affected by that event so that they cannot be considered 'readily available' market quotations.

The fair value of financial assets and liabilities at fair value through profit or loss is measured through a combination of dedicated price feeds from recognised valuation vendors and the application of relevant broker quotations where the broker is a recognised market maker in the respective position. Where broker quotes are not available, investment valuations are based on the Portfolio Manager's internal models.

The fair value of financial assets and liabilities that are not traded in an active market (for example, over-the-counter derivatives) is determined using counterparty valuations for ABS or Markit for credit derivatives instruments. In the opinion of the Directors, Markit is the benchmark for CDS pricing data. Markit receives data from the official books of market makers, and then subjects it to a rigorous testing process. Loan investments are classified as at fair value through profit or loss, as these financial assets form part of the overall investment portfolio, these assets are managed and their performance is evaluated on a fair value basis. The loans are not traded in an active market and their fair value is determined using valuation techniques which reference the value of the underlying collateral attaching to the loans. Adjustments to the fair value are considered in light of changes in the credit quality of the borrower, the value of the underlying collateral and any relevant market changes.

Refer Note 3.1 and Note 8 for further disclosure and analysis of valuation of assets and liabilities which contain unobservable inputs.

(f) Offsetting financial instruments
Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

2.3 Due from and to brokers
Amounts due from and to brokers represents receivables for securities sold and payables for securities purchased that have been contracted for but not yet settled or delivered on the Statement of Financial Position date, respectively as well as collateral posted to derivatives counterparts.

These amounts are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment for amounts due from brokers.

2.4 Interest income
Interest income on transactions is recognised in the Statement of Comprehensive Income in net gain on financial assets and financial liabilities held at fair value through profit or loss. Income receivable on cash and cash equivalents is recognised separately through profit or loss in the Statement of Comprehensive Income.

Notes to the Financial Statements (continued)

2. Summary of significant accounting policies (continued)

2.5 Cash and cash equivalents

Cash and cash equivalents represents cash in-hand, demand deposits, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

2.6 Share capital

Shares are classified as equity. Incremental costs directly attributable to the issue of Shares are shown in equity as a deduction, net of tax, from the proceeds. The costs are those which were necessary for the initial issue of shares. Such costs and expenses were fixed at 2 per cent of the gross issue proceeds.

Where the Company purchases its own equity share capital, the consideration paid is deducted from total shareholders' equity and classified as treasury shares until such shares are cancelled or reissued. Where such shares are subsequently sold or reissued, any consideration received is included in total shareholders' equity. No gains or losses are recognised on the purchase, sale, cancellation or issue of treasury shares.

As at 30 September 2019, the Company's issued share capital amounted to 361,450,000 shares, 47,822,544 of which were held in treasury.

2.7 Foreign currency

(a) Functional and presentation currency

The functional and presentation currency of the Company is EUR (€).The performance of the Company is measured and reported to the investors in EUR.

(b) Foreign currency translation

Foreign currency transactions are translated into the functional currency of the Company using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income. Translation differences on non-monetary financial assets and liabilities at fair value through profit or loss are recognised in the Statement of Comprehensive Income within the fair value net gain or loss.

(c) Exchange rates

The foreign currency exchange rates at 30 September 2019 were as follows: GBP 1.1303 per EUR and USD 0.9173 per EUR (2018: GBP 1.1227 and USD 0.8610).

2.8 Transaction costs

Transaction costs on financial assets at fair value through profit or loss include fees and commissions paid to agents, advisers, brokers and dealers. Transaction costs, when incurred, are immediately recognised in the Statement of Comprehensive Income.

2.9 Accrued expenses

Expenses are accounted for on an accruals basis.

2.10 Other receivables and prepayments

Other receivables are amounts due in the ordinary course of business. Other receivables are accounted for on an accruals basis.

2.11 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements and disclosed in the Statement of Changes in Equity in the period in which the dividends are approved by the Board.

2.12 Taxation

The Company is exempt from Guernsey taxation on income derived outside of Guernsey and bank interest earned in Guernsey. No charge to Guernsey taxation arises on capital gains.

Notes to the Financial Statements (continued)

2. Summary of significant accounting policies (continued)

2.13 Securities sold under agreements to repurchase and securities purchases under agreements to resell

Securities sold under agreements to repurchase ("repurchase agreements") and securities purchased under agreements to resell ("reverse repurchase agreements") are treated as collateralised financing transactions. The financing is carried at the amount at which the securities were sold or acquired plus accrued interest, which approximates fair value. It is the Company's policy to deliver securities sold under agreements to repurchase and to take possession of securities purchased under agreements to resell.

3. Critical accounting judgements and key sources of estimation uncertainty

The preparation of the Company's Annual Financial Statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

3.1 Key sources of estimation uncertainty

Fair value of financial instruments

The assets held by the Company are mostly valued through a combination of dedicated price feeds from recognised valuation vendors, valuation techniques, and the application of relevant broker quotations where the broker is a recognised dealer in the respective position or derived from valuation models prepared by the Portfolio Manager.

The monthly NAV is derived from the Company's valuation policy. A documented valuation policy determines the hierarchy of prices to be applied to the fair value. Prices are sourced from third party broker or dealer quotes for the relevant security. Where no third party price is available, or where the Portfolio Manager determines that the third party quote is not an accurate representation of the fair value, the Portfolio Manager will determine the valuation based on the valuation policy. This may include the use of a comparable arm's length transaction, reference to other securities that are substantially the same, discounted cash flow analysis and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity-specific inputs.

Based on the hierarchy set out in IFRS 13, 81 transactions are classified as Level 1 or 2 based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs. The remaining transactions have been classified as Level 3 where broker quotes are unavailable or discounted, or cannot be substantiated by market transactions or where the prices used are derived from internal models. The Directors monitor the availability of observable inputs and if necessary, reclassify to level 3 where observable trading is not available.

Note 8 outlines the Level 3 classifications and the analysis of the impacts of Level 3 investments on the performance of the Company.

3.2 Critical judgements in applying accounting policies

Functional currency

The Board of Directors considers EUR (€) as the currency that most fairly represents the economic effect of the underlying transactions, events and conditions. The performance of the Company is measured and reported to the investors in EUR.

Classification of investments in the fair value hierarchy

The Board of Directors consider the classification investments in the fair value hierarchy as a critical judgement. The fair value of investments is described in 3.1 above and the judgements associated with the disclosures in the fair value hierarchy are described in Note 8.

Notes to the Financial Statements (continued)

3. Critical accounting judgements and key sources of estimation uncertainty (continued)

3.2 Critical judgements in applying accounting policies (continued)

Investment entity definition
Having considered the criteria set out in IFRS 10, the Directors have determined that both the Company and the Originator meet the definition of an investment entity. Note 2.1 set out the Directors' key considerations in this respect.

Income recognition
Due to the nature of the Company's investment strategy resulting in the possibility of investments being sold before maturity and given the consequent inherent uncertainty of using maturity dates to calculate income using the Effective Interest Rate method, for both primary and secondary investments, the Company's accounting policy recognises only a net fair value movement rather than reporting a split between fair value movement and interest income in the income statement.

4. Related parties

(a) *Directors' remuneration & expenses*
The Directors of the Company are remunerated for their services at such a rate as the Directors determine. The fee for Mr. Hervouet as Non-executive Chairman is £55,000 per annum. The fee for Mr. Whittle as Chairman of the Audit Committee is £45,000 per annum. The fee for Mr. Silvotti is £35,000 per annum.

(b) Shares held by related parties
As at 30 September 2019, the Directors held the following Shares in the Company.

Frederic Hervouet	240,000	(2018: 114,000)
John Whittle	37,091	(2018: 37,091)
Roberto Silvotti	1,641,632	(2018: 954,692)

(b) Shares held by related parties
Loic Fery is the representative of the managing partner of Chenavari Credit Partners LLP. Chenavari Credit Partners LLP acts as discretionary portfolio manager for Chenavari European Opportunistic Credit Master Fund LP and Chenavari Fixed Income Credit Opportunities Fund (the "Managed Accounts"). The Managed Accounts and Loic Fery hold 35.28% of the shares in the Company.

Roberto Silvotti is a Director of Chenavari Investment Managers (Luxembourg) S.à.r.l (being a member of the Chenavari Financial Group) and Chenavari Multi Strategy Credit Fund SPC (a company under the management of Chenavari Investment Managers (Luxembourg) S.à.r.l). He forms part of the Concert Party described on page 21 which includes Chenavari Credit Partners LLP and related Chenavari Group companies, relevant Chenavari Partners and employees and the Managed Accounts. In total, this Concert Party holds approximately 52.286% of the shares of the Company and is therefore deemed to have control over the Company through these shareholdings.

(c) AIFM and Portfolio Manager
The Company has appointed Carne Global AIFM Solutions (C.I.) Limited as the Company's external AIFM (this is not a related party but a service provider). The AIFM has delegated portfolio management to the Portfolio Manager. Under the terms of the AIFM Agreement, the AIFM is entitled to receive from the Company an annual fee, payable out of the assets of the Company, of £66,000. €76,405 (30 September 2018: €85,172) has been charged during the Year.

The AIFM and the Company have appointed the Portfolio Manager, Chenavari Credit Partners LLP, a member of the Chenavari Financial Group, as the external Portfolio Manager with delegated responsibility for portfolio management functions in accordance with the Company's investment objectives and policy, subject to the overall supervision and control of the Directors and the AIFM.

Under the terms of the Portfolio Management Agreement the Portfolio Manager is entitled to receive from the Company a portfolio management fee calculated and accrued monthly at a rate equivalent to one-twelfth of 1 per cent of the NAV per Share Class (before deducting the amount of that month's portfolio management fee and any accrued liability with respect to any performance fee).

Notes to the Financial Statements (continued)

4. Related parties (continued)

(c) AIFM and Portfolio Manager (continued)

Total portfolio management fees for the year amounted to €3,164,198 (30 September 2018: €3,221,619) with €266,711 (30 September 2018: €269,644) outstanding at end of the year.

The Portfolio Manager shall also be entitled to receive a performance fee in respect of each Class of Shares equal to 15 per cent. of the total increase in the NAV per Share of the relevant Class at the end of the relevant Performance Period (as adjusted to, (i) add back the aggregate value of any dividends per Share paid to Shareholders since the end of the Performance Period in respect of which a performance fee was last paid in respect of that Class (or the date of First Admission, if no performance fee has been paid in respect of that Class) and, (ii) exclude any accrual for unpaid performance fees) over the highest previously recorded NAV per Share of the relevant Class as at the end of the relevant Performance Period in respect of which a performance fee was last paid (or the NAV per Share of the relevant class as at First Admission (after deduction of launch costs), if no performance fee has been paid in respect of that Class of Shares) multiplied by the number of issued and outstanding Shares of that Class at the end of the relevant Performance Period, having made adjustments for numbers of Shares of that Class issued or repurchased during the relevant Performance Period.

Performance Period
Subject to any regulatory limitations,, the Portfolio Manager has agreed that for a given Performance Period (i.e, each twelve month period ending 30 September each year) any performance fee shall be satisfied as to a maximum of 60 per cent in cash and as to a minimum (save as set out below) of 40 per cent by the issuance of new Euro Shares (including the reissue of treasury shares) issued at the latest published NAV per Share as a share based payment. At no time shall the Portfolio Manager (and/or any persons deemed to be acting in concert with it for the purposes of the Takeover Code) be obliged, in the absence of a relevant Whitewash Resolution having been passed, to receive further Shares where to do so would trigger a requirement to make a mandatory offer pursuant to Rule 9 of the Takeover Code.

Performance fees of €6,037,496 (30 September 2018: €3,442,589) were charged in the Year. As at 30 September 2019, €3,622,497 was payable (2018: €3,442,589). Cash of €2,065,553 and 1,403,277 shares (with a prevailing NAV at the date of transfer, being 30 September 2018, of €1,377,036) were paid to the Portfolio Manager in the period, in relation to the performance fee for the period ended 30 September 2018. 2,395,594 shares (with a prevailing NAV at the date of transfer, being 30 September 2019, of €2,414.999) were paid to the Portfolio Manager in the period, in relation to the performance fee for the period ended 30 September 2019.

An amount of €272,059 was recharged (at cost) by the Portfolio Manager for the period from 1 October 2018 to 30 September 2019 to compensate for the marketing initiatives and time spent to increase the fund's profile and enhance the shares liquidity. An amount of €48,306 was recharged during the year (at cost) by the Portfolio Manager for the period from 1 October 2018 to 30 September 2019 to compensate for market data and fund-specific fees.

5. Material agreements

The Company has funded investments with a value of €73,211,323 (2018: €81,280,654) via hybrid instruments or equity issued by legally segregated compartments of AREO S.à.r.l. ("Areo") and AREO II S.à.r.l. ("Areo II"), companies incorporated in Luxembourg under the Securitization Law of 2004. Areo and Areo II are majority owned by funds managed by the Chenavari group and are managed by a Board of Directors composed of a majority of independent directors that consider investment opportunities sourced by the Portfolio Manager. The Company is currently invested in six compartments of Areo and two compartments of Areo II, which it fair values in accordance with IFRS 13 as set out in the Company's accounting policies. The Portfolio Manager receives no fees from Areo or Areo II. Areo and Areo II are conduit special purpose vehicles sponsored by a member of the Chenavari Financial Group.

(a) Corporate Broker
J.P. Morgan Cazenove services are not based upon a retainer and will be charged accordingly for incremental costs. In the period 1 October 2018 to 31 September 2019 J.P. Morgan Cazenove services fees were £113,754 (€129,832) (J.P. Morgan Cazenove, replaced Fidante Partners Europe Limited as Corporate Broker 12 March 2018. In the period 1 October 2017 to 12 March 2018 Fidante Partners Europe Limited's fees were £33,379. 12 March 2018 to 31 September 2018 JPM Cazenove £nil).

Notes to the Financial Statements (continued)

5. Material agreements (continued)

(b) Administration fee
Estera Administration Limited (Guernsey) (the "Administrator") serves as the Company's administrator and secretary. The Administrator is entitled to an annual asset-based fee calculated at a rate of 0.017 per cent per annum of NAV and subject to a minimum fee of £70,000 per annum. All fees are payable quarterly in advance. Administration fees for the year amounted to €80,796 (year ended 30 September 2018: €82,067) of which €5,309 (2018: €13,099) remained payable at the end of the year.

(c) Sub-administration fee
The Administrator has appointed U.S. Bank Global Fund Services (Ireland) Limited (the "Sub-Administrator") as the Company's Sub-Administrator. The Sub-Administrator is entitled to receive an annual asset-based fee from the Company of up to 0.073% per annum of NAV, excluding certain expenses. Sub-administration fees for the year amounted to €153,400 (year ended 30 September 2018: €171,392) of which €13,046 (2018: €13,314) remained payable at the end of the year.

(d) Custodian fee
J.P. Morgan Chase Bank N.A has been appointed to act as custodian to the Company and to provide custodial, settlement and other associated services to the Company. Under the provisions of the custodian agreement dated 27 April 2015 the Custodian is entitled to a safekeeping and administration fee on each transaction calculated using a basis point fee charge based on the country of settlement and the value of the assets together with various other payment/wire charges on outgoing payments, subject to an aggregate minimum fee of €31,500 per annum.

(e) AIFM and Portfolio Manager
Contractual arrangements relating to the AIFM and Portfolio Manager are detailed in note 4.

6. Financial risk management

Throughout the investment process and following acquisition of an investment, the Portfolio Manager is proactive in identifying and seeking to mitigate transaction and portfolio risk.

The Portfolio Manager will be responsible for sourcing potential investments. The Portfolio Manager will not be required to, and generally will not, submit decisions concerning the discretionary or ongoing management of the Company's assets for the approval of the Board, except where such approval relates to an application of the investment guidelines or a conflict of interest.

6.1 Credit risk
The Company takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. To the extent that the Portfolio is exposed to underlying concentrations in any one geographical region, borrower sector or credit or asset type, an economic downturn relating generally to such geographical region, borrower type or credit or asset type may result in an increase in underlying defaults or prepayments within a short time period.

The Portfolio is expected to carry leveraged exposure and an increase in credit losses with respect to any or all Collateral could reduce the Company's income (and thus the ability to pay dividends to Shareholders), the NAV and the value of the Shares.

None of the restrictions set out below shall apply to investments issued or guaranteed by the government of an OECD Member State.

Notes to the Financial Statements (continued)

6. Financial risk management (continued)

6.1 Credit risk (continued)

In relation to investments made:

- no more than 20% of NAV shall be exposed to the credit risk of any underlying single transaction or issue;
  - As of 30 September 2019, the largest investment represents 6.33% of the NAV.

- the top five exposures to any transactions or issues shall not, in aggregate, account for more than 50% of NAV;
  - As of 30 September 2019, the top 5 investments represent 28.95% of the NAV.

- no more than 50% of NAV, in aggregate, shall be invested in unlisted investments;
  - As of 30 September 2019, 16.67% of the NAV is invested in unlisted investments.

Additionally, in each case, the restrictions set out above shall not apply to the Company's investment in Originators (the originator or sponsor of a CLO or a securitisation of a pools of consumer loan assets) but shall be applied on a look-through basis to the investments of such Originators; and

- no more than 20% of NAV, in aggregate, shall be exposed to transactions or issues where the underlying collateral is non-European.
  - As of 30 September 2019, 12.96% of the NAV is exposed to non-European underlying collateral.

The Company may use borrowings from time to time for the purpose of short term bridging, financing Share buy backs, repurchase agreements with market counterparties or managing working capital requirements, including hedging facilities.

- The Company has set a borrowing limit such that the Company's gearing shall not exceed 130% at the time of incurrence and deployment of any borrowing.
  - As of 30 September 2019, the gearing of the Company was approximately 110.58%.

In addition, the Company may from time to time have surplus cash (for example, following the disposal of an acquired investment). Cash held by the Company pending investment or distribution will be held in either cash or cash equivalents, including but not limited to money market instruments or funds, bonds, commercial paper or other debt obligations with banks or other counterparties provided such bank or counterparty has an investment grade credit rating (as determined by any reputable rating agency selected by the Company on the advice of the Portfolio Manager).

Notes to the Financial Statements (continued)

6. Financial risk management (continued)

6.1 Credit risk (continued)

The Company manages the portfolio with appropriate diversification in terms of sectors and geographical breakdowns. As of 30 September 2019, the breakdown of the NAV per asset class and geography was as follows:

	30 September 2019	30 September 2018
Asset class breakdown	**% NAV**	**% NAV**
Equity securities	0.35%	0.13%
Bond	-	1.59%
Arbitrage CDO	-	0.24%
Commercial mortgage-backed security	0.92%	1.32%
Arbitrage CLO	42.49%	12.41%
Residential mortgage-backed security	5.64%	10.15%
Balance sheet CLO	2.57%	1.88%
Consumer ABS	0.30%	1.40%
Senior loan	0.89%	0.51%
Whole loan	0.03%	0.03%
Mezzanine loan	-	0.21%
Non-performing loan	5.53%	6.55%
Preferred equity	9.15%	9.54%
Equity (including Taurus Originator)	43.26%	41.37%
Derivative financial liabilities	(6.08%)	(1.90%)
Cash and cash equivalents	4.69%	12.15%
Due to/from broker, accruals, other receivables and prepayments	(9.74%)	2.42%
Total	**100.00%**	**100.00%**

Geographic breakdown	**30 September 2019**	**30 September 2018**
Other European Union	5.57%	5.36%
France	12.17%	10.49%
Germany	13.10%	10.48%
Great Britain	11.31%	10.01%
Ireland	7.08%	10.08%
Italy	1.72%	0.29%
Netherlands	7.03%	4.27%
Portugal	0.41%	0.93%
Spain	18.26%	21.58%
USA	11.29%	7.52%
Other	17.11%	4.42%
Cash and cash equivalents	4.69%	12.15%
Due to/from broker, accruals, other receivables and prepayments	(9.74%)	2.42%
Total	**100.00%**	**100.00%**

The Company is also exposed to counterparty credit risk on forwards, cash and cash equivalents, amounts due from brokers and other receivable balances, as shown in the following tables:

30 September 2019	**Royal Bank of Scotland**	**Deutsche Bank**	**JP Morgan**	**Barclays**	**Total**
S&P rating	**A-2**	**A-2**	**A-2**	**A-2**	
	€	**€**	**€**	**€**	**€**
Cash and cash equivalents	-	-	14,837,232	-	14,837,232
Due from broker	1,669,154	2,206,962	4,899,121	-	8,775,237
Total counterparty exposure	**1,669,154**	**2,206,962**	**19,736,353**	**-**	**23,612,469**
Net asset exposure %	**0.53%**	**0.70%**	**6.24%**	**-**	**7.47%**

Notes to the Financial Statements (continued)

6. Financial risk management (continued)

6.1 Credit risk (continued)

30 September 2018	**Royal Bank of Scotland**	**Deutsche Bank**	**JP Morgan**	**Barclays**	**Total**
S&P rating	**A-3**	**A-2**	**A-2**	**A-2**	
	€	**€**	**€**	**€**	**€**
Cash and cash equivalents	-	-	38,863,722	-	38,863,722
Due from broker	1,187,812	1,526,997	10,697,242	745,191	14,157,242
CDS	-	-	-	104,978	104,978
Total counterparty exposure	**1,187,812**	**1,526,997**	**49,560,964**	**850,169**	**53,125,942**
Net asset exposure %	**0.37%**	**0.48%**	**15.49%**	**0.27%**	**16.61%**

* JP Morgan cash and cash equivalents represents cash held in a custodian account.

Offsetting financial assets and financial liabilities
The Company enters into transactions with a number of counterparties whereby the resulting financial instrument is subject to an enforceable master netting arrangement or similar agreement, such as an ISDA Master Agreement (a "Master Netting Agreement"). Such Master Netting Agreements may allow for net settlement of certain open contracts where the Company and the respective counterparty both elect to settle on a net basis. In the absence of such an election, contracts will be settled on a gross basis. All Master Netting Agreements allow for net settlement at the option of the non-defaulting party in an event of default, such as failure to make payment when due or bankruptcy.

There were no financial assets subject to offsetting, enforceable master netting agreements. As at 31 September 2019

The below tables present the Company's financial asset and liabilities subject to offsetting, enforceable master netting agreements.

Liabilities

As at 30 September 2019				**Related amount not offset in the Statement of Financial Position**		
Counterparty	**Gross amounts of recognised liabilities**	**Gross amounts offset in the Statement of Financial Position**	**Net amounts of liabilities presented in the Statement of Financial Position**	**Financial instruments**	**Cash collateral received/pledged**	**Net amount**
	€	**€**	**€**	**€**	**€**	**€**
Derivative contracts						
CDS						
JP Morgan	(2,458,656)	-	(2,458,656)	-	2,458,656	-
Total return Swap						
JPM	(31,134)	-	(31,134)	-	31,134	-
Forward FX contracts						
Deutsche Bank	(60,540)	-	(60,540)	-	60,540	-
	(2,550,330)	**-**	**(2,550,330)**	**-**	**2,550,330**	**-**

Notes to the Financial Statements (continued)

6. Financial risk management (continued)

6.1 Credit risk (continued)

Offsetting financial assets and financial liabilities (continued)

Assets

As at 30 September 2018

Counterparty	Gross amounts of recognised assets	Gross amounts offset in the Statement of Financial Position	Net amounts of assets presented in the Statement of Financial Position	Related amount not offset in the Statement of Financial Position: Financial instruments	Cash collateral received/pledged	Net amount
	€	€	€	€	€	€
Derivative contracts						
CDS						
Barclays	104,978	-	104,978	(104,978)	-	-
	104,978	**-**	**104,978**	**(104,978)**	**-**	**-**

Liabilities

As at 30 September 2018

Counterparty	Gross amounts of recognised liabilities	Gross amounts offset in the Statement of Financial Position	Net amounts of liabilities presented in the Statement of Financial Position	Related amount not offset in the Statement of Financial Position: Financial instruments	Cash collateral received/pledged	Net amount
	€	€	€	€	€	€
Derivative contracts						
CDS						
Barclays	(725,771)	-	(725,771)	104,978	620,793	-
JP Morgan	(5,412,190)	-	(5,412,190)	-	5,412,190	-
Forward FX contracts						
Deutsche Bank	(19,732)	-	(19,732)	-	19,732	-
	(6,157,693)	-	**(6,157,693)**	**104,978**	**6,052,715**	-

None of the financial assets and financial liabilities are offset in the Statement of Financial Position, as the Master Netting Agreements create a right of set-off of recognised amounts that is enforceable only following an event of default, insolvency or bankruptcy of the Company or counterparties. In addition, the Company and its counterparties do not intend to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

Notes to the Financial Statements (continued)

6. Financial risk management (continued)

6.2 Foreign currency risk

Foreign currency risk is the risk of gain or loss resulting from exposure to movements on exchange rates on investments priced in currencies other than the base currency of the Company. The Company does not actively take risk in foreign currency, but incurs it as a normal course of business and employs a series of economic hedges to minimise these risks.

The currency exposure as at 30 September 2019 is as follows:

Currency	Investments	FX Hedges	Cash	Other net liabilities	30 September 2019 Total exposure	30 September 2019 Total exposure	NAV impact for a +/- 10% FX rate move
	€	€	€	€	€	% NAV	%
CHF	-	-	1,152	-	1,152	0.00%	0.00%
GBP	16,063,096	(16,341,333)	12,884	(111,424)	(376,777)	(0.12%)	(0.01%)
USD	231,216	-	92,316	(124,691)	198,841	0.06%	0.01%
	16,294,312	**(16,341,333)**	**106,352**	**(236,115)**	**(176,784)**	**(0.06%)**	**0.00%**

The currency exposure as at 30 September 2018 was as follows:

Currency	Investments	FX Hedges	Cash	Other net liabilities	30 September 2018 Total exposure	30 September 2018 Total exposure	NAV impact for a +/- 10% FX rate move
	€	€	€	€	€	% NAV	%
CHF	-	-	234	-	234	0.00%	0.00%
GBP	15,420,163	(15,335,979)	64,537	(196,310)	(47,589)	(0.01%)	0.00%
USD	235,558	-	26,181	(20,910)	240,829	0.08%	0.01%
	15,655,721	**(15,335,979)**	**90,952**	**(217,220)**	**193,474**	**0.07%**	**0.01%**

6.3 Interest rate risk

Interest rate risk is the risk of gain or loss resulting from exposure to movements on interest rates. The Company does not actively take interest rate risk, but incurs it as a normal course of business and employs a series of hedges to minimise these risks. The Company mainly holds floating rate financial instruments which have little exposure to fair value interest rate risk as, when the short term interest rates increase, the interest on a floating rate note will increase. The value of assed backed securities may be affected by interest rate movements. Interest receivable on bank deposits or payable on bank overdraft positions will be affected by fluctuations on interest rates; however the underlying cash positions will not be affected.

As at 30 September 2019 an increase in credit spread by 1 basis point would decrease the NAV by €50,013 (30 September 2018: €61,886). An increase in the risk free rate by 1 basis point would decrease the NAV by €53,318 (30 September 2018: €88,642).

Notes to the Financial Statements (continued)

6. Financial risk management (continued)

6.3 Interest rate risk (continued)

The Company's continuing position in relation to interest rate risk is monitored by the Portfolio Manager.

	Fixed rate interest €	Floating rate interest €	Non-interest bearing €
30 September 2019			
Financial assets at fair value through profit or loss	66,475,828	212,720,517	72,835,484
Due from broker	-	8,775,237	-
Other receivables and prepayments	-	-	9,801
Cash and cash equivalents	-	14,837,232	-
Financial liabilities at fair value through profit or loss	(19,156,583)	-	(760,584)
Due to broker	-	-	(35,471,879)
Accrued expenses	-	-	(4,101,348)
	47,319,245	**236,332,986**	**(32,511,474)**
30 September 2018			
Financial assets at fair value through profit or loss	50,558,385	228,704,313	151,770
Due from broker	-	14,157,242	-
Other receivables and prepayments	-	-	4,472
Cash and cash equivalents	-	38,863,722	-
Financial liabilities at fair value through profit or loss	(4,584,857)	(1,553,104)	(19,732)
Due to broker	-	-	(2,416,400)
Accrued expenses	-	-	(4,005,153)
	45,973,528	**280,172,173**	**(6,285,043)**

6.4 Liquidity risk

A proportion of the Company's balance sheet is made up of assets and liabilities which may not be realisable as cash on demand. Under certain market circumstances already seen in the past, most of the portfolio which consists of ABS can become less liquid and the cost of unwinding may become significant. As a result an exposure to liquidity risk exists. This risk is mitigated by the closed-ended nature of the Company.

The table below analyses the Company's liabilities into relevant maturity groups based on the remaining period at the balance sheet date to the contractual maturity date.

	Less than 3 months €	Greater than 3 months €	Total €
30 September 2019			
Financial liabilities at fair value through profit or loss	(60,540)	(19,856,627)	(19,917,167)
Due to broker	(35,471,879)	-	(35,471,879)
Accrued expenses	(4,049,502)	(51,846)	(4,101,348)
	(39,581,921)	**(19,908,473)**	**(59,490,394)**
30 September 2018			
Financial liabilities at fair value through profit or loss	(19,732)	(6,137,693)	(6,137,693)
Due to broker	(2,416,400)	-	(2,416,400)
Accrued expenses	(3,970,528)	(34,625)	(4,005,153)
	(6,406,660)	**(6,172,586)**	**(12,579,246)**

Notes to the Financial Statements (continued)

6. Financial risk management (continued)

6.4 Liquidity risk (continued)

The Company is all equity funded and has been established as a Registered Closed-ended Collective Investment Scheme. Other than in the circumstances and subject to the conditions set out in Part I of the prospectus, Shareholders will have no right to have their Shares redeemed or repurchased by the Company at any time. Shareholders wishing to realise their investment in the Company will normally therefore be required to dispose of their Shares through the secondary market.

6.5 Price risk

Market price risk arises mainly from uncertainty about future prices of financial instruments and credit ratings of debt issuers in which the Company invests. Market price risk represents the potential loss the Company may suffer through price movements on its investments.

The Company is exposed to market price risk arising from the investments in equity securities, debt and derivatives.

The Portfolio Manager manages the Company's price risk and monitors its overall market positions on a daily basis in accordance with the Company's investment objective and policies. The Company's overall market positions are monitored on a quarterly basis by the board of directors.

As at 30 September 2019 a 5% movement in prices (with all other variables held constant) would have resulted in a change to the total net assets of €16,605,733 (2018: €13,662,839).

7. The current risk profile of the AIF and the risk management systems employed by the AIFM to manage those risks

The AIFM has delegated the portfolio management of the Company to the Portfolio Manager whilst retaining responsibility for the risk management functions for the Company in accordance with the AIFMD. The AIFM's overall risk management process monitors the consistency between the risk profile of the Company and the investment objective, policies and strategy of the Company.

The day to day management of the Company's risk is undertaken by the Portfolio Manager Risk Officer who is functionally and hierarchically separate from portfolio management, and who has full access to risk management information. The risk management systems also include risk reporting, the monitoring of risk limits, and breach alert and actions. The Risk Officer reports to the Risk Committee of the AIFM. The Risk Committee has ultimate responsibility for risk management and controls of the AIF and for reviewing their effectiveness on a regular basis, including taking appropriate remedial action to correct any deficiencies. The Risk Committee has determined the current risk profile of the AIF to be low. The AIFM has also implemented a risk management policy to identify generic risk types and to continuously review the limits and parameters used within the risk management system.

8. Fair value of financial instruments

The fair values of financial assets and liabilities traded in active markets (such as publicly traded derivatives and trading securities) are based on quoted market prices at the close of trading on the year end date. The Company has adopted IFRS 13, 'Fair value measurement' and this standard requires the Company to price its financial assets and liabilities using the price in the bid-ask spread that is most representative of fair value for both financial assets and financial liabilities. If a significant movement in fair value occurs subsequent to the close of trading up to midnight on the year end date, valuation techniques will be applied to determine the fair value. No such event occurred. An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

For financial assets and liabilities not traded in active markets the fair value is determined by using broker quotations where the broker is a recognised dealer in the respective position, valuation techniques and various methods including the use of comparable recent arm's length transactions, reference to other instruments that are substantially same, discounted cash flow analysis, option pricing models, alternative price sources including a combination of dedicated price feeds from recognised valuation vendors and application of relevant broker quotations where the broker is a recognised market maker in the respective position.

Notes to the Financial Statements (continued)

8. Fair value of financial instruments (continued)

For instruments for which there is no active market, the Company may also use internally developed models, which are usually based on valuation methods and techniques generally recognised as a standard within the industry. Some of the inputs to these models may not be market observable and are therefore based on assumptions.

The level of the fair value hierarchy of an instrument is determined considering the inputs that are significant to the entire measurement of such instrument and the level of the fair value hierarchy within those inputs are categorised.

The hierarchy is broken down into three levels based on the observability of inputs as follows:

Level 1: Quoted 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 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 for which all significant inputs are directly or indirectly observable from market data.

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

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgement by the Company. The Company considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

Notes to the Financial Statements (continued)

8. Fair value of financial instruments (continued)

The following tables show the Company's assets and liabilities at 30 September 2019 based on the hierarchy set out in IFRS 13:

		Level 1 2019	Level 2 2019	Level 3 2019	Total 2019
Assets		**€**	**€**	**€**	**€**
Financial assets held for trading					
Equity securities					
	Europe: Equity	-	-	1,628,549	1,628,549
	Other: Equity	-	-	161,695	161,695
Debt securities					
	Europe: Private bond and equity*	-	-	74,968,493	74,968,493
	UK: Private bond and equity*	-	-	11,651,767	11,651,767
	USA: Private bond and equity*	-	-	17,992,073	17,992,073
	Other: Private bond and equity*	-	-	32,146,813	32,146,813
	Europe: ABS	-	74,398,180	34,385,404	108,783,584
	USA: ABS	-	19,787,768	-	19,787,768
	UK: ABS	-	16,423,787	9,750,495	26,174,282
	Other: ABS	-	26,872,476	-	26,872,476
	Europe: Money market loan	-	-	31,416,453	31,416,453
	UK: Money market loan	-	-	447,876	447,876
Total assets		**-**	**137,482,211**	**214,549,618**	**352,031,829**
Liabilities					
Financial liabilities held for trading					
Equity securities					
	Europe: Equity	-	-	(700,042)	(700,042)
OTC derivatives					
	CDS	-	(2,458,656)	-	(2,458,656)
	TRS	-	(31,134)	-	(31,134)
	Forward FX contracts	-	(60,540)	-	(60,540)
	Repurchase agreement	-	(16,666,795)	-	(16,666,795)
Total liabilities		**-**	**(19,217,125)**	**(700,042)**	**(19,917,167)**

*This is the fair value of the subsidiary Taurus Corporate Financing LLP, as described in note 21. Taurus holds subordinated notes of TCLO 1, 2, 3, 4, 5 ,6 and BOPHO 4 CLO valued at €125.97m, other debt securities of €0.12m and further debt securities through its investment into TCF Loan Warehouse Designated Activity Company 1, valued of €5.51m and other assets and liabilities of (€5.16m).

Notes to the Financial Statements (continued)

8. Fair value of financial instruments (continued)

The following tables show the Company's assets and liabilities at 30 September 2018 based on the hierarchy set out in IFRS 13:

		Level 1 2018 €	Level 2 2018 €	Level 3 2018 €	Total 2018 €
Assets					
Financial assets held for trading					
Equity securities					
	USA: Equity	-	-	422,270	422,270
Debt securities					
	Europe: Corporate & financials	-	5,094,531	1,092,000	6,186,531
	Europe: Private bond and equity*	-	132,330,809	-	132,330,809
	Europe: ABS	-	59,021,719	17,946,477	76,968,196
	UK: ABS	-	1,726,468	7,824,294	9,550,762
	Europe: Money market loan	-	32,830,762	21,020,160	53,850,922
OTC derivatives					
	CDS	-	104,978	-	104,978
Total assets		**-**	**231,109,267**	**48,305,201**	**279,414,468**
Liabilities					
Financial liabilities held for trading					
OTC derivatives					
	CDS	-	(6,137,961)	-	(6,137,961)
	Forward FX contracts	-	(19,732)	-	(19,732)
Total liabilities		**-**	**(6,157,693)**	**-**	**(6,157,693)**

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2. Investments classified within Level 3 have significant unobservable inputs, as they trade infrequently.

Notes to the Financial Statements (continued)

8. Fair value of financial instruments (continued)

Thirty nine Level 3 investments were held during the Year.

Product type	Transaction	Fair value at 1 October 2018	Transfer (to)/from Level 2	Realised	Unrealised & FX	Purchases	Sales	Redemptions	Fair value at 30 September 2019
ARB CLO	16	20,936,372	-	-	(3,438,651)	-	-	-	17,497,721
BS CLO	19	1,260,000	-	(6,245,654)	6,002,500	-	(1,016,846)	-	-
BS CLO	27	1,092,000	-	(3,946,800)	3,536,000	-	(681,200)	-	-
RMBS	33	17,356	-	-	3,287	-	-	-	20,643
ARB CLO	36	1,189,316	-	116,474	(696,898)	-	-	(608,892)	-
CONS ABS	37	894,000	-	-	45,000	-	-	-	939,000
EQUITY	43	151,770	-	-	9,925	-	-	-	161,695
RMBS	44	1,384,216	-	(39,674)	(239,355)	-	(38,904)	-	1,066,283
WHOLE LOAN	45	83,788	-	-	5,059	11,808	-	-	100,655
EQUITY	46	270,500	-	-	-	1,358,049	-	-	1,628,549
CMBS	49	14,268	-	(19,241)	24,569	-	(19,596)	-	-
CMBS	52	3,786,795	-	-	(867,332)	-	-	-	2,919,463
CMBS	53	59,902	-	-	(59,902)	-	-	-	-
RMBS	54	1,499,616	-	(325,045)	(94,925)	-	(1,079,646)	-	-
RMBS	55	7,468,706	-	2,883,935	(1,001,574)	4,545,823	(13,896,890)	-	-
ARB CDO	56	128,253	-	2,343,830	92,984	-	-	(2,565,067)	-
CONS ABS	57	2,593,382	-	287,140	563,846	-	(3,444,368)	-	-
RMBS	58	5,474,961	-	-	(1,352,560)	-	(4,122,401)	-	-
BS CLO	59	-	-	-	(45,917)	5,810,667	-	-	5,764,750
RMBS	60	-	-	-	161,089	1,744,832	-	-	1,905,921
RMBS	61	-	-	-	653,485	-	-	-	653,485
RMBS	62	-	-	686,185	1,790,876	199,489	-	(731,138)	1,945,412
RMBS	63	-	-	-	3,853,660	332,537	-	-	4,186,197
RMBS	64	-	2,913,798	(53,538)	45,061	527,262	(2,961,589)	-	470,994
RMBS	65	-	8,266,165	(67,840)	46,469	1,065,144	(7,912,448)	-	1,397,490
RMBS	66	-	-	-	3	5,368,538	-	-	5,368,541
EQUITY	67	-	-	-	(700,043)	-	-	-	(700,043)
PREFERRED EQUITY	68	-	14,925,682	-	(98,439)	1,112,141	(4,600,000)	-	11,339,384
PREFERRED EQUITY	69	-	1,962,096	-	29,520	703,623	-	-	2,695,239
PREFERRED EQUITY	70	-	3,900,261	-	(6,543)	187,895	(400,000)	-	3,681,613
PREFERRED EQUITY	71	-	1,296,857	-	(25,593)	318,425	(1,060,000)	-	529,689
PREFERRED EQUITY	72	-	2,856,500	-	24,023	677,611	(225,000)	-	3,333,134
PREFERRED EQUITY	73	-	3,105,066	-	32,393	1,105,433	(135,000)	-	4,107,892
PREFERRED EQUITY	74	-	2,457,470	-	10,996	315,050	-	-	2,783,516

Notes to the Financial Statements (continued)

8. Fair value of financial instruments (continued)

Product type	Transaction	Fair value at 1 October 2018	Transfer (to)/from Level 2	Realised	Unrealised & FX	Purchases	Sales	Redemptions	Fair value at 30 September 2019
PREFERRED EQUITY	75	-	6,803	-	117	10,332	-	-	17,252
SENIOR LOAN	76	-	-	-	44,536	2,783,543	-	-	2,828,079
PREFERRED EQUITY	77	-	-	-	7,086	349,760	-	-	356,846
PREFERRED EQUITY	78	-	-	-	(579)	91,609	-	-	91,030
Investment in the originator	79	-	132,330,809	-	32,428,337	-	(28,000,000)	-	136,759,146
		48,305,201	**174,021,507**	**(4,380,228)**	**40,782,510**	**28,619,571**	**(69,593,888)**	**(3,905,097)**	**213,849,576**

Notes to the Financial Statements (continued)

8. Fair value of financial instruments (continued)

Product type	Transaction	Fair value at 1 October 2017	Transfer (to)/from Level 2	Realised	Unrealised & FX	Purchases	Sales	Redemptions	Fair value at 30 September 2018
ARB CDO	2	299,990	-	756,128	(99,174)	-	(956,944)	-	-
ARB CLO	16	24,157,122	-	-	(3,220,750)	-	-	-	20,936,372
BS CLO	18	690,008	(940,000)	-	249,992	-	-	-	-
BS CLO	19	2,640,000	-	-	(1,380,000)	-	-	-	1,260,000
BS CLO	27	2,158,000	-	-	(1,066,000)	-	-	-	1,092,000
CMBS	31	386,956	-	(485,044)	268,799	-	(170,711)	-	-
CMBS	32	3,071	-	1,672,266	103,670	-	-	(1,779,007)	-
RMBS	33	17,158	-	-	198	-	-	-	17,356
ARB CLO	35	1,045,654	-	141,564	19,154	-	(1,206,372)	-	-
ARB CLO	36	1,829,584	-	33,300	(536,592)	-	-	(136,976)	1,189,316
CONS ABS	37	840,000	-	-	54,000	-	-	-	894,000
ABS	41	13,396	-	2,192,383	31,346	-	-	(2,237,125)	-
Blocked cash in AREO	42	15,434	-	-	(15,434)	-	-	-	-
EQUITY	43	2,283,205	-	-	(2,131,435)	-	-	-	151,770
RMBS	44	2,231,985	-	(317,072)	(219,639)	-	(311,058)	-	1,384,216
WHOLE LOAN	45	73,080	-	-	1,599	9,109	-	-	83,788
EQUITY	46	-	270,500	-	-	-	-	-	270,500
CMBS	47	-	41,194	3,882,020	141,728	-	-	(4,064,942)	-
CMBS	48	-	7,847	1,333,449	36,946	-	-	(1,378,242)	-
CMBS	49	-	687,193	319,011	(290,812)	-	-	(701,124)	14,268
CMBS	50	-	(366,790)	-	22,011	344,779	-	-	-
ARB CLO	51	-	1,231,621	120,360	(136,981)	-	(1,215,000)	-	-
CMBS	52	-	3,866,037	-	(79,242)	-	-	-	3,786,795
CMBS	53	-	60,550	-	(648)	-	-	-	59,902
RMBS	54	-	1,404,692	-	94,924	-	-	-	1,499,616
RMBS	55	-	6,606,037	64,072	911,883	-	(113,286)	-	7,468,706
ARB CDO	56	-	272,025	205,532	(124,371)	-	-	(224,933)	128,253
CONS ABS	57	-	2,604,154	-	(10,772)	-	-	-	2,593,382
RMBS	58	-	-	-	1,352,560	4,122,401	-	-	5,474,961
		38,684,643	**15,745,060**	**9,917,969**	**(6,023,040)**	**4,476,289**	**(3,973,371)**	**(10,522,349)**	**48,305,201**

Notes to the Financial Statements (continued)

8. Fair value of financial instruments (continued)

Product type	**Description**
ARB CDO	Arbitrage CDO
ARB CLO	Arbitrage CLO
BS CLO	Balance sheet CLO
CMBS	Commercial mortgage-backed security
CONS ABS	Consumer asset-backed security
RMBS	Residential mortgage-backed security

As of 30 September 2019, twenty nine (2018: eighteen) investments were categorised within Level 3 of the fair value hierarchy, representing 67,64% (2018: 15.41%) of the NAV.

The below sensitivity analysis presents an approximation of the potential effects of events that could have occurred as at the reporting date, and mostly based on the Portfolio Manager's stress case of 1.5 and 2xCDR ("Constant Default Rate") per product type expressed as a percentage of the NAV, this analysis excludes transactions 26, 42 and 44. An analysis of which is stated below.

	1.5xCDR	**2xCDR**
ARB CDO	0.00%	0.00%
ARB CLO	0.00%	0.00%
CMBS	0.00%	0.00%
CONS ABS	0.00%	0.00%
RMBS	-0.01%	-0.01%

In addition to the CDR sensitivities above, some transactions are sensitive to specific parameters:

ARB CLO - generally vulnerable to increase in default rate and loss severity of leveraged loans (primarily large cap corporates); though due to structural features, some tranches may benefit from moderate increase in defaults. The default rate and loss severity themselves are affected by state of global and regional economies and capital markets.

BS CLO - generally vulnerable to increase in default rate and loss severity of bank loans to SMEs. The default rate and loss severity themselves are affected by interest rates and state of local economy in particular growth.

CMBS - most of the pre-2008 deals consist of defaulted assets and have high asset concentration. This makes the deals sensitive to recovery rates (market value of commercial real estate) and ability of borrowers to refinance.

CONS ABS - generally sensitive to default rate and loss severity of consumers. The default rate and loss severity themselves are affected by state of local economy in particular unemployment.

RMBS - generally sensitive to default rate and loss severity of owner occupied and buy-to-let real estate. The default rate and loss severity themselves are affected by interest rates and state of local economy in particular unemployment.

However, since most valuations were based upon prices received from banks or other market participants, the sensitivity analyses produced are not necessarily based upon the assumptions used by such banks/market participants as these are not made available to the Company.

Transaction 16
The portfolio of NPL was stressed by reducing the collections on the position by 6.25% and 12.50%, the impact to the NAV in each scenario was a reduction of 0.74% and 1.49% respectively.

Transaction 44
This portfolio of auto loans was stressed under 14% and 16% default rates, the impact to the NAV in each scenario was a reduction of 0.00% and 0.01% respectively.

Notes to the Financial Statements (continued)

8. Fair value of financial instruments (continued)

Transaction 43&45
This transaction is a complex situation with a binary sensitivity to an ongoing legal dispute. In the adverse scenario, the impact to the Company's NAV is a reduction of 0.05% and 0.03% respectively.

Transaction 60&61
This transaction is a public securitisation of Irish residential mortgage portfolio. Stresses models consist in assessing the P&L impact of increasing and decreasing the base case yield curve (or discount rate) by 20%, the impact to the Company's NAV is a reduction of 0.04% and increase of 0.05% respectively

Transaction 62&63
This transaction is a public securitisation of Irish residential mortgage portfolio. Stresses models consist in assessing the P&L impact of increasing and decreasing the base case yield curve (or discount rate) by 20%, the impact to the Company's NAV is a reduction of 0.09% and increase of 0.10% respectively

Transaction 79
This transaction is the investment in the originator, Taurus Corporate Financing LLP. A 10% increase or decrease to the originator NAV price would have a 4.33% impact to the Company's NAV.

9. Earnings per Share - basic & diluted

The earnings per Share - basic and diluted of 10.17 cents (2018: 5.97 cents) has been calculated based on the weighted average number of Shares of 314,121,968 (2018: 325,672,673) and a net gain of €32,729,436 (2018: gain of €19,428,781) over the year. There were no dilutive elements to shares issued or repurchased during the year.

10. NAV per Share

The NAV per share of 100.81 cents (2018: 97.82 cents) is determined by dividing the net assets of the Company attributed to the Shares of €316,163,705 (2018: €319,860,658) by the number of Shares in issue (excluding those held in treasury) at 30 September 2019 of 313,627,456 (30 September 2018: 327,002,156).

As at 30 September 2019, 47,822,544 Shares were held in treasury.

11. Financial assets and financial liabilities at fair value through profit or loss

	30 September 2019	30 September 2018
	€	€
Financial assets at fair value through profit or loss :		
- Debt securities	8,303,307	33,193,993
- ABS	173,314,803	80,447,868
- Equity securities	1,790,244	422,270
- Investment in Taurus Corporate Financing LLP	136,759,146	132,330,809
- Money market loan	31,864,329	32,914,550
- CDS	-	104,978
Total financial assets at fair value through profit or loss	**352,031,829**	**279,414,468**
Financial liabilities at fair value through profit or loss :		
- Equity securities	(700,043)	-
- CDS	(2,458,656)	(6,137,961)
- Forward FX contracts	(60,540)	(19,732)
- Repurchase agreement	(16,666,794)	-
- Total return swap	(31,134)	-
Total financial liabilities at fair value through profit or loss	**(19,917,167)**	**(6,157,693)**

Notes to the Financial Statements (continued)

12. Net gain/(loss) on financial assets and financial liabilities held at fair value through profit or loss

	Year ended 30 September 2019	Year ended 30 September 2018
Net gain/(loss) on debt instruments at fair value through profit or loss	**€**	**€**
- Debt securities	1,782,162	6,566,294
- ABS	8,171,383	2,778,808
- Sovereign bonds	-	28,807
- Equity securities	(1,087,152)	(2,181,239)
- Investment in Taurus Corporate Financing LLP	32,428,337	18,844,428
- Listed options	-	(790,055)
- Money market loan	3,409,158	45,445
- CDS	(1,217,173)	5,245,528
- Futures	-	(2,059,228)
- Total Return Swap	(143,579)	-
Net gain on debt instruments at fair value through profit or loss	**43,343,136**	**28,478,788**
Net gain/(loss) on foreign exchange and forward contracts	**€**	**€**
Realised loss on forward contracts	(240,563)	(2,069,559)
Unrealised (loss)/gain on forward contracts	(40,808)	759,266
Realised loss on foreign exchange	(644,702)	(1,266,540)
Unrealised gain on foreign exchange	1,081,695	1,849,283
Net loss on foreign exchange and forward contracts	**155,622**	**(727,550)**
Net gain on financial assets and liabilities at fair value through profit or loss	**43,498,758**	**27,751,238**

13. Due from and to brokers

	30 September 2019	30 September 2018
	€	**€**
Due from:		
Collateral and funding cash	8,729,195	14,084,114
Receivables for securities sold	46,042	73,128
	8,775,237	**14,157,242**
Due to:		
Collateral and funding cash	16,879	-
Payables for securities purchased	35,455,000	2,416,400
	35,471,879	**2,416,400**

14. Other receivables and prepayments

	30 September 2019	30 September 2018
	€	**€**
Prepayments	-	1,883
Directors	9,801	-
Interest receivable	-	2,589
	9,801	**4,472**

Notes to the Financial Statements (continued)

15. Accrued expenses

	30 September 2019	30 September 2018
	€	€
Management fee	(266,711)	(269,644)
Performance fees	(3,622,497)	(3,442,589)
Administration fee	(5,309)	(13,099)
Audit fee	(51,846)	(34,625)
Corporate broking fee	-	(48,671)
Sub-administration fee	(13,046)	(13,314)
Legal fee	-	(22,047)
Custodian fee	(6,398)	(7,197)
Other fee	(135,541)	(153,967)
	(4,101,348)	**(4,005,153)**

16. Share capital

The authorised share capital of the Company consists of an unlimited number of unclassified shares of no par value. The unclassified shares may be issued as, (a) Shares in such currencies as the Directors may determine; (b) C Shares in such currencies as the Directors may determine; and (c) such other classes of shares in such currencies as the Directors may determine in accordance with the Articles and the Law. Shares will be redeemable at the option of the Company and not Shareholders.

The rights attaching to the Shares are as follows:

(a) As to income – subject to the rights of any Shares which may be issued with special rights or privileges, the Shares of each class carry the right to receive all income of the Company attributable to the Shares, and to participate in any distribution of such income by the Company, pro rata to the relative NAV of each of the classes of Shares and, within each such class, income shall be divided pari passu amongst the holders of Shares of that class in proportion to the number of Shares of such class held by them.

(b) As to capital – on a winding up of the Company or other return of capital (other than by way of a repurchase or redemption of Shares in accordance with the provision of the Articles and the Law), the surplus assets of the Company attributable to the Shares remaining after payment of all creditors shall, subject to the rights of any Shares that may be issued with special rights or privileges, be divided amongst the holders of Shares of each class pro rata to the relative NAV of each of the classes of Shares and, within each such class, such assets shall be divided pari passu amongst the holders of Shares of that class in proportion to the number of Shares of that class held by them.

(c) As to voting – the holders of the Shares shall be entitled to receive notice of and to attend, speak and vote at general meetings of the Company.

Notes to the Financial Statements (continued)

16. Share capital (continued)

The rights attaching to C Shares are as follows:

(a) subject to the rights of any C Shares which may be issued with special rights or privileges, the C Shares of each class carry the right to receive all income of the Company attributable to the C Shares, and to participate in any distribution of such income by the Company, pro rata to the relevant NAV of any of the issued class of Shares and within each such class income shall be divided pari passu amongst the holders of that class in proportion to the number of C Shares of such class held by them;

(b) the Shares of the relevant class into which C Shares of the relevant class shall convert shall rank pari passu with the Existing Shares of the relevant class for dividends and other distributions made or declared by reference to a record date falling after the Calculation Date; and

(c) no dividend or other distribution shall be made or paid by the Company on any of its shares between the Calculation Date and the Conversion Date (both dates inclusive) and no such dividend shall be declared with a record date falling between the Calculation Date and the Conversion Date (both dates inclusive).

Movements in share capital

	Shares outstanding	**Shares held in treasury**	**Total**
As at 30 September 2018	327,002,156	34,447,844	361,450,000
SCRIP Dividends paid out of Treasury in period	250,101	(250,101)	-
Performance fee shares issued	3,798,871	(3,798,871)	-
Reissuance offer	534,000	(534,000)	-
Repurchase of shares through tender offer	(17,957,672)	17,957,672	-
As at 30 September 2019	313,627,456	47,822,544	361,450,000

Performance fee shares
1,403,277 shares (with a prevailing NAV at the date of transfer, being 30 September 2018, of €1,377,036) were paid to the Portfolio Manager in relation to the performance fee for the period ended 30 September 2018.

2,395,594 shares (with a prevailing NAV at the date of transfer, being 30 September 2019, of €2,414,999) were paid to the Portfolio Manager in relation to the performance fee for the period ended 30 September 2019.

Capital management
The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern to provide returns to shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

To maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets. There are currently no external capital requirements.

17. Segmental reporting

The Board is responsible for reviewing the Company's entire portfolio and considers the business to have a single operating segment. The Board's asset allocation decisions are based on a single, integrated investment strategy of investing in ABS and other structured credit investments in liquid markets and the Company's performance is evaluated on an overall basis.

The Company invests in a diversified portfolio. The fair value of the major financial instruments held by the Company and the equivalent percentages of the total value of the Company are reported in the Schedule of Investments.

Notes to the Financial Statements (continued)

18. Dividend policy

Subject to compliance with the Companies (Guernsey) Law, 2008 (as amended) and the satisfaction of the solvency test, the Company intends to distribute all its income received from investments, net of expenses, by way of dividends on a quarterly basis with dividends declared in January, April, July and October each year and paid in March, July, September and December. The Company declared a dividend of 2 cents per Share in January 2019 (January 2018: 2 cents per Share) for the period from 1 October 2018 to 31 December 2018, 2 cents per Share in April 2019 (April 2018: 2 cents per Share) for the period from 1 January 2019 to 31 March 2019, 2 cents per Share in July 2019 (July 2018: 2 cents per Share) for the period from 1 April 2019 to 31 June 2019 and 2 cents per Share in October 2019 (October 2018: 2 cents per Share) for the period from 1 July 2019 to 30 September 2019.

Under the Companies (Guernsey) Law, 2008 (as amended), companies can pay dividends in excess of accounting profit provided they satisfy the solvency test prescribed by the Companies Law. The solvency test considers whether a company is able to pay its debts when they fall due, and whether the value of a company's assets is greater than its liabilities.

19. Derivative financial instruments

The Company holds the following derivative instruments:

CDS
These are derivative contracts referencing an underlying credit exposure, which can either be a single credit issuer or a portfolio of credit issuers. The Company pays or receives an interest flow in return for the counterparty accepting or selling all or part of the risk of default or failure to pay of a reference entity on which the swap is written. Where the Fund has bought protection the maximum potential payout is the value of the interest flows the Company is contracted to pay until the maturity of the contract.

For short CDS positions, where the Company has sold protection, the maximum potential payout in the event of a default of the underlying instrument is the nominal value of the protection sold.

The market for CDS may from time to time be less liquid than debt securities markets. Due to the lower amount of cash required to hold a position in the CDS versus cash bond markets, the opposite has shown to be true during times of market illiquidity. In relation to CDS where the Company sells protection the Company is subject to the risk of a credit event occurring in relation to the reference issuer. Furthermore, in relation to CDS where the Company buys protection, the Company is subject to the risk of the counterparty of the CDS defaulting.

Listed options (equity options)
A listed option is a derivative financial instrument that establishes a contract between two parties concerning the buying or selling of an asset at a reference price during a specified time frame. During this time frame, the buyer of the option gains the right, but not the obligation, to engage in some specific transaction on the asset, while the seller incurs the obligation to fulfil the transaction if so requested by the buyer.

Forward FX contracts
Forward FX contracts entered into by the Company represent a firm commitment to buy or sell an underlying currency at a specified value and point in time based upon an agreed or contracted quantity. The realised/unrealised gain or loss is equal to the difference between the value of the contract at trade date and the value of the contract at settlement date/period-end date, and is included in the Statement of Comprehensive Income.

Notes to the Financial Statements (continued)

19. Derivative financial instruments (continued)

The following table shows the Company's derivative position as at 30 September 2019:

	Financial assets at fair value	Financial liabilities at fair value	Notional amount	Maturity
	€	€	€	
CDS buy protection	-	(2,458,656)	18,750,000	20 December 2024
Total Return Swap	-	(31,134)	(10,000,000)	20 December 2019
Forward FX contracts				
GBP sell	-	(60,540)	(16,280,793)	19 December 2019
EUR buy	-	-	16,280,793	19 December 2019
	-	**(2,550,330)**	**8,750,000**	

The following table shows the Company's derivative position as at 30 September 2018:

	Financial assets at fair value	Financial liabilities at fair value	Notional amount	Maturity
	€	€	€	
CDS buy protection	-	(827,330)	10,000,000	20 December 2020
CDS buy protection	104,978	(725,771)	7,500,000	20 June 2022
CDS buy protection	-	(2,163,620)	22,500,000	20 June 2023
CDS buy protection	-	(2,421,240)	22,500,000	20 December 2023
Forward FX contracts				
GBP sell	-	(19,732)	(15,316,247)	17 December 2018
EUR buy	-	-	15,316,247	17 December 2018
	104,978	**(6,157,693)**	**62,500,000**	

20. Securities sold under agreements to repurchase and securities purchased under agreements to resell

Securities sold under agreements to repurchase ("repurchase agreements") and securities purchased under agreements to resell ("reverse repurchase agreements") are treated as collateralised financing transactions. The financing is carried at the amount at which the securities were sold or acquired plus accrued interest, which approximates fair value. It is the Company's policy to deliver securities sold under agreements to repurchase and to take possession of securities purchased under agreements to resell.

As of 30 September 2019 there is one repurchase agreement in place (at 30 September 2018: none).

Main terms of the repurchase agreement in place as of 30 September 2019:
Maturity: 21/10/2019
Rate: 0.05%
Notional: 19,000,000

Notes to the Financial Statements (continued)

21. Interests in other entities

List of subsidiaries

Taurus Corporate Financing LLP (the "Originator") meets the definition of a subsidiary in accordance with IFRS 10. The subsidiary is a fully owned subsidiary of the Company and is measured at fair value through profit or loss. The subsidiary carrying value per the financial statements is shown below:

	Carrying value
	€
Taurus Corporate Financing LLP	136,330,808

The Board determined that the Subsidiary meets the definition of an investment entity as set out under IFRS 10 and that therefore the Subsidiary should measure its investments in TCF Loan Warehouse 1 Designated Activity Company and TCF Loan Warehouse 3 Designated Activity Company (the "Warehouses") at fair value rather than consolidate their results. The Warehouses are fully owned subsidiaries of the Subsidiary and were measured at fair value through profit or loss.

In accordance with IFRS 12 paragraph 19, the Company is also required to disclose the following information:

(i) Name; Taurus Corporate Financing LLP

(ii) Place of business;
P.O. Box 286
Floor 2
Trafalgar Court
Les Banques
St. Peter Port
Guernsey
GY1 4LY

(iii) Ownership interests held; 100%

The Company is also required to disclose the following additional information for unconsolidated subsidiaries of a subsidiary which is an investment entity:

Name:	TCF Loan Warehouse 1 Designated Activity Company	TCF Loan Warehouse 3 Designated Activity Company
Place of Business:	3rd Floor,	3rd Floor
	Kilmore House,	Kilmore House
	Park Lane,	Park Lane
	Spencer Dock,	Spencer Dock
	Dublin 1,	Dublin 1
	Ireland	Ireland
Ownership interests held:	100%	100%

Notes to the Financial Statements (continued)

22. Post balance sheet events

The Company announced a dividend of 2 cents per Ordinary Share for the quarter ending 30 September 2019 which was paid on 29 November 2019.

The company announced on 14 January 2020 a new tender offer to purchase up to 5% of the issued share capital at the tender price of 85% of the NAV per Share as of 31 December 2019. On top of this offer, immediately following the results of the tender offer due on 13 February 2020, investors will have opportunity to participate in the Reissuance at various price levels (starting with a floor share price equal to 80% of 31 December 2019)

23. Approval of the financial statements

The Audited Financial Statements were approved for issue to shareholders by the Directors on 30 January 2020.

Appendix 1

AIFMD Disclosures - (unaudited)

Quantitative Remuneration Disclosure for the AIFM
The total fee paid to the AIFM by the Company for the year ended 30 September 2019 is disclosed in note 4.

The AIFM is not subject to the provisions of Article 13 of the AIFM Directive, which require the AIFM to adopt remuneration policies and practices in line with the principles detailed in Annex II of the Directive. However, in accordance with Article 22 of the AIFM Directive and Article 107 of the AIFM Regulations, the AIFM must make certain disclosures in respect of the remuneration paid to its staff.

The AIFM has identified 10 staff as falling within the scope of the disclosure requirements (the "Identified Staff"). These Identified Staff are senior management, named as Designated Persons of the AIFM's managerial functions, members of the Board of Directors, and a risk officer as control function. All Identified Staff of the AIFM are part of the Carne Group and as such receive no separate remuneration for their role within the AIFM. Instead they are remunerated as employees of other Carne group companies with a combination of fixed and variable discretionary remuneration where the latter is assessed on the basis of their overall individual contribution to the group, with reference to both financial and non-financial criteria, and not directly linked to the performance of the staff of specific business units or targets reached. The annualised remuneration amount paid to all of the Identified Staff of the AIFM in respect of their work with the AIFM for the 12 month period to 31 March 2019 was GBP 38,005 (31 March 2018: GBP 36,354). There was no variable component to this remuneration and none of the AIFM's Identified Staff are in a position to materially impact the risk profile of the Company. The AIFM manages other AIFS and has no staff other than the Identified Staff.

Liquidity
Liquidity risk is monitored by the AIFM on an ongoing basis. The Risk Committee for the AIFM monitors the liquidity risk of the Company to ensure that the liquidity profile of the investments of the Fund complies with its underlying obligations.

At the date of this annual report there are no assets held by the Company which are subject to special arrangements arising from their illiquid nature. There has been no change to the liquidity management system and procedures during the period since incorporation. Please refer to the notes in the financial statements for an analysis of the Company's liabilities and their maturity dates at 30 September 2019.

Risk
The AIFM has delegated the portfolio management of the Company to the Portfolio Manager whilst retaining responsibility for the risk management functions for the Company in accordance with the AIFMD. The AIFM's overall risk management process monitors the consistency between the risk profile of the Company and the investment objective, policies and strategy of the Company.

Responsibility for day to day management of the Company's risk has been delegated to the Risk Officer, who works together with the transversal risk team at the Portfolio Manager. The Risk Officer reports to the Risk Committee of the AIFM. The Risk Committee has ultimate responsibility for risk management and controls of the Company and for reviewing their effectiveness on a regular basis, including taking appropriate remedial action to correct any deficiencies. The Risk Committee manages the risks of the Company through the Risk Management Policy and Procedure (the "RMPP"). The Risk Committee monitors all risk limits to ensure compliance or that corrective action is taken in the event of breaches. The Risk Committee monitors to see if limit levels are being approached and endeavours to take appropriate steps to avoid limit breaches. The Risk Committee is responsible for the implementation of the RMPP. Operational risk is monitored through periodic due diligence of delegates and ongoing monitoring of reporting from delegates.

The Risk Committee has oversight of the risk management framework of the Company and specifically the effectiveness of the risk management function with respect to governance and risk compliance. The Committee ensures that market risk, liquidity risk, credit risk, counterparty risk and operational risk are identified, measured, monitored and managed in line with the AIFM's RMPP and consistent with the Prospectus of the Company. The Committee addresses any risk related issues and escalates to the AIFM Board if necessary. The Committee is appointed by and reports to the AIFM Board.

The AIFM has assessed the current risk profile of the Company to be low.

Appendix 1 (continued)

AIFMD Disclosures - (unaudited) (continued)

Leverage
The leverage limitation provisions of the AIFM Directive do not apply to the Company because the Company is a “non-EEA domiciled AIF” and the AIFM is a “non-EU AIFM”. Consequently, the AIFM (where it undertakes Portfolio Management directly or otherwise the Portfolio Manager as delegate of this function) is not required to set a maximum level of leverage (as calculated pursuant to the AIFM Directive) for the Company. Notwithstanding this, the Company has set a borrowing limit such that the Company’s gearing shall not exceed 130 per cent at the time of incurrence and deployment of any borrowing. For the purposes of this calculation, gearing will be calculated as the sum of the Company’s exposures to each position directly held, divided by the last published NAV (and for the avoidance of doubt, will include the full exposure held by the Company under any full recourse total return swap, but will exclude any borrowing arrangements that are limited-recourse to the Company, such as borrowings by an Originator).

There has been no change to the maximum level of leverage which the AIFM may employ on behalf of the Company. The actual level of gearing employed by the Company at 30 September 2019 was 110.58%.

Material changes to information
Article 23 of the AIFM Directive requires certain information to be made available to investors before they invest and requires material changes to this information to be disclosed in the annual report. There have been no material changes (other than those already reflected in the Annual Report) to the information requiring disclosure.