Toro 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 period from 2 March 2015 (date of incorporation) to 30 September 2015

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 "Investment Adviser") 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 Toro Limited, the Investment Adviser 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 annual report.

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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.

Highlights for the period from 8 May 2015 (the date of admission to listing) to 30 September 2015 (the "Period")

- Successful Initial Public Offering ("IPO") of Toro Limited (the "Company") which raised €331.8 million (gross of issue costs) with 336.8 million Euro Shares issued. There were two additional placings made during the Period, €16.4 million (gross of issue costs) on 17 July 2015 with 16.1 million Euro Shares issued and €8.8 million (gross of issue costs) on 29 July 2015 with 8.6 million Euro Shares issued. On IPO the Company was 49% invested through its in specie acquisition of the portfolio of Toro Capital I.

- During the Period, the Company's net asset value ("NAV") increased by 3.61% (net of issue costs) to 101.54 cent.

- On 29 October 2015 the Company announced the payment of a dividend of 2.0 cent per ordinary share for the Period, exceeding the Company's target first dividend of at least 1.2 per cent. of the Issue Price per Share as set out in the IPO prospectus. The Company will target (i) a NAV total return (including dividend payments) of 12 to 15 per cent per annum over three to five years once the Company is fully invested and (ii) a dividend of 5 per cent per annum payable quarterly in March, June, September and December of each year.

- The Company's mid-market share price at 30 September 2015 was 98.5 cent, representing a discount to NAV of 2.99%.

- The profit of the Company from 2 March 2015 (date of incorporation) to 30 September 2015 was €12.3 million, or 3.52 cent per share, taking into account recognition of the following significant items:

    - total net income of €16.4 million
    - total operating expenses of €4.1 million.

- At 30 September 2015 the Company was 82% invested and its free cash holdings were €57.8 million.

Corporate Summary
For the period from 2 March 2015 (date of incorporation) to 30 September 2015

The Company
Toro 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").

Liquidation of Toro Capital I and roll-over into Toro Limited
Toro Capital I was a "Société En Commandite Par Actions" formed as an open-ended investment company qualifying under Luxembourg law as a Société d'Investissement à Capital Variable with two sub-funds: Toro Capital I-A and Toro Capital I-B.

Toro Capital I was placed into liquidation on 30 April 2015 and assenting Toro Capital I-A and I-B Shareholders were issued roll-over Shares in the Company as an in specie distribution of the liquidation proceeds to which they were entitled (the "Roll-Over Shares"). In consideration for the issuance of Roll-Over Shares, the liquidator and the Company entered into a transfer agreement under which the liquidator transferred to the Company the beneficial interest in the seed assets with a value approximately equal to the aggregate net asset value of the Toro Capital I shares held by the Assenting Toro Capital Shareholders as at the valuation date.

Initial Public Offering
The IPO of the Company raised gross proceeds of €331.8 million (of which the Roll-Over Shares contributed €184.8 million of the overall gross proceeds) on the issue of 336.8 million Euro denominated shares. The Company's Ordinary Shares (the "Shares") were admitted to trading on the Specialist Fund Market of the London Stock Exchange ("SFM") and the Channel Islands Security Exchange Authority Limited ("CISEAL") on 8 May 2015.

Additional placings
There were two additional placings made during the Period, €16.4 million gross of issue costs on 17 July 2015 with 16.1 million Shares issued and €8.8 million gross of issue costs on 29 July 2015 with 8.6 million Shares issued.

Investment objective and policy
The investment objective of the Company is to deliver an absolute return from investing and trading in Asset Backed Securities 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 as at the date of the prospectus 28 April 2015, and whilst not forming part of its investment objective or investment policy, the Company will target (i) a NAV total return (including dividend payments) of 12 to 15 per cent per annum over three to five years once the Company is fully invested and (ii) a dividend of 5 per cent per annum payable quarterly in March, June, September and December of each year.

The Alternative Investment Fund Manager (the "AIFM") and Portfolio Manager
On 28 April 2015, the Company appointed Carne Global AIFM Solutions (C.I.) Limited as the Company's external AIFM.

On 28 April 2015, Chenavari Credit Partners LLP were appointed by the AIFM and the Company as its Portfolio Manager to undertake the activities of investment management. Pursuant to the Portfolio Management Agreement, the AIFM has, with the consent of the Company, delegated the AIFM's portfolio management functions to the Portfolio Manager. The Portfolio Manager is a limited liability partnership incorporated in England and Wales under registered number OC337434 and is regulated and authorised in the UK by the FCA under registration number 484392 and by the SEC under registration number 801/72662.

Asset Values
At 30 September 2015, the Company's NAV was €367 million, with the NAV per share amounting to 101.54 cent. 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.

Duration
The Company has an indefinite life.

Website
The Company's website address is www.torolimited.gg

Corporate Summary (continued)

Listing Information
The Company's Shares are admitted to trading on the SFM and CISEAL.

The ISIN number of the Euro Shares is GG00BWBSDM98 and the SEDOL is BWBSDM9.

The closing price of the Shares quoted on the SFM at 30 September 2015 was 98.50 cent per share.

The average closing price of the Shares over the Period was 100.72 cent per share.

General Information

Directors
Frederic Hervouet (Non-executive Chairman) *
John Whittle (Non-executive director) *
Roberto Silvotti (Non-executive director) *
Melanie Torode (Non-executive director) **
Serena Tremlett (Non-executive director) **
* appointed 20 April 2015
** appointed 2 March 2015; resigned 20 April 2015

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Corporate Broker
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Administrator and Company Secretary
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GY1 3HW

Chairman's Statement

Introduction
On behalf of the Board, I am pleased to present my report on the Company's progress for the period from 2 March 2015 (the date of incorporation) to 30 September 2015.

The IPO of the Company raised gross proceeds of €331.8 million. There were two additional placings made during the Period, raising €16.4 million (gross of issue costs) on 17 July 2015 and €8.8 million (gross of issue costs) on 29 July 2015.

Financial Performance

The Company's shares were admitted for trading on the 8 May 2015. The Company's share price was 98.50 cent as of 30 September 2015, trading then at a discount to NAV of 3%.

Over the reporting period from 2 March 2015 to 30 September 2015 the Company generated a profit of €12.3 million or earnings of 3.52 cent per share.

The Net Asset Value per share was 101.54 cent at 30 September 2015.

The Company's NAV increased by 3.61% (net of issue costs) the period from 8 May 2015 (the date of admission to listing) to 30 September 2015.

Dividends
On 29 October 2015 the Company announced the payment of a dividend of 2.0 cent per ordinary share for the Period, exceeding the Company's target first dividend of at least 1.2 per cent. of the Issue Price per Share as set out in the IPO prospectus.

Investment Portfolio
Since Admission, the Portfolio Manager has been actively trading the ABS portfolio of the Company with some re-balancing realised during the period. The Portfolio Manager monetised the NAV discount within some CDO of ABS exposure, realised cash flows on high-yielding CLO positions and benefited from early redemptions of seasoned transactions. Capital was reallocated to transactions that presented attractive risk/reward. The Portfolio Manager has entered into a certain number of new Private Asset Backed Finance opportunities, especially private CLO warehouses in a leveraged loans market characterised by limited supply. In Q4 2015, the Portfolio Manager re-entered the UK non-conforming and Spanish RMBS sectors that have experienced significant spread widening on the back of particularly weak and overdone technicals. For further information on the portfolio composition as of 30 September 2015, please see page 8 and 9.

Investment Outlook
The Portfolio Manager expects to deploy available cash in the Company into liquid ABS sectors that have widened significantly over the past quarter while underlying performance remains strong. The Portfolio Manager also expects to execute the first investment related to the "Originator strategy" subject to market conditions.

Further information on the Originator strategy is detailed on page 10 and 11 of the Portfolio Managers' Report

For further information on the investment outlook please see page 11.

Frederic Hervouet
Non-executive Chairman

27 January 2016

Portfolio Manager's Report

Performance

The Company successfully launched with €331.8 million gross proceeds on 8 May 2015.

During July 2015, the Company realised two additional capital increases for a total gross amount of €25.2 million.

During the Period, the Company's NAV increased by 3.61% (net of issue costs).

The month-on-month performance since inception was the following:

Year	YTD	May	Jun	Jul	Aug	Sep
2015	**3.61%**	2.06%	0.15%	0.45%	0.64%	0.28%

Dividend

On 29 October 2015 the Company announced the payment of a dividend of 2.0 cent per ordinary share for the Period, exceeding the Company's target first dividend of at least 1.2 per cent. of the Issue Price per Share as set out in the IPO prospectus.

Portfolio breakdown

As of 30 September 2015, the Company was 82% invested, gross of repurchase agreements with a total negative value of 5.07% of the NAV.

The Net Asset Value allocation as of 30 September 2015 was as follows:

Asset class breakdown	**% NAV**
Equity Securities	0.07%
Bond	0.09%
Arbitrage CDO	22.22%
Commercial mortgage-backed security	2.72%
Arbitrage CLO	27.65%
Residential mortgage-backed security	19.41%
Balance Sheet CLO	2.53%
Consumer ABS	3.36%
Senior Loan	2.16%
Whole Loan	1.63%
Repo	(5.07%)
Cash, Hedges and Accruals	23.23%
Total	**100.00%**

Portfolio Manager's Report (continued)

Portfolio breakdown (continued)

The geographical breakdown of the underlying assets as of 30 September 2015 is as follows:

Country breakdown	**% NAV**
United Kingdom	25.18%
Spain	15.43%
Netherlands	7.59%
Germany	4.76%
Italy	3.65%
Ireland	2.86%
USA	2.78%
France	2.72%
Other Europe	7.11%
Other	4.69%
Cash & Collateral	23.23%
Total	**100.00%**

Monthly Activity of the Period

May: The NAV of Toro Limited was up 2% in May from the launch NAV on the back of active trading. We reduced the ABS exposure in the Fund, as we believed the seasonal technical weakness at the end of the second calendar quarter to provide better entry points, while prices on periphery ABS prices had yet to stabilise. Additionally, we expected to allocate capital to new Private Asset Backed Finance opportunities, especially CLO warehouses that presented an attractive risk/reward in a leveraged loans market characterised by limited supply.

June: Throughout the month, the combination of quarter-end and the escalation of the Greek credit crisis translated into dissipating liquidity and spread widening across the board. Peripheral sectors suffered the most as some long duration senior Portuguese and Spanish senior RMBS dropped by 4 to 6pts over the month. The NAV of Toro Limited was flat in June (+0.15% month-on-month) as trading gains offset portfolio markdowns. We actively re-balanced Toro Limited's portfolio across the whole spectrum, trading €130 million through 25 different securities. We sold senior tranches of CDO of ABS and CBOs, core RMBS and CMBS and opportunistically added on mezzanine tranches of CLO 1.0, Irish RMBS, UK student loans ABS as well as selected tranches of CDO of ABS sold from dealers' inventories at significant discounts to May peak levels. The Fund also entered into a new CLO warehouse as we believed leveraged loans should weather better a more volatile and illiquid market environment. Leveraged loan secondary market performance continued to be strong during most of June despite Greece-induced volatility. New CLO/warehouse bid continued to outweigh political concerns. The last day of the month, following the announcement of a referendum in Greece, saw moderate falls across the leveraged loans market of 50cts. Overall market liquidity was reduced, although good trade execution was still possible in smaller size. The wave of re-pricings was stopped in its tracks, since the announcement of the Greek referendum, and several large deals such as Douglas €1.2 billion TL had to flex significantly wider to get done. Several other high-profile repricing requests such as Constantia and Kinove were withdrawn in the face of lender pushback.

July: While liquidity started to improve after the agreement on Greek bailout deal, the second half of July is usually a period of overall slowdown, so the baseline was very low. Due to this combination of seasonal and political factors, there was very limited trading activity. At €66 million, the July trading volume was 37% of June level. The Company took part in two primary deals, which together accounted for around 80% of value of purchases in July. The first deal was a European CLO by an established US manager, which came out at very attractive levels versus the secondary. The second deal was a short-term warehouse for a European CLO manager. The other purchases consisted of good quality peripheral RMBS. To build up the cash position, the Fund also sold some assets where the price did not soften. In addition, when volatility dropped in second half of July, we added some macroeconomic tail hedges to the portfolio.

Portfolio Manager's Report (continued)

Monthly Activity of the Period (continued)

August: In spite of this extraordinary price action, the European ABS market remained muted as most participants had yet to come back from holidays. Weakness was mainly visible on Iberic senior periphery RMBS and lower mezzanine tranches of CLO where prices were down 1 to 2pts in very little volume. The ECB had now purchased €11bn through its ABS purchase programme and was said to become more aggressive, sending OWICs in order to source paper directly from end investors. Trading activity on our side was primarily focused on the hedging positions that we initiated at the end of July. While reducing our long ABS exposure we took profit on Eurostoxx 50 and S&P 500 put options as volatility overshot. Gains on hedges offset month-end mark-to-market adjustments, translating into a positive performance for August NAV of 0.64%.

September: Fundamentals continued to improve across the board as the European recovery maintained its pace in Q3 (September Markit Eurozone PMI came out at 52) while inflation remained extremely subdued (September EU HICP came out at 0.1%). Such improving macro data carried on feeding through the European securitisation market where September remittance reports painted a positive picture across sectors and jurisdictions. Irish RMBS, Spanish RMBS and SME CLOs as well as Italian Lease ABS continued to witness a sharp reduction in arrears and default rates in Q3. We traded €33m of ABS within Toro Ltd in September (9% turnover), rebalancing actively the portfolio and taking advantage of current market dislocation. We reduced our exposure to less liquid and high beta sectors such as CDOs and CLO 2.0 that remained well bid in spite a liquidity premium and/or of a heavy pipeline. We partially redeployed capital into more liquid sectors that have been negatively impacted by latest market developments while remaining fundamentally strong e.g. UK non-conforming and Dutch RMBS as well periphery RMBS. Gains on trading, hedging and carry offset month-end markdowns (WA price of the portfolio was down 0.66% mom), translating into a positive net performance for September of 0.28%.

In their proposal for a common Simple, Transparent and Standardised ("STS") securitisation framework released on 30 September, the European Commission clarified the definition of an "Originator" satisfying European risk retention rules. The official statement was welcome by market participants as it confirms that vehicles whose 'sole' purpose was securitisation would be excluded thus, implicitly, approving ongoing, diversified and substantive entities like Toro Limited (the "Company") that have a much broader investment mandate than securitising assets.

Investment Objective and Policy

Under the investment objective and policy set out on page 4, 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 Asset Backed Securities 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.

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.

Portfolio Manager's Report (continued)

Investment Outlook

At the end of September, Toro Limited held 65% in ABS (vs 72.8% at the end of the second calendar quarter) and 16% (vs 11.7% at the end of the second quarter) in the Private Asset Backed Finance strategy. The cash position also increased during the period to 24%, enabling the Portfolio Manager to take advantage of wider re-entry levels expected before the calendar year end. Indeed the Portfolio Manager expects to re-deploy capital into liquid ABS sectors that have widened significantly over the past quarter while underlying performance remains strong (see recent activity). The Portfolio Manager also expects to execute the first investment related to the "Originator strategy" subject to market conditions.

On 8 December 2015 the European Union ECOFIN meeting finalised their proposed legislative drafts of STS Securitisation. Negotiations with the European Parliament on the text will start during Quarter 1 2016 and we can expect uncertainty to continue in relation to the regulatory aspects of securitised deals until the legislative position is finalised and the investor market has consolidated their understanding of the changes.

Post Balance Sheet Events

Following the year end, the Company announced a dividend of 2.0 cent per Ordinary share for the Period from First Admission (8 May 2015) to 30 September 2015; exceeding the target minimum dividend. The dividend was paid on 4 December 2015.

Additionally, on 22 January 2016 the Company announced a dividend of 2.0 cent per Ordinary share for the Period from 1 October 2015 to 31 December 2015 which is due to be paid on 4 March 2016.

Chenavari Credit Partners LLP
Portfolio Manager

27 January 2016

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 42)
Frederic Hervouet has over 18 years experience in the financial markets and asset management industry with a focus on multi-asset class investment management, risk management, structured products and structured finance. Mr. Hervouet holds a Master Degree (DESS 203) in Financial Markets, Commodity Markets and Risk Management and an MSc in Applied Mathematics and International Finance from University Paris Dauphine. Previously Mr. Hervouet worked for two multibillion multi-strategy hedge funds specialising in quantitative strategies, convertible arbitrage, derivatives and emerging markets debt. Mr. Hervouet is an independent director of Tetragon Financial Group Limited and Tetragon Financial Group Master Fund Limited. Prior to this role, Mr. Hervouet was managing director and head of commodity derivatives in Asia for BNP Paribas. Mr. Hervouet, has been appointed as a director of Funding Circle SME Income Fund Limited which was admitted to trading on the Main Market of the London Stock Exchange on 30 November 2015.

John Whittle, non-executive director (aged 60)
John Whittle has significant experience of the loan market and is a non-executive director of International Public Partnerships Ltd (as audit committee chair), Starwood European Real Estate Finance LTD (as audit committee chair), India Capital Growth Fund Ltd, Globalworth Real Estate Investments Ltd (as audit committee chair) and Advance Frontier Markets Fund Ltd and previously at Aurora Russia Ltd. Mr. Whittle worked as a chartered accountant at PriceWaterhouseCoopers and holds an 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 positions at John Lewis and as CFO of Windsmoor (London LSE).

Roberto Silvotti, non-independent non-executive director (aged 57)
Roberto Silvotti has over 20 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 ten 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 Limited, Chenavari Investment Managers (Guernsey) Limited 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	
Tetragon Financial Group Limited	Euronext
Funding Circle SME Income Fund Limited	LSE
John Whittle	
International Public Partnerships Ltd	LSE
India Capital Growth Fund Ltd	AIM
Advance Frontier Markets Fund Ltd	AIM
Starwood European Real Estate Finance Limited	LSE
Global worth Real Estate Investments Limited	AIM
GLI Finance Ltd (as Alternate Director)	AIM
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 period from 2 March 2015 (date of incorporation) to 30 September 2015. 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 period to 30 September 2015 are set out in the Statement of Comprehensive Income on page 37. The profit for the Period and total comprehensive income was €12.3 million.

Dividends
On 29 October 2015 the Company announced the payment of a dividend of 2.0 cent per ordinary share for the Period, exceeding the Company's target first dividend of at least 1.2 per cent. of the Issue Price per Share as set out in the IPO prospectus.

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
The Initial Public Offering of the Company raised gross issue proceeds of €331.8 million (of which €184.8 million was contributed by way of the in specie transfer from Toro Capital I) resulting in 336.8 million shares being admitted to trading on the Specialist Fund Market of the London Stock Exchange on 8 May 2015. There were two additional placings made during the Period. A total of 16,028,183 shares were issued on 17 July 2015 at a price of 102.2 cent per share resulting in consideration received of €16.4 million. The closing price per share on 17 July 2015 was 1.015 cent. A total of 8,600,000 shares were issued on 29 July 2015 at a price of 102.2 cent per share resulting in consideration received of €8.8 million. The closing price per share on 29 July 2015 was 1.015 cent. The shares were issued to new and existing investors. Details of share movements during the Period are set out in Note 16 of the Financial Statements on page 64. At 30 September 2015, the Company's issued share capital amounted to 361.45 million shares, none of which were held in treasury. No shares were bought back during the Period. The current authority to purchase shares for cancellation expires on the date of the next Annual General Meeting which will be held in Guernsey on 18 March 2016.

Discount control
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 Net Asset Value per Share and to assist in minimising any discount to the Net Asset Value per Share in relation to the price at which Shares may be trading. Once the Company is fully invested (taking into consideration cash amounts required for working capital purposes (including in particular a cash reserve for meeting any required margin calls on derivative positions), or for the payment of dividends in accordance with the Company's dividend policy and for settling transactions contractually agreed), 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 Net Asset Value per Share for more than 180 days. Surplus cash for these purposes will comprise undistributed coupons and the proceeds of normal portfolio realisations.

An ordinary resolution, expressed to take effect on Admission, has been passed granting the Company authority to make market purchases of up to 14.99% of the Shares in issue following Admission. This authority is due to expire on the earlier of the conclusion of the first annual general meeting of the Company and eighteen months from the date of the passing of the resolution. The Directors intend to seek annual renewal of this buyback authority from Shareholders each year at the Company's annual general meeting. 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 Net Asset Value per Share, which should have the effect of increasing the Net Asset Value 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.

Report of the Directors (continued)

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. 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 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 Law allows companies to hold shares acquired by way of market purchase as treasury shares, rather than having to cancel them. This would give the Company the ability to re-issue Shares quickly and cost effectively, thereby 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 Net Asset Value 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. Pursuant to the Companies Law, the maximum number of shares of any class that can be held as treasury shares is 10 % of the total number of issued shares of that class at the time.

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 Euro by a RIS announcement and on the website of the Company at www.torolimited.gg.

Portfolio Manager
The Board keeps the performance of the Portfolio Manager under regular review, and the management engagement committee, comprising all Directors, conduct 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.

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 2018. The Board have chosen this timeframe as it reflects a reasonable investment horizon with regards 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 balance sheet, 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 23 and 24 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 low cost base of the company.

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 three year period of this assessment.

Report of the Directors (continued)

The aforementioned principal risks, set out on pages 23 and 24, will continue to be monitored closely.

Going Concern
Going concern refers to the assumption that the Company has the resources to continue in operation for the foreseeable future. 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 2015, there was working capital of approximately €77 million. The Directors noted that as at 30 September 2015 (i) the gross investment income for the year ended 30 September 2015 was approximately €16.4 million and (ii) the Company had borrowings of €18.5 million on a repurchase agreement. 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. There does exist the possibility of share buybacks.

3. Investments - The Company has a tradeable portfolio, therefore the investments can be sold for cash in most market conditions. At 30 September 2015 the market value of level 1 and 2 securities was €159.5 million and the Company has cash balances of €39.3 million adjusting for repurchase agreements. Part of the portfolio is less liquid, consisting of level 3 assets, under certain market circumstances already seen in the past, most of the portfolio which consists of Asset Backed Securities 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 European Law the Company is considered to be an Alternative Investment Fund ("AIF") under the Alternative Investment Fund Managers Directive ("AIFMD") and has appointed Carne Global AIFM Solutions (C.I.) Limited as the Company's external 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.

FATCA
The Foreign Account Tax Compliance Act (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 being to reduce tax evasion by ensuring such assets and the related income were being declared on US tax returns.

The Model I Intergovernmental Agreement (IGA) was developed to overcome the legal issues and practical barriers to implementing 'US FATCA' in many jurisdictions and to reduce some of the burden on financial institutions. The first reporting deadline for financial institutions to file their report with the local tax authorities detailing US 'Specified Persons' was during the second quarter of 2015, which was to be in turn reported to the IRS by 30 September 2015. On 13 December 2013 Guernsey entered into a Model 1 IGA with the US.

The UK adopted a similar approach and developed "UK FATCA" IGAs for reporting equivalent information on UK Specified Persons' accounts held by financial institutions in its Crown Dependencies and Overseas Territories (CDOTs). The first reporting date for UK 'Specified Persons' to be reported to the tax authorities is June 2016, which will then in turn be reported to the HMRC.

The Company has registered under the U.S. Foreign Account Tax Compliance Act ("FATCA") and has received a GIIN which is SHB2T2.99999.SL.831.

Report of the Directors (continued)

Common Reporting Standard 'CRS'
The Common Reporting Standard (CRS) is a global tax information sharing initiative promoted by the O.E.C.D., similar to FATCA, came into force on 1 January 2016. Approximately 60 'Early Adopter' (EA) countries have signed up to comply with CRS from 1 January 2016 with a further 40 countries in agreement to comply from 1 January 2017. The requirements of CRS are fairly closely aligned to requirements under a FATCA Model 1 Intergovernmental agreement.

Specialist Fund Market 'SFM'
Whilst there are exemptions to reporting interests (holdings) that are 'regularly traded on an established securities market' the UK FATCA and US FATCA rules and supporting guidance interpret this phrase differently and have tests to help establish adherence. The end result is that if the definition cannot be met – and the US IGA specifically suspends it for Investment Entities - some holdings will instead require the application of FATCA due diligence and subsequent reporting of holders. Helpfully some holding types can be treated as excluded accounts for reporting purposes (e.g. the UK's HMRC now excludes CREST holdings), and there is more to be announced. CRS similarly adds further differences and thus complications.

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

Notification received from	Number of shares	Percentage of share capital
Chenavari European Opportunistic Credit Master Fund LP, Loic Fery	114,840,871	31.8%

The Concert Party
Capitalised terms used in the following paragraphs have the meaning ascribed to them in the Prospectus.

Pursuant to the Liquidation Scheme and the terms of the Transfer Agreement, details of which were set out in the Prospectus, upon First Admission, the Company acquired the Seed Assets in exchange for the issue of Roll-over Shares by the Company to the Assenting Toro Capital Shareholders (as instructed by the liquidator of Toro Capital I). Each of Loic Fery, Frederic Couderc, Benoit Pellegrini and Mick Vasilache (or nominees on their behalf) were Assenting Toro Capital Shareholders and received Roll-over Shares. Each of Loic Fery, Frederic Couderc, Benoit Pellegrini and Mick Vasilache (the ''Relevant Chenavari Partners'') are members of Chenavari Credit Partners LLP and for the purposes of the Takeover Code are treated as acting in concert with Chenavari Credit Partners LLP.

In addition, Chenavari Credit Partners LLP, acts as discretionary portfolio manager for the managed account, Chenavari European Opportunistic Credit Fund Ltd (the ''Managed Account''). The Managed Account acquired Ordinary Shares in the Company.

For the purposes of the Takeover Code, Chenavari Credit Partners LLP are treated as being interested in the Shares held by the Managed Account. Together the Relevant Chenavari Partners, Chenavari Credit Partners LLP, the Managed Account and certain other individuals (including Roberto Silvotti) connected with, and group companies of, the Chenavari Financial Group who are together deemed to be acting in concert for the purposes of the Takeover Code shall be referred to as the ''Concert Party''.

The Concert Party is interested in approximately 43% of the aggregate number of voting Shares in the Company. Any acquisitions of additional interests in Shares by or on behalf of a member of the Concert Party would trigger a mandatory offer under Rule 9 of the Takeover Code.

The Panel confirmed that for the period from First Admission to the first annual general meeting of the Company, no member of the Concert Party will be required to make an offer for the Company's remaining issued Shares pursuant to Rule 9 as a consequence of an increase in the percentage of total voting rights attributable to Shares in which the Concert Party is interested as a result of the Company repurchasing Shares in accordance with its discount management policy as described in this Part I of this prospectus.

The Directors intend to propose a resolution at the first and subsequent annual general meetings of the Company for approval by independent Shareholders to enable the Company to continue following the relevant annual general meeting to purchase its own Shares in the market in accordance with its discount management policy, and to issue Shares to the Portfolio Manager under the terms of the performance fee arrangements, without any member of the Concert Party incurring a Rule 9 mandatory bid obligation (the ''Whitewash Resolution''). Further details of the Whitewash Resolution will be set out in a circular sent to Shareholders convening the Company's annual general meeting.

Report of the Directors (continued)

Shareholders' and potential investors' attention is drawn to the possibility that the Concert Party could, by the operation of the discount management policy, come to hold Shares carrying more than 50 per cent. of the voting rights of the Company. In this event, members of the Concert Party will be able to acquire interests in further Shares without incurring any further 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.

Directors
The Directors of the Company during the Period and at the date of this Report are set out on page 6.

Directors' and Other Interests
The Directors' holdings and interests in the Company are listed in note 4 on page 51.

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.

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 appointed as the Company's Auditor for the 2015 audit following a competitive tender process during 2015.

A resolution for the reappointment of Deloitte will be proposed at the next Annual General Meeting.

Signed on behalf of the Board of Directors by:

Frederic Hervouet, Chairman

John Whittle, Director
27 January 2016

Corporate Governance Report

The Company is admitted to trading on the Specialist Fund Market of the London Stock Exchange ("SFM") 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 and Transparency Rules of the Financial Conduct Authority ("DTRs") while traded on the SFM, 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.

The Directors recognise the value of the UK Corporate Governance Code (the "UK Code") and have taken appropriate measures to ensure that the Company complies with the UK Code. The UK Code is publically available at www.frc.org.uk/Our-Work/Codes-Standards/Corporate-governance.aspx.

Compliance with the UK Code
Pursuant to the listing rules of the UKLA, the Company is required to provide shareholders with a statement on how the main and supporting principles set out in the UK Code have been applied and whether the Company has complied with the provisions of the UK Code. The Board recognises the importance of a strong corporate governance culture and has established a framework for corporate governance which it considers to be appropriate to the business of the Company. The Board has reviewed the principles and recommendations of the UK Code and considers that the Company has complied throughout the Period, except as disclosed below:

Section A-C: The Company does not have a Deputy Chairman, Executive Directors or a Chief Executive Officer. Accordingly, provisions of the UK Code relating to the Deputy Chairman, Executive Directors and Chief Executive Officer do not apply to the Company.

Explanation: As the UK Code itself states, investment companies typically have a Board structure that differs from those of other companies and this affects the relevance of particular provisions of the UK Code. Due to the nature of the Company's business and the structure of its relationships with its Administrator, Sub-Administrator, AIFM, Custodian and Portfolio Manager, the Directors do not believe it would be at present cost-effective or advisable to have full-time Executive Directors.

Section A4.1: The Company has not appointed one of the independent non-executive directors to be the senior independent director.

Explanation: An independent senior director has not been identified and such a role is not considered necessary because the Company has adopted a policy that the composition of the Board of Directors, which is required by the Company's Articles to comprise of at least two persons, is at all times such that a majority of the Directors are independent of the Portfolio Manager and any company in the same group as the Portfolio Manager; the Chairman of the Board of Directors is free from any conflicts of interest and is independent of the Portfolio Manager and of any company in the same group as the Portfolio Manager; and that no partner, employee or professional adviser to the Portfolio Manager or any company in the same group as the Portfolio Manager may be a Director of the Company at any time.

Section B2.1: The Company has not established a nomination committee to lead the process for board appointments and make recommendations to the Board.

Explanation: The appointment of new directors forms part of the schedule of matters reserved for the Board and the Board considers that the process for board appointments to be the Board's responsibility in accordance with the principles set out in the UK Code.

Section B2.3: Non-executive directors should be appointed for specified terms subject to re-election and to statutory provisions relating to the removal of a director.

Explanation: All newly appointed Directors shall stand for election by the shareholders at the next Annual General Meeting following their appointment. The Directors shall retire by rotation every three years and, if appropriate, offer themselves for re-election in accordance with UKLA Listing Rules LR 15.4.7 and 15.2.13A, with which the Company voluntarily complies. Mr Silvotti is subject to annual re-election as he is not considered to be independent due to his current appointment to the Boards of other Company's in the Group of the Investment Manager and previous appointment as CRO of the Investment Manager. Directors who have served on the Board for more than nine years are subject to annual re-election. The names of Directors submitted for appointment or reappointment shall be accompanied by sufficient biographical details to enable shareholders to make an informed decision.

Corporate Governance Report (continued)

Section C3.1: The Board should establish an Audit Committee of at least three, or in the case of smaller companies two, independent non-executive directors.

Explanation: The Company's Audit Committee comprises all members of Board, 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. Given Mr Silvotti's extensive investment experience, the independent members of the Audit Committee are of the opinion that shareholder interests are best served through Mr Silvotti's membership of the Audit Committee. Per the Code, for small companies the Company Chairman may be a member but not the Chair of the Audit Committee.

Section C3.5: The audit committee should review arrangements by which staff of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. The audit committee's objective should be to ensure that arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow-up action.

Explanation: Given the Directors are non-executive and the Company does not have employees, there is no whistle-blowing policy and the Company relies on the Company Secretary and other third-party service providers to address any concerns raised.

Section C3.6: The Company does not have an internal audit function.

Explanation: The Directors believe that this requirement of the UK Code was intended for companies with internal accounting departments. The Company has no employees and relies on its Administrator and Sub-Administrator for assistance in drawing up its accounts and reports to Shareholders.

Section D.1: The Board has not established a remuneration committee to consider executive directors remuneration to promote the long-term success of the Company.

Explanation: 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 29 of these Financial Statements.

Further details of compliance with the UK Code are noted in the succeeding pages. There have been no instances of non-compliance, other than those noted above and the Company has therefore not reported further in respect of these provisions.

The Guernsey Financial Services Commission issued a Finance Sector Code of Corporate Governance (the "GFSC Code") which came into effect on 1 January 2012. As the Company voluntarily reports by reference to the UK Code, it is deemed also to meet the requirements of the GFSC Code.

Composition and Independence of the Board
The Board currently consists of three non-executive Directors. Biographies for all the Directors can be found on page 12. Mr Hervouet and Mr Whittle are considered independent of the Advisers for the purposes of the Company's compliance with the UK 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 and therefore will be re-elected annually at the AGM.

The Chairman of the Board is Frederic Hervouet and, in this function, is responsible for the leadership of the Board and ensuring its effectiveness on all aspects of its role. In considering the independence of the Chairman, the Board has taken note of the criteria set out in B.1.1 of the UK Code relating to independence, and has determined that Mr Hervouet is an Independent Director.

The Company has no employees and therefore there is no requirement for a chief executive. The Board is responsible for the appointment and monitoring of all service providers to the Company. Between formal meetings there is regular contact with the Portfolio Manager and the Corporate Broker. The Directors are kept fully informed of investment and financial controls and other matters that are relevant to the business of the Company and should be brought to the attention of the Directors. The Directors also have access to the Company Secretary and, where necessary in the furtherance of their duties, to independent professional advice at the expense of the Company.

Corporate Governance Report (continued)

The Board holds quarterly Board meetings, the Audit Committee meets at least three times a year and the Management Engagement Committee meets at least annually. In addition, ad hoc meetings of the Board to review specific items between the regular scheduled quarterly meetings can be arranged.

Attendance at the Board, Audit Committee and Management Engagement Committee meetings from 2 March 2015 (date of incorporation) to 30 September 2015 was as follows:

Director	Board meetings *		Audit Committee meetings		Management Engagement Committee meetings	
	Held	Attended	Held	Attended	Held	Attended
Frederic Hervouet	12	12	1	1	1	1
John Whittle	12	10	1	1	1	1
Roberto Silvotti	12	11	1	1	1	1

*Prior to the appointment of the Board, Melanie Torode and Serena Tremlett attended two Board meetings in their interim capacity as Non-executive Directors.

At the Board meetings the Directors review the management of the Company's assets and all other significant matters so as to ensure that the Directors maintain overall control and supervision of the Company's affairs. Agendas and Board papers are circulated in advance of meetings to assist members to discharge their duties appropriately. The Company maintains a formal schedule of matters reserved for the Board.

The Board has a breadth of experience relevant to the Company and the Directors believe that any changes to the Board's composition can be managed without undue disruption. With any new director appointment to the Board, consideration will be given as to whether an induction process is appropriate.

The Board has reviewed its composition and believes that the current appointments provide an appropriate range of skills, experience and diversity. In order to maintain its diversity, the Board is committed to continuing to review its current composition.

Audit Committee
An Audit Committee has been established and is chaired by John Whittle and also has Frederic Hervouet as a member. Roberto Silvotti is a regular attendee at Audit Committee meetings. 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 page 25.

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 first review of the performance and capabilities of the Portfolio Manager at its meeting on 21 October 2015 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.

Board Performance
The Management Engagement Committee formally evaluated the Board's effectiveness on 21 October 2015 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. The Management Engagement Committee found the performance of the Chairman, individual directors and the Board as a whole over the review period to be as expected.

Corporate Governance Report (continued)

Investor Relations
Shareholders are able to contact the Company through Chenavari investor relations (e-mail address TLIR@chenavari.com) or by correspondence sent to the Company Secretary or Corporate Broker. As a consequence, the Board receives appropriate updates from the Company Secretary, Portfolio Manager or Corporate Broker relative to such correspondence to keep it informed of Shareholders' sentiment or analyst views.

The Company also publishes a monthly factsheet on its website www.torolimited.gg, which include updates on markets and the Company's performance.

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 risks set out below are those which are considered to be the material risks relating to an investment in the Shares but are not the only risks relating to the Shares or the Company. Additional risks and uncertainties of which the Company is presently unaware or that the Company currently believes are immaterial may also adversely affect its business, financial condition, results of operations or the value of the Shares. The Directors have undertaken a robust assessment of the principal risks facing the Company and have undertaken a detailed review of the effectiveness of the risk management and internal control systems. Given the Company's short first financial period to 30 September 2015, the Directors are comfortable that the risks are being appropriately monitored however the documentation to support these processes is still undergoing formalisation.

Risk	**Explanation/Mitigant**
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. 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.
Replenishment risk (quality of new reference assets)	The terms of an investment may permit the relevant counterparty to alter the composition of the collateral. The Portfolio Manager will seek to ensure that the investment documents clearly define eligible replacement assets to mitigate the risk of inferior quality assets being added. In certain cases, and to the extent possible in respect of primary investments, the Portfolio Manager may negotiate veto rights for investors on new names being added to the collateral pool.
Bank counterparty risk	Investments may expose the Company to a bank counterparty's credit risk. The terms of such investments will generally include credit rating triggers such that the investment is terminated or accelerated, or other credit support features are activated, if a bank counterparty's credit ratings decline by more than a predetermined threshold. The Company may also enter credit default swaps referenced to a bank counterparty to protect against a bank counterparty's default.
Currency risk	Where investments are undertaken in currencies other than Euro, the Company may also enter into currency hedging transactions.
Call risk	Investments may have call features which, if activated, would result in re-investment risks for the Company. This is mitigated by restricting the situations where an investment can be terminated and/or by requiring that premiums be payable to investors when an investment is called
Interest rate risk	Investments are generally floating rate investments. In situations where this is not the case, the Company may also (but is not obliged to) enter into interest hedging transactions.

Valuation and classification of financial assets at fair value through profit or loss risk	Investments are valued in accordance with the Company's Valuation Policy which 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. The Board has established a 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 Board requested the Audit Committee to further consider this risk with work undertaken by the Audit Committee discussed on page 25. 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 was correctly stated in the Financial Statements.
Portfolio Manager risks	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 the applicable law, the Company's investment objectives and guidelines and the Company's contractual obligations. The Management Engagement Committee carried out its first review of the performance and capabilities of the Portfolio Manager at its meeting on 21 October 2015 and confirmed that the continued appointment of the Portfolio Manager is deemed to be in the interest of shareholders. There can be no assurance that the Portfolio Manager's past performance will be any guide to future performance or results.
Tax, legal and regulatory risks	Changes in the Company's tax status or tax treatment may adversely affect the Company, and if the Company becomes subject to the UK offshore fund rules there may be adverse tax consequences for certain UK resident Shareholders. The Company expects that US taxpayers generally would be subject to adverse US tax consequences in respect of their investment in the Shares under US tax rules applicable to passive foreign investment companies ("PFIC"). Accordingly, the acquisition of Shares may not be a suitable investment for U.S. Holders (other than U.S. Holders that are tax-exempt organisations). U.S. Holders should consult their tax advisers regarding the application of the PFIC rules to an investment in Shares. On 13 December 2013, the States of Guernsey entered into an IGA with the US Treasury in order to facilitate the requirements under US FATCA and has also entered into an IGA with the UK in order to comply with the UK's requirements for enhanced reporting of tax information in accordance with FATCA principles. Non-compliance with FATCA could potentially expose the Company to a US withholding tax on all proceeds from its US investments at the rate of 30%. The Company has registered for its Global Intermediary Identification Number ("GIIN") with the Inland Revenue Service ("IRS") and the Board is monitoring developments with the assistance of its professional advisers. The Administrator, Sub-Administrator, Broker and Portfolio Manager provide regular updates to the Board on compliance with the Admission document and changes in regulation.
Operational risks	The Company is exposed to the risk arising from any failures of systems and controls in the operations of the Portfolio Manager, Administrator, the Sub-Administrator and the Custodian. The Board and its Audit Committee regularly review reports from the Portfolio Manager and the Administrator on their internal controls.

Audit Committee Report

I am pleased to report to you on the activities of the Audit Committee for the period from 2 March (date of incorporation) to 30 September 2015.

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 UK Code recommendations and is of the opinion that the revised UK 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 UK Code.

Delegation of Duties
The Company has no employees as all functions, including the preparation of the financial statements, have been outsourced to various service providers. Morgan Sharpe Administration Limited have been appointed as Administrator and Company Secretary, Quintillion 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 and Principal Bankers and Capita Registrars (Guernsey) Limited 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 UK 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 C.3.1 of the UK Code. Each Audit Committee member is expected to be financially literate and to have 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)

As an Audit Committee we will meet at least three times a year. In this first, five month period, the Audit Committee has met once. 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 one time, attendance at which is set out on page 21. 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 period from 2 March 2015 (date of incorporation) to 30 September 2015 (the "Annual Report"). We compared the results with management accounts, budgets and monthly net asset values, 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 International Financial Reporting Standards ("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 2015, the Company's investments had a fair value of €301.5 million and represented a substantial portion 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.

Following discussion, we were satisfied that the judgments made and methodologies applied were prudent 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 income statement. This is explained further in note 2.4 to the financial statements.

Portfolio Manager's Fee
The Audit Committee identified the calculation of the Portfolio Manager's Fee (including Performance Fee) to represent a significant risk of misstatement in the Company's financial reporting given the complexity of the calculation and the related party relationship. The Committee requested the Administrator, Sub-Administrator, Auditor and Portfolio Manager to work together to ensure that the Management Fee calculation agreed to the terms of the Management Fee calculation methodology as set out in the Portfolio Management Agreement. The Audit Committee reviewed a detailed calculation methodology prepared by the Sub-Administrator and agreed the calculation with the Auditor and Portfolio Manager.

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. However, the Audit Committee receives 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. We deem that, to date, there are no significant issues in this area that need to be brought to your attention.

External Audit

It is the responsibility of the Audit Committee to monitor the performance, independence, objectivity and re-appointment of Deloitte. On 21 July 2015, we met with Deloitte who presented their Audit Strategy and Plan for the Period; we agreed the audit plan for the Period, 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 Period, 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.

Audit Committee Report (continued)

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

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

Deloitte was appointed as the Company's auditor for the 2015 period end audit following a competitive tender process during 2015. 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 at the forthcoming Annual General Meeting. 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 Period the value of non-audit services provided by Deloitte amounted to £133,500 consisting of reporting account services of £128,000 and tax services of £5,500. Non-audit services were primarily in relation to reporting accountant services provided to the Company prior to its initial public offering and the Audit Committee is satisfied that the overall quantum of ongoing non-audit services is not anticipated to be material.

Committee Effectiveness

The effectiveness of the Audit Committee will be reviewed on an annual basis by both the Board and the Audit Committee and will be reported in subsequent financial statements. A member of the Audit Committee will be available to shareholders at the forthcoming Annual General Meeting 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

27 January 2016

Directors' Remuneration Report

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

The Directors do not consider it necessary for the Company to establish a separate Remuneration Committee since the Boards remuneration forms part of the schedule of matters reserved for the Board and the matters recommended by the UK Code that would be delegated to such a committee, is 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 Chairmen 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 subject to the following annual remuneration in the form of Directors' fees

Frederic Hervouet (Chairman of the Board)	£50,000
John Whittle	£40,000
Roberto Silvotti	£30,000
Total	**£120,000**

In consideration of fees of £8,791 and £7,032 Mr Hervouet and Mr Whittle received 12,121 and 9,696 shares respectively based on the prevailing market NAV at the time of payment.

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

The remuneration policy set out above is the one applied for the period from 2 March 2015 (date of incorporation) to 30 September 2015 and is not expected to change in the foreseeable future.

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 in 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 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
Appropriate disclosures will be made in due course in accordance with Article 22(2)(e) and 22(2)(f) of the AIFMD.

Signed on behalf of the Board of Directors by:

Frederic Hervouet, Chairman

27 January 2016

Commodity Exchange Affirmation Statement

Affirmation Required by the Commodity Exchange Act, Regulation §4.7(b)(3)(i)
I, Loic Fery, on behalf of the Managing Member of Chenavari Credit Partners LLP (Commodity Pool Operator of Toro Limited) hereby affirm that, to the best of my knowledge and belief, the information contained in this annual report and audited financial statements is accurate and complete.

Loic Fery
27 January 2016

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Directors' Report and the Financial Statements in accordance with applicable Guernsey law and regulations.

Guernsey Company law requires the Directors to prepare Financial Statements for each financial year. Under that law they have elected 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, 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 IFRSs 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 International Financial Reporting Standards 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; and

- the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for Shareholders to assess the Company's performance, business model and strategy.

- The annual report includes information required by the LSE and for ensuring the Company complies with the relevant provisions of the Disclosure and Transparency Rules and the UK Listing Authority.

This responsibility statement was approved by the board of directors on 27 January 2016 and is signed on its behalf by:

Frederic Hervouet
Non-executive Chairman

27 January 2016

Independent Auditor's Report to the Members of Toro Limited

Opinion on financial statements of Toro Limited

In our opinion the financial statements:

- **give a true and fair view of the state of the Company's affairs as at 30 September 2015 and of its profit for the period from 2 March 2015 to 30 September 2015;**
- **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.**

The financial statements comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Equity and the related notes 1 to 21. The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

Going concern and the Directors' assessment of the principal risks that would threaten the solvency or liquidity of the Company

We have reviewed the Directors' statement regarding the appropriateness of the going concern basis of accounting and the Directors' statement on the longer-term viability of the Company both contained within pages 15 and 16 of the Report of the Directors.

We have nothing material to add or draw attention to in relation to:

- the Directors' confirmation on page 23 that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity;
- the disclosures on pages 23 and 24 that describe those risks and explain how they are being managed or mitigated;
- the Directors' statement on page 16 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;
- the Director's explanation on pages 15 and 16 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 agreed with the Directors' adoption of the going concern basis of accounting and we did not identify any such material uncertainties. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

Independence

We are required to comply with the Financial Reporting Council's Ethical Standards for Auditors and we confirm that we are independent of the Company and we have fulfilled our other ethical responsibilities in accordance with those standards. We also confirm we have not provided any of the prohibited non-audit services referred to in those standards.

Our assessment of risks of material misstatement

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.

Risk	How the scope of our audit responded to the risk
Valuation and classification of financial assets at fair value through profit or loss	
The investments balance at 30 September 2015 had a fair value of €302m representing 82% of the net asset value of the Company. Details of investments are disclosed in notes 6 and 8. Investments are the most quantitatively significant balance and are an area of focus because they are the main driver of the Company's performance and net asset value. The investments are not actively traded and their valuation is reliant on broker quotes and in some cases is derived from valuation models. The inputs to those valuations are judgemental and may include but are not limited to counterparty risk, pre-payment risk, replenishment risk and underlying credit risk. Inputs to the internal valuations and those provided by brokers may include unobservable inputs and there could be a lack of depth in the quotations provided. Further details of the accounting policy and methodology on valuation of investments are described in note 3.1 to the financial statements.	To test the valuation of investments as at 30 September 2015 we performed the following procedures: • Assessed the design and implementation of controls around the valuation of investments to determine whether appropriate oversight had been exercised within the valuation process; • Assessed the valuation policy and methodology adopted by management in comparison to IFRS and industry practice; • Where valuation models were used, we engaged our internal fair valuation specialists to review the models and methodology used and challenged the appropriateness thereof. This included checking the consistency of model parameters and key assumptions to subscription documents and other inputs against actual loan performance data; • Where broker pricing was used, we obtained independent price quotes from the brokers; • For a sample of investments, we obtained price information from independent sources such as Markit to determine whether this information was consistent with prices used; and • For a sample of investments realised during the period, we challenged 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.
Classification of investments within the fair value hierarchy is a significant judgement. In particular determining what constitutes observable evidence of trading in investments is subjective in the absence of public sources of information. For investments classified as being at level 3 in the fair value hierarchy, determining the appropriate disclosure of risks and sensitivities also requires judgement.	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 based on the evidence obtained. We performed the following procedures: • Reviewed the broker quotes obtained by management; • 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.

Risk	Our response
Calculation of management and performance fees The entity's investment manager is entitled to management and performance fees. Management fee for the year was €1.4m and performance fees for the period was €2.2m and details of management and performance fees arrangement are as described in note 4 (c) to the financial statements. The calculation of the performance fee can be complex and both fees can be sensitive due to their related party nature. There is a risk that these are not correctly calculated leading to a materially misstated expense balance. The risk exists that these fees are not calculated and paid in accordance with the terms of the relevant agreements. This risk is also connected to the risk on valuation, as described above, as an incorrect net asset value balance would also lead to an incorrect fee expense balance. In the current year performance did not exceed the hurdle return so the risk around performance fees was less significant than it may be in future years.	We evaluated and challenged the recognition of management and performance fees. We performed the following procedures: • Assessed the design and implementation of controls in relation to calculation of management and performance fees; • Reviewed the contractual arrangements with the investment manager; and • Performed a re-calculation of the management and performance fees utilising independently derived inputs. For performance fees we checked whether the criteria for accrual is achieved based on the level of unrealised gains.

The description of risks above should be read in conjunction with the significant issues considered by the Audit Committee discussed on pages 26 and 27.

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.

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.

We determined materiality for the Company to be €6,737,000 which is approximately 2% of net asset value. We have derived our materiality based on the net asset value of the Company as we consider it to be the most important balance on 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 €134,000, 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.

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. As the entity's sub-administrator who maintains the accounting records is in Ireland, part of the audit work was undertaken by Deloitte Ireland, supervised and directed by Guernsey based personnel.

The administrator and sub-administrator maintain the books and records of the entity. The investment manager and investment adviser maintain detailed documentation pertaining to the investment activities of the entity. 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.

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.

Our duty to read other information in the Annual Report

Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Company acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' statement that they consider the Annual Report is fair, balanced and understandable and whether the Annual Report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.

Corporate Governance Statement

Although not required to do so, the Directors have voluntarily chosen to make a corporate governance statement detailing the extent of their compliance with the UK Corporate Governance Code. We reviewed the part of the Corporate Governance Statement relating to the Company's compliance with certain provisions of the UK Corporate Governance Code. We have nothing to report arising from our review.

Respective responsibilities of Directors and Auditor

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team and independent partner reviews.

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/or those further matters we have expressly agreed to report to them on in our engagement letter 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.

Scope of the audit of the financial statements

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

David Becker (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Recognised Auditors
St Peter Port, Guernsey

27 January 2016

Statement of Comprehensive Income
For the period 2 March 2015 (date of incorporation) to 30 September 2015

	Note	For Period Ended 30 September 2015 €
Income		
Net gain on financial assets and financial liabilities held at fair value through profit or loss	12	16,428,263
Total net income		**16,428,263**
Expenses		
Management fees	4 (c)	1,403,706
Performance fees	4 (c)	2,165,819
Administration fees	5 (b)	38,656
Sub-administration fees	5 (c)	101,333
Custodian and brokerage fees	5 (d)	20,494
Legal fees		42,227
Directors' fees	4(a)	70,711
Audit fees		80,687
AIFM fees	4 (c)	30,396
Other operating expenses		113,651
Total operating expenses		**4,067,680**
Financing costs		
Interest expense		87,651
Profit for the period and total comprehensive income		**12,272,932**
Earnings per Share		
Basic and diluted	9	3.52 cent

Director:
Date: 27 January 2016

Director:
Date: 27 January 2016

All items in the above statement derive from continuing operations.

There are no comparative figures as this is the Company's first financial period of operation

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 2015

	Note	30 September 2015 €
Assets		
Financial assets at fair value through profit or loss	2.2,8,11	301,516,954
Due from broker	13	30,558,253
Other receivables and prepayments	14	10,514
Cash and cash equivalents	2.5	57,821,432
Total assets		**389,907,153**
Equity		
Share capital and share premium	16	354,752,496
Retained earnings		12,272,932
Total equity		**367,025,428**
Current liabilities		
Financial liabilities at fair value through profit or loss	2.2,8,11,2.13	19,502,143
Due to broker	13	612,500
Accrued expenses	15	2,767,082
Total liabilities		**22,881,725**
Total equity and liabilities		**389,907,153**
Shares outstanding	16	361,450,000
Net asset value per share	10	101.54 cent

Director:
Date: 27 January 2016

Director:
Date: 27 January 2016

There are no comparative figures as this is the Company's first financial period of operation

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 period 2 March 2015 (date of incorporation) to 30 September 2015

	Note	Retained earnings €	Share capital and share premium €	Total €
On incorporation at 2 March 2015		-	-	-
Total comprehensive income		12,272,932	-	12,272,932
Issue of shares net of issue costs	16	-	354,752,496	354,752,496
At 30 September 2015		**12,272,932**	**354,752,496**	**367,025,428**

There are no comparative figures as this is the Company's first financial period of operation

The condensed schedule of investments and notes to the financial statements are an integral part of the financial statements.

Statement of Cash Flows
For the period 2 March 2015 (date of incorporation) to 30 September 2015

	For the Period Ended 30 September 2015 €
Cash flows from operating activities	
Profit for the period	12,272,932
Adjustments for non-cash items and working capital:	
Purchase of investments	(449,191,270)
Disposal and paydowns of investments	157,090,455
Net gain on financial assets and derivatives at fair value	(8,436,490)
Increase in amounts due from brokers	(30,558,253)
Increase in other receivables and prepayments	(10,514)
Increase in amounts due to brokers	612,500
Increase in reverse purchase agreement	18,522,494
Increase in accrued expenses	2,767,082
Net cash outflow from operating activities	**(296,931,064)**
Cash flows from financing activities	
Issue of shares net of costs	354,752,496
Net cash inflow from financing activities	**354,752,496**
Net increase in cash and cash equivalents	57,821,432
Cash and cash equivalents at beginning of the period	-
Cash and cash equivalents at end of the period	**57,821,432**

There are no comparative figures as this is the Company's first financial period of operation

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 2015

	Belgium	Cayman Island	France	Great Britain	Greece	Ireland	Italy	Jersey	Luxembourg	Netherlands	Spain	Other	Total	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	%
Financial assets at fair value through profit or loss														
Equity Securities														
Hotel, Restaurant & Leisure	-	-	-	251,913	-	-	-	-	-	-	-	-	251,913	0.07%
Equity Securities Total	-	-	-	251,913	-	-	-	-	-	-	-	-	251,913	0.07%
Debt Securities														
Bond	-	-	-	-	326,673	-	-	-	-	-	-	-	326,673	0.09%
Arbitrage CDO	-	-	-	-	-	60,649,597	-	3,778,516	2,960	16,184,848	929,506	-	81,545,427	22.22%
Commercial mortgage-backed security	-	-	255,888	8,503,792	-	1,239,191	-	-	-	-	-	-	9,998,871	2.72%
Arbitrage CLO	-	-	-	635,665	-	26,497,626	-	-	41,380,000	32,958,923	-	-	101,472,214	27.65%
Residential mortgage-backed security	2,659,256	-	-	37,002,104	-	20,426,470	-	-	-	7,249,959	3,886,990	-	71,224,779	19.41%
Balance Sheet CLO	-	203,257	-	-	-	5,593,000	-	-	-	-	3,505,742	-	9,301,999	2.53%
Consumer ABS	-	-	-	3,053,948	-	-	5,184,780	-	-	-	4,084,779	-	12,323,507	3.36%
Senior Loan	-	-	-	7,943,300	-	-	-	-	-	-	-	-	7,943,300	2.16%
Whole Loan	-	-	-	-	-	-	-	-	6,003,365	-	-	-	6,003,365	1.63%
Debt Securities Total	2,659,256	203,257	255,888	57,138,809	326,673	114,405,884	5,184,780	3,778,516	47,386,325	56,393,730	12,407,017	-	300,140,135	81.77%
Derivative Financial asset														
Credit Default Swap	-	-	-	-	-	-	-	-	-	-	-	441,378	441,378	0.12%
Listed Options	-	-	-	-	-	-	-	-	-	-	-	462,606	462,606	0.13%
Forward FX Contracts	-	-	-	-	-	-	-	-	-	-	-	220,922	220,922	0.06%
Derivative Financial asset Total	-	-	-	-	-	-	-	-	-	-	-	1,124,906	1,124,906	0.31%
Financial assets at fair value through profit or loss Total	**2,659,256**	**203,257**	**255,888**	**57,390,722**	**326,673**	**114,405,884**	**5,184,780**	**3,778,516**	**47,386,325**	**56,393,730**	**12,407,017**	**1,124,906**	**301,516,954**	**82.15%**

*Table based on country of issuance

Condensed Schedule of Investments, at Fair Value * (continued)
As at 30 September 2015

	Belgium EUR	Cayman Island EUR	France EUR	Great Britain EUR	Greece EUR	Ireland EUR	Italy EUR	Jersey EUR	Luxembourg EUR	Netherlands EUR	Spain EUR	Other EUR	Total EUR	Total %
Financial liabilities at fair value through profit or loss														
Derivative Financial Liabilities														
Credit Default Swap	-	-	-	-	-	-	-	-	-	-	-	(882,755)	(882,755)	(0.24%)
Forward FX Contracts	-	-	-	-	-	-	-	-	-	-	-	(96,894)	(96,894)	(0.03%)
Repurchase Agreement	-	-	-	(18,522,494)	-	-	-	-	-	-	-	-	(18,522,494)	(5.07%)
Derivative Financial liabilities Total	-	-	-	-	-	-	-	-	-	-	-	(979,649)	(19,502,143)	(5.34%)
Financial liabilities at fair value through profit or loss Total	**-**	**-**	**-**	**(18,522,494)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(979,649)**	**(19,502,143)**	**(5.34%)**
Total Net Investments	**2,659,256**	**203,257**	**255,888**	**38,868,228**	**326,673**	**114,405,884**	**5,184,780**	**3,778,516**	**47,386,325**	**56,393,730**	**12,407,017**	**145,257**	**282,014,811**	**76.81%**
Other Assets and Liabilities													**85,010,617**	**23.19%**
Net Assets													**367,025,428**	**100.00%**

*Table based on country of issuance

Notes to the Financial Statements

1. General information

Toro Limited (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 Specialist Fund Market of the London Stock Exchange ("SFM"). Such Shares were also listed on the Official List of the Channel Islands Security Exchange Authority Limited ("CISEAL") 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 Asset Backed Securities 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 portfolio.

Target returns and dividend policy
On the basis of market conditions as at the date of the prospectus (28 April 2015), and whilst not forming part of its investment objective or investment policy, the Company will target a net total return on invested capital of 12 to 15 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 its income from investments, net of expenses, by way of dividends payable quarterly in March, June, September and December of each year. On Admission the Company targeted a first dividend payment in respect of the Period from First Admission to 30 September 2015 of at least 1.2 per cent. of the Issue Price per Share. On 29 October 2015 the Company announced the payment of a dividend of 2.0 cent per ordinary share for the Period, exceeding the Company's target. The Company may retain income for distribution in a subsequent quarter to that in which it arises in order to smooth dividend amounts or for the purpose of efficient cash management.

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 Asset Backed Securities 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.

Notes to the Financial Statements (continued)

1. General information (continued)

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.

Eligible investments
Each investment shall, as of the date of acquisition by the Company, be either 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 Net Asset Value 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 Net Asset Value;

- no more than 50 per cent. of Net Asset Value, 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 Net Asset Value, 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.

Notes to the Financial Statements (continued)

1. General information (continued)

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 credit default swaps 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.

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 Net Asset Value (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 Annual Financial Statements for the period from 2 March 2015(date of incorporation) to 30 September 2015 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board, the Disclosure 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.

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 and interpretations not yet adopted:

The Company has not applied the following new and revised IFRSs that have been issued but are not yet effective in these financial statements however these are not expected to have a material impact:

- IFRS 9 Financial Instruments ("IFRS 9")

The International Accounting Standards Board (IASB) has published the final version of IFRS 9 bringing together the classification and measurement, impairment (including the expected loss model for financial assets) and hedge accounting phases of the IASB's project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 is effective for periods beginning on or after 1 January 2018.

The Company will be required to apply the new classification and measurement model for financial assets. This will include both assessing the business model objective of the Company in holding financial assets for the collection of contractual cash flows and sales of such assets; and assessing whether the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the contractual amount outstanding. Depending on the analysis, the Company may be required to measure its investments in accordance with the new provisions of IFRS 9 under Fair Value Through Other Comprehensive Income. In such circumstances the Company would be required to apply the impairment provisions of the new expected loss model. Whilst the directors have not completed the analysis of the impact, the presence of leverage in the financial assets held by the Company is currently expected to result in the continued classification of financial assets as Fair Value Through Profit and Loss with no change to the measurement basis applied.

- IFRS 15 Revenue from Contracts with Customers

In May 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations when it becomes effective (which will be for the first set of financial statements prepared after 1 January 2018).

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or service to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Notes to the Financial Statements (continued)

2. Summary of significant accounting policies (continued)

2.1. Basis of preparation (continued)

Specifically, the standard introduces a 5-step approach to revenue recognition.

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract.

Step 5: Recognise revenue when (or as) the entity satisfies performance obligations.

Under IFRS 15, an entity recognise revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in the IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

The Board do not anticipate that the application of IFRS 15 in the future may have a material impact on the amounts reported and disclosure made in the Company's financial statements as the Company does not earn revenue arising from contracts with customers.

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. These financial assets and financial liabilities are classified as held for trading or designated by the Board of Directors at fair value through profit or loss at inception.

Financial assets or financial liabilities held for trading are those acquired or incurred principally for the purposes of selling or repurchasing in the short term. Derivatives are also categorised as financial assets or financial liabilities held for trading. The Company does not classify any derivatives as hedges in a hedging relationship.

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.

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 (continued)

(d) 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 period 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. 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 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.

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.

(e) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated 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 consolidated 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.

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.

Notes to the Financial Statements (continued)

2. Summary of significant accounting policies (continued)

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. Roll-over shares from Toro Capital I were issued based on a deemed issue price of €0.9825. This deemed issue price was fixed to ensure that Roll-over Shareholders bear a proportionate share of the fixed launch costs of the Company but do not indirectly bear the cost of any variable placing commissions payable in connection with the Issue.

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 2015 were as follows: GBP 1.3570 USD 0.8959

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

Accrued expenses are recognised initially at fair value and subsequently stated at amortised cost using the effective interest method.

2.10 Other receivables and prepayments

Other receivables are amounts due in the ordinary course of business. Other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

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.

2.13 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 2015 there are repurchase agreements in place. The key terms are as follows:

Main terms of the repurchase agreement in place as of 30 September 2015:
Maturity: 23 Nov 2015 (3 months)
Rate : 0.70%
Notional: 16,450,000

Notes to the Financial Statements (continued)

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, 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 Net Asset Value ("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, seventy-five transactions are classified as Level 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.

Valuation and classification of investments

The Board of Directors consider the valuation of investments and the classification of these investments in the fair value hierarchy as the critical judgements. 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.

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 initial fee for Mr. Hervouet as Non-executive Chairman will be £50,000 per annum. The initial fee for Mr. Whittle as Chairman of the Audit Committee will be £40,000 per annum. The initial fee for Mr. Silvotti will be £30,000 per annum. During the Period ended 30 September 2015, Directors fees of €70,711 were charged to the Company, of which €30,343 remained payable at the end of the Period. The directors elected to receive a portion of their director's remuneration in the form of shares, Frederic Hervouet received 12,121 shares with a value of £8,791 and John Whittle received 9,696 shares valued at £7,032. The shares were valued based on the prevailing market NAV at the time of payment.

Notes to the Financial Statements (continued)

4. Related parties (continued)

(b) Shares held by related parties

As at 30 September 2015, the Directors held the following Shares in the Company.

Frederic Hervouet	12,121
John Whittle	9,696
Roberto Silvotti	954,692

Loic Fery is 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 (the "Managed Account"). The Managed Account and Loic Fery hold 31.8% of the shares in Toro Limited as per disclosure page 17 above.

Roberto Silvotti is a Director of Chenavari Investment Managers (Guernsey) Limited and Chenavari Investment Managers (Luxembourg) S.a.r.l (both being members of the Chenavari Financial Group) and Chenavari Multi Strategy Credit Fund Limited (a company under the discretionary management of Chenavari Investment Managers (Luxembourg) S.a.r.l). He forms part of the Concert Party described on page 17 which includes Chenavari Credit Partners LLP and related Chenavari Group companies, relevant Chenavari Partners and employees and Chenavari European Opportunities Credit Fund Limited. In total, this Concert Party holds approximately 43% of the shares of the Company and is therefore deemed to have a significant influence over Toro Limited 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. 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.

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 Net Asset Value per Share Class (before deducting the amount of that month's portfolio management fee and any accrued liability with respect to any performance fee).

Total portfolio management fees for the Period amounted to €1,403,706 with €325,232 in outstanding accrued fees due at the end of the Period.

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 Net Asset Value 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 Net Asset Value 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 Net Asset Value 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 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 Net Asset Value per Share. 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. As set out under "Concert Party" on page 17, the issuance of further Shares to the Portfolio Manager will not take place without a Whitewash Resolution from Shareholders. As such, only the cash component of the Performance Fee has been paid to date.

Performance fees of €2,165,819 were charged in the period to 30 September 2015. As at 30 September 2015, this full amount was payable.

Notes to the Financial Statements (continued)

4. Related parties (continued)

The Company has funded investments with a value of €60,328,685 via hybrid instruments or equity issued by legally segregated compartments of AREO S.à.r.l. ("Areo"), a company incorporated in Luxembourg under the Securitization Law of 2004. Areo is majority owned by funds managed by the Chenavari group and is 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 two compartments of Areo, and 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. Areo is a conduit special purpose vehicle sponsored by a member of the Chenavari Financial Group, for the purposes of the Company's application of Listing Rule II.

5. Material agreements

(a) Financial Adviser and Bookrunner to the Placing

For its services as the Company's placing agent pursuant to a placing agreement dated 28 April 2015 in connection with the IPO of shares in May 2015 and subsequent share issues in July 2015, Dexion Capital Limited (the "Placing Agent") was entitled to receive a corporate finance fee and a commission calculated by reference to the Gross Issue Proceeds of the Placing of the IPO. The Placing Agent received a fee of €504,359 under this agreement. These fees are shown in equity as a deduction from the proceeds of the issue of Shares. The Placing Agent is also entitled to receive a retainer for their corporate broking services of £75,000 per annum, payable quarterly in advance.

(b) Administration fee

Morgan Sharpe Administration Limited (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 Net Asset Value and subject to a minimum fee of £70,000 per annum. All fees are payable quarterly in advance. Administration fees for the period amounted to €38,656 of which €7,907 remained payable at the end of the period.

(c) Sub-Administration fee

The Administrator has appointed Quintillion 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 period amounted to €101,333 of which €22,582 remained payable at the end of the period.

(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.

Notes to the Financial Statements (continued)

6. Financial risk management (continued)

6.1 Credit risk (continued)

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 Net Asset Value shall be exposed to the credit risk of any underlying single transaction or issue;
    - As of 30 September 2015, the largest investment represents 10.66% of the NAV.
- the top five exposures to any transactions or issues shall not, in aggregate, account for more than 50 per cent. of Net Asset Value;
    - As of 30 September 2015, the top 5 investments represent 27.16% of the NAV.
- no more than 50 per cent. of Net Asset Value, in aggregate, shall be invested in unlisted investments,
    - As of 30 September 2015, 12.57% of the NAV is invested in unlisted investments.

and 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 per cent. of Net Asset Value, in aggregate, shall be exposed to transactions or issues where the underlying collateral is non-European.
    - As of 30 September 2015, less than 7.5% 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 per cent. at the time of incurrence and deployment of any borrowing.
    - As of 30 September 2015, the gearing of the Company was 82%

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 2015, the breakdown of the NAV per asset class and geography was as follows:

Asset class breakdown	**% NAV**
Equity Securities	0.07%
Bond	0.09%
Arbitrage CDO	22.22%
Commercial mortgage-backed security	2.72%
Arbitrage CLO	27.65%
Residential mortgage-backed security	19.41%
Balance Sheet CLO	2.53%
Consumer ABS	3.36%
Senior Loan	2.16%
Whole Loan	1.63%
Repo	(5.07%)
Cash, Hedges and Accruals	23.23%
Total	**100.00%**

Geographic breakdown	**% NAV**
United Kingdom	25.18%
Spain	15.43%
Netherlands	7.59%
Germany	4.76%
Italy	3.65%
Ireland	2.86%
USA	2.78%
France	2.72%
Other Europe	7.11%
Other	4.69%
Cash & Collateral	23.23%
Total	**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 table:

S&P rating	**Royal Bank of Scotland BBB-**	**Deutsche Bank BBB+**	**JP Morgan A-**	**Total**
	EUR	**EUR**	**EUR**	**EUR**
Cash and cash equivalents	158,983	-	*57,662,449	57,821,432
Due from Broker	7,018,843	6,167,097	17,372,313	30,558,253
Credit default swaps	-	-	441,378	441,378
Listed Options	-	-	462,606	462,606
Forward FX contracts	-	124,028	-	124,028
Total counterparty exposure	**7,177,826**	**6,291,125**	**75,938,746**	**89,407,697**
Net asset exposure %	**1.96%**	**1.71%**	**20.69%**	**24.36%**

* 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.

6. Financial risk management (continued)

6.1 Credit risk (continued)

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

Assets

As at 30 September 2015				Related amount not offset in the Statement of Financial Position		
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**	**Financial instruments**	**Cash collateral received/pledged**	**Net amount**
	EUR	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**
Derivative						
Credit Default						
JP Morgan	441,378	-	441,378	(441,378)	-	-
Forward FX						
Deutsche Bank	220,922	-	220,922	(96,894)	-	124,028
	662,300	**-**	**662,300**	**(538,272)**	**-**	**124,028**

Liabilities

As at 30 September 2015				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**
	EUR	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**
Derivative						
Credit Default						
JP Morgan	(882,755)	-	(882,755)	441,378	-	(441,377)
Forward FX						
Deutsche Bank	(96,894)	-	(96,894)	96,894	-	-
	(979,649)	**-**	**(979,649)**	**538,272**	**-**	**(441,377)**

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.

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.

6. Financial risk management (continued)

6.2 Foreign currency risk (continued)

Currency	Investments	FX Hedges	Cash	Other net liabilities	30 September 2015 Total exposure	30 September 2015 Total exposure	NAV impact for a +/- 10% FX rate move
	EUR	EUR	EUR	EUR	EUR	%	%
GBP	50,563,733	(56,900,951)	7,264,772	(195,268)	732,285	0.20%	0.02%
USD	6,123,971	(6,262,666)	8,248,474	-	8,109,779	2.21%	0.22%
	56,687,704	**(63,163,617)**	**15,513,246**	**(195,268)**	**8,842,064**	**2.41%**	**0.24%**

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 only 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.

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

	30 September 2015		
	Fixed rate interest	**Floating rate interest**	**Non-interest bearing**
	EUR	**EUR**	**EUR**
Financial assets at fair value through profit or loss	29,869,845	271,140,273	506,836
Cash and cash equivalents	-	57,821,432	-
Due from broker	-	30,558,253	-
Other receivables and prepayments	-	-	10,514
Financial liabilities at fair value through profit or loss	(19,405,249)	-	(96,894)
Due to broker	-	-	(612,500)
Accrued expenses	-	-	(2,767,082)
	10,464,596	**359,519,958**	**(2,959,126)**

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 Asset Backed Securities 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.

	30 September 2015		
	Less than 3 months	**Greater than 3 months**	**Total**
	EUR	**EUR**	**EUR**
Financial liabilities at fair value through profit or loss	(18,619,388)	(882,755)	(19,502,143)
Due to broker	(612,500)	-	(612,500)
Accrued expenses	(2,694,482)	(72,600)	(2,767,082)
	(21,926,370)	**(955,355)**	**(22,881,725)**

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 2015, a 5% movement in prices (with all other variables held constant) would have resulted in a change to the total net assets of €15,026,865.

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

The risk management systems employed by the AIFM are designed into and are an integral part of the continuous investment process. Every position is constantly monitored in order to protect downside risk. Exposure limits are applicable to all positions and asset classes at all times. The risk management systems incorporate a 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 period 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 period 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 include 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 the application of relevant.

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.

Notes to the Financial Statements (continued)

8. Fair value of financial instruments (continued)

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.

Notes to the Financial Statements (continued)

8. Fair value of financial instruments (continued)

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.
The following tables show the Company's assets at 30 September 2015 based on the hierarchy set out in IFRS 13:

		Quoted Prices in active markets for identical assets (Level 1) 2015	Significant other observable inputs (Level 2) 2015	Significant unobservable inputs (Level 3) 2015	Total
Assets		**EUR**	**EUR**	**EUR**	**EUR**
Financial assets held for trading					
Equity securities					
	Eurozone: Equity	251,913	-	-	251,913
Debt securities (by instrument currency)					
	Europe: Corporate & financials	-	2,960	-	2,960
	UK: Corporate	-	3,612,386	-	3,612,386
	Europe: Sovereign	-	326,673	-	326,673
	Europe: Private Bond	-	-	10,130,000	10,130,000
	Europe: Asset backed securities	-	121,109,352	93,733,471	214,842,823
	UK: Asset backed securities	-	52,532,146	4,746,482	57,278,628
	Money market loan	-	-	13,946,665	13,946,665
OTC Derivatives					
	Credit default swaps	-	441,378	-	441,378
	Equity options	462,606	-	-	462,606
	Forward FX contracts	-	220,922	-	220,922
Total assets		**714,519**	**178,245,817**	**122,556,618**	**301,516,954**
Liabilities					
Financial liabilities held for trading					
OTC Derivatives					
	Credit default swaps	(882,755)	-	-	(882,755)
	Forward FX contracts	-	(96,894)	-	(96,894)
	Repurchase Agreements	-	(18,522,494)	-	(18,522,494)
Total liabilities		**(882,755)**	**(18,619,388)**	**-**	**(19,502,143)**

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.

Twenty-six Level 3 investments were held during the Period.

Notes to the Financial Statements (continued)

8. Fair value of financial instruments (continued)

Product Type	Transaction number	Trade Date	Inception Fair Value	Realised	Unrealised & FX	Purchases	Sales	Redemptions	30/09/2015 Fair Value
ARB CDO	1	08/05/2015	-	-	(139,365)	1,740,000	-	-	1,600,635
ARB CDO	2	08/05/2015	-	42,914	340,574	212,452	-	(49,392)	546,548
ARB CDO	3	08/05/2015	-	-	27,507	1,525,000	-	-	1,552,507
ARB CDO	4	08/05/2015	-	-	163,206	800,000	-	-	963,206
ARB CDO	5	08/05/2015	-	-	-	320,000	-	-	320,000
ARB CDO	6	08/05/2015	-	-	(134,480)	1,750,000	-	-	1,615,520
ARB CDO	7	19/06/2015	-	-	74,819	175,000	-	15,695	265,514
ARB CDO	8	08/05/2015	-	822,988	(1,017,275)	42,679,911	-	(3,370,438)	39,115,186
ARB CLO	9	08/05/2015	-	-	(141,000)	893,000	-	-	752,000
ARB CLO	10	08/05/2015	-	-	46,068	1,040,000	-	-	1,086,068
ARB CLO	11	08/05/2015	-	127,233	4,994	1,800,000	-	(1,296,562)	635,665
ARB CLO	12	08/05/2015	-	-	196,250	5,570,560	-	-	5,766,810
ARB CLO	13	19/06/2015	-	-	(25,364)	1,653,000	-	-	1,627,636
ARB CLO	14	30/06/2015	-	-	800	201,250	-	-	202,050
ARB CLO	15	16/07/2015	-	-	130,000	10,000,000	-	-	10,130,000
ARB CLO	16	24/09/2015	-	-	-	31,250,000	-	-	31,250,000
BS CLO	17	08/05/2015	-	13,259	2,467	239,949	-	(52,418)	203,257
BS CLO	18	08/05/2015	-	-	(75)	280,140	-	-	280,065
BS CLO	19	08/05/2015	-	-	(899,500)	6,492,500	-	-	5,593,000
CMBS	20	08/05/2015	-	-	(85,177)	340,715	-	-	255,538
CMBS	21	08/05/2015	-	-	3,399	44,743	-	-	48,142
CMBS	22	08/05/2015	-	-	7,064	13,060	-	-	20,124
RMBS	23	08/05/2015	-	18,071	134,814	4,657,773	-	(64,176)	4,746,482
RMBS	24	08/05/2015	-	-	(8,500)	42,500	-	-	34,000
SENIOR LOAN*	25	08/05/2015	-	-	97,548	7,845,752	-	-	7,943,300
WHOLE LOAN**	26	14/07/2015	-	-	50,592	5,952,773	-	-	6,003,365
			-	**1,024,465**	**(1,170,634)**	**127,520,078**	**-**	**(4,817,291)**	**122,556,618**

*Senior Loan secured by borrower's assets
** Whole Loan secured by real estate asset

Product Type	**Description**
ARB CDO	Arbitrage CDO
ARB CLO	Arbitrage CLO
BS CLO	Balance Sheet CLO
CMBS	Commercial mortgage-backed security
RMBS	Residential mortgage-backed security

As of 30 September 2015, twenty-six investments were categorised within Level 3 of the fair value hierarchy, representing 33.39% of the NAV.

With the exception of transactions 15, 16 and 23 those investments were valued using third-party pricing information. Those third-party prices were corroborated, when possible, with transactions although those do not always happen frequently.

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 16, 19 and 23, on which an analysis follows the table.

Notes to the Financial Statements (continued)

8. Fair value of financial instruments (continued)

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.

	1.5xCDR	**2xCDR**
ARB CDO	-0.10%	-0.14%
ARB CLO	-0.33%	-0.61%
BS CLO	-0.02%	-0.03%
CMBS	0.01%	0.01%
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:

Transaction 16: This transaction is mainly sensitive to the collection on assets. The stress applied was 90% of expected collections in the base case scenario. The overall effect on GAV is €5,515,625 or 1.49%.

Transaction 19: The stress applied was to increase the percentage of default bucket and the loss severity. The overall effect on NAV is €510,420 or 0.14%.

Transaction 23: The transaction is mainly sensitive to the expected exit price of the portfolio embedded in the model price. The stress was a 5% reduction on the expected exit price. The overall effect on NAV is €476,184 or 0.13%.

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.

9. Earnings per Share - Basic & Diluted

The earnings per Share - Basic and Diluted of 3.52 cent has been calculated based on the weighted average number of Shares of 348,190,411 and a net gain of €12,272,932 over the Period.

There were no dilutive elements to shares issued or repurchased during the period.

10. Net Asset Value per Share

The NAV per share of 101.54 cent is determined by dividing the net assets of the Company attributed to the Shares of €367,025,428 by the number of Shares in issue at 30 September 2015 of 361,450,000.

Notes to the Financial Statements (continued)

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

	30 September 2015 EUR
Financial assets at fair value through profit or loss :	
Held for trading:	
- Debt securities	13,745,346
- Asset backed securities	272,121,451
- Sovereign bonds	326,673
- Equity securities	251,913
- Listed options	462,606
- Money market loan	13,946,665
- Credit default swaps	441,378
- Forward FX contracts	220,922
Total financial assets at fair value through profit or loss	**301,516,954**
Financial liabilities at fair value through profit or loss :	
Held for trading:	
- Credit default swaps	(882,755)
- Forward FX contracts	(96,894)
- Repurchase Agreement	(18,522,494)
Total financial liabilities at fair value through profit or loss	**(19,502,143)**

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

	30 September 2015 EUR
Net gain/(loss) on financial assets and liabilities at fair value through profit or loss held for trading	
- Credit default swaps	503,968
- Debt securities	4,636,839
- Asset backed securities	8,178,651
- Equity securities	13,231
- Listed options	2,488,952
- Futures	(64,970)
- Loans	550,951
Net gain on financial assets and liabilities at fair value through profit or loss held for trading	**16,307,622**
Net gain/(loss) on foreign exchange and forward contracts	
Realised gain on forward contracts	261,270
Unrealised gain on forward contracts	124,028
Realised gain on foreign exchange	948,008
Unrealised loss on foreign exchange	(1,212,665)
Net gain on foreign exchange and forward contracts	**120,641**
Net gain on financial assets and liabilities at fair value through profit or loss, foreign exchange and forward contracts	**16,428,263**

13. Due from and to brokers

	30 September 2015 EUR
Collateral and funding cash	10,868,726
Receivables for securities sold	19,689,527
	30,558,253

	30 September 2015 EUR
Payables for securities purchased	612,500
	612,500

Notes to the Financial Statements (continued)

14. Other receivables and prepayments

	30 September 2015
	EUR
Prepaid directors insurance fee	5,661
Prepaid listing fee	4,853
	10,514

15. Accrued expenses

	30 September 2015
	EUR
Management fee	(325,232)
Performance fees	(2,165,819)
Administration fee	(7,907)
Audit fee	(72,600)
Corporate brokering fee	(42,406)
Sub-Administration fee	(22,582)
Legal fee	(989)
Director's fee	(30,343)
Custodian fee	(17,811)
Other fee	(81,393)
	(2,767,082)

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.

Assenting Toro Capital I-A and I-B Shareholders were issued roll-over Shares in the Company as an in specie distribution of the liquidation proceeds to which they were entitled (the "Roll-Over Shares"). In consideration for the issuance of Roll-Over Shares, the liquidator and the Company entered into a transfer agreement under which the liquidator transferred to the Company the beneficial interest in the seed assets with a value approximately equal to the aggregate net asset value of the Toro Capital I shares held by the Assenting Toro Capital Shareholders as at the valuation date.

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 NAVs 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 NAVs 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.

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 NAVs 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;

Notes to the Financial Statements (continued)

16. Share capital (continued)

(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).

The following share transactions took place during the Period:

Class	Shares in issue Inception	Shares subscribed	Shares redeemed	Shares in issue 30 September 2015
No Par Value	-	361,450,000	-	361,450,000
C Shares	-	-	-	-

Costs associated with the issue are as follows:

	30 September 2015 EUR
Gross issue proceeds	357,009,468
Issue costs	(2,256,972)
	354,752,496

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 Asset Backed Securities 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.

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 income by way of dividends in line with the prospectus on a quarterly basis with dividends declared in October, January, April and July each year and paid in March, June, September and December. The Company declared a dividend of 2 euro cent per share for the Period to 30 September 2015; exceeding the target minimum dividend. The dividend was paid on 4 December 2015.

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.

Notes to the Financial Statements (continued)

19. Derivative financial instruments

The Company holds the following derivative instruments:

Credit default swaps ("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 credit default swaps defaulting.

Listed 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 Foreign Currency contracts
Forward Foreign Currency 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 Consolidated Statement of Comprehensive Income.

The following table shows the Company's derivative position at the end of the Period:

	30 September 2015			
	Financial assets at fair value EUR	**Financial liabilities at fair value EUR**	**Notional amount EUR**	**Maturity**
Credit Default Swaps				
Buy Protection	-	(882,755)	18,000,000	20 June 2020
Credit Default Swaps				
Sell Protection	441,378	-	(9,000,000)	20 June 2020
Listed Options	462,606	-	462,606	16 October 2015 to 18 December 2015
FX Contracts				
GBP sell	220,922	-	57,121,874	14 December 2015
USD sell	-	(96,894)	6,165,771	14 December 2015
	1,124,906	**(979,649)**	**72,750,251**	

20. Significant events during the Period and post balance sheet events

Following the year end, the Company announced a dividend of 2.0 cent per Ordinary share for the Period from First Admission (8 May 2015) to 30 September 2015; exceeding the target minimum dividend. The dividend was paid on 4 December 2015.

Additionally, on 22 January 2016 the Company announced a dividend of 2.0 cent per Ordinary share for the Period from 1 October 2015 to 31 December 2015 which is due to be paid on 4 March 2016.

21. Approval of the financial statements

The financial statements were approved for issue to shareholders by the Directors on 27 January 2016.

Appendix 1

AIFMD Disclosures - (Unaudited)

Quantitative Remuneration Disclosure for the AIFM
Appropriate disclosures will be made in due course in accordance with Article 22(2)(e) and 22(2)(f) of the AIFMD.

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 2015.

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.

Leverage
The leverage limitation provisions of the AIFM Directive do not apply to the Company because the Company is a ''non-EU 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 Net Asset Value (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 2015 was 83.50%.

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.