

CVC CORDATUS LTD

RISK PROFILE DISCLOSURE

**CAPITAL RESOURCES DIRECTIVE
BASEL II PILLAR 3 DISCLOSURE**

July 2010

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INTRODUCTION

CVC Cordatus Ltd (the 'Firm') is classified as a Limited Licence €50,000 firm and, as such, is required to comply with the three Pillars of Basel II (the Capital Requirements Directive). The three Pillars that make up the Capital Requirements Directive are set out below.

Capital Requirements Directive		
Pillar 1	Pillar 2	Pillar 3
Minimum Capital Requirements	Internal Capital Adequacy Assessment Process (ICAAP) and Supervisory Review and Evaluation Process (SREP)	Disclosure

This document is designed to satisfy the requirements of Pillar 3 by setting out the Firm's risk management objectives and policies.

The aim of Pillar 3 is to encourage market discipline by developing a set of disclosure requirements for investment firms and credit institutions that will allow other market participants to assess key pieces of information on a firm's capital, risk exposures and risk assessment processes. The disclosures are to be made public for the benefit of the market.

The Firm does not use the IRB Approach when calculating its Credit Risk Capital Component.

The Firm is not subject to consolidated supervision.

All figures in this document are correct at 31 December 2009 unless stated otherwise.

RISK MANAGEMENT POLICIES AND OBJECTIVES

The Firm is a wholly owned subsidiary of CVC Cordatus Group Limited (Jersey) of which the ultimate holding company is CVC Capital Partners SICAV-FIS S.A.

The Firm's business is to manage and advise various types of Debt funds operating in the European loan markets. The Firm currently provides these services solely to its parent company under a services agreement.

Where possible, the Firm will attempt to manage all the risks that arise from its operations. As the Firm is a Limited Licence €50,000 firm it is not usually exposed to Credit Risk, Market Risk (including interest rate risk) or Operational Risk. However, the Firm has separately considered the risks associated with its business and these are detailed later in this document.

The ways in which the Firm manages the risks faced include;

- documenting key risk information,
- formulating indicators to measure and monitor performance and
- using Management and Board Committees to monitor and control specific risks.

Based on the Firm's ICAAP the major types of risk faced, and how those risks are mitigated are:

- Credit & Market Risk – relates to any proprietary holdings held by the Firm. As the Firm does not currently invest on its own account there is no exposure to this risk for the time being.
- Liquidity Risk – relates to the ability to meet all obligations as they fall due from readily accessible financial resources. The Firm ensures it maintains high levels of liquidity, mainly through the practice of billing its parent company (its only source of income) quarterly in advance.

- Operational Risk – results from inadequate or failed internal processes/people/systems within the Firm. Risks of an operational nature are considered under “Business risk” (refer below)
- Concentration Risk – relates to managing the exposure to counterparties. The Firm is reliant on its parent company, CVC Cordatus Group Limited, for funding, however by billing quarterly in advance the Firm maintains sufficient resources to mitigate this risk.
- Business Risk –
 - Debtor risk – billing for services quarterly in advance avoids the build up of any exposure to possible debt recoverability issues.
 - Reduction of Management fees – the Firm bills on a “cost plus” arrangement thereby maintaining a constant pre-tax margin.
 - Changes in debt markets – In the current challenging market the Firm has intensified its monitoring of Fund assets. The Firm is also in the process of raising new Funds that reflect the changed market environment in an effort to diversify its income streams.
 - Poor Fund Performance – the long term success of the Firm is dependent on the profitability of the funds under management. There is a strict approval process prior to any investment being made and performance is reviewed on an ongoing basis.
 - Poor Investment Opportunities – the Firm intends to increase the number and range of funds it manages to take account of the changing market conditions.
 - Loss of key expertise or individuals – All key individuals are founding partners of the Firm and/or senior personnel from the CVC Group and are tied by long term performance related incentives.

RISK MANAGEMENT FUNCTION

Structure

The Board of Directors determine the Firm’s business strategy and risk appetite. The Board, which also make up the investment management committee, establishes and maintains the Firm’s governance arrangements together with overseeing the design and implementation of a risk management framework. Marc Boughton, a Director, has been appointed Compliance Officer and ensures the ongoing effectiveness of the process. Risk management revolves around maintaining an up to date Risk Matrix that identifies specific risks, potential impact and likelihood from which appropriate controls, governance and other mitigating factors are determined and executed.

The size of the Firm lends itself to a straightforward operational structure. The investment management committee meet on a weekly basis and consider risks from a fund perspective. The Directors meet informally on a regular basis to discuss current and projected operational profitability, cash flow and regulatory capital requirements of the Cordatus business.

Risk Reporting and Management Systems

There are a number of reports and processes that are employed by the firm to enable key risks to be identified, reported to appropriate personnel for consideration and, where required, action and managed. These include:

Compliance Risk Assessment

This is an assessment of all relevant risks that the firm is likely to face in the next twelve months and is performed on an annual basis. The report is presented to the firm’s governing body for review and approval and is used as the basis for the firm’s compliance monitoring for the following period.

Compliance Resource Assessment

This assessment determines the level of internal compliance resource required by the firm for the period covered by the compliance risk assessment and will identify shortfalls in resourcing that could lead to compliance weaknesses and breaches. This is performed annually and is presented to the firm's governing body for review and approval.

Money Laundering Risk Assessment

A forward looking annual assessment of the risks the firm faces from money laundering and wider financial crime. The MLRO will use this assessment to drive the necessary anti financial crime initiatives within the firm.

Compliance Oversight Officer's Report

An annual consideration of the standard of the firm's compliance over the preceding year. The report is presented to the firm's governing body for consideration and action as necessary.

MLRO Report

An annual consideration of the standard of the firm's anti money laundering and other financial crime practices over the preceding year. The report is presented to the firm's governing body for consideration and action as necessary.

CAPITAL RESOURCES

The Firm maintains cash, in the form of "at call" current account and deposits (fixed for no longer than 1 months duration), in excess of its share capital and retained earnings. At the beginning of each quarter the cash balance increases upon the receipt of the quarterly advance billing of services to its parent company. As at 30 June 2010 the Firm held cash (and deposits) totalling approximately £2.2 million.

The firm's capital resources comprise entirely share capital and audited reserves.

Tier 1, Tier 2 and Tier 3 capital is as set out below:

	Tier 1 Capital
Gross	£821,050
Less Innovative Tier 1 capital	£0
Deductions	£0
Net	£821,050

	Tier 2 Capital
Gross	£0
Plus Innovative Tier 1 capital	£0
Deductions	£0
Net	£0

	Tier 3 Capital
Gross	£0
Net	£0

	Total Capital Resources
Gross*	£821,050
Deductions	£0
Net	£821,050

*NET OF DEDUCTIONS IN GENPRU 2.2 AND LIMITS LAID DOWN IN GENPRU 2.2.25R TO 30R AND GENPRU 2.2.42R TO 50R

INTEGRATION INTO BUSINESS STRATEGY

It is the intention of the firm to maintain sufficient capital resources to allow it to continue to operate profitably in the European loan market and to provide a reasonable return for the shareholders of the firm. In order to maintain this capital the firm must generate and retain profits that will add to the firm's financial reserves.

Internal Capital Adequacy Assessment Process ("ICAAP")

The ICAAP combines Pillar 1 and Pillar 2 requirements and involves a detailed analysis of the various elements of the business to understand the need for capital in the forthcoming period. Various models are tested in the process to identify areas where additional capital may be required to manage the risks to which the firm is exposed.

The result of the ICAAP is challenged by a party independent of the preparation of the ICAAP and this is ultimately reviewed and approved by the firm's governing body to ensure that there is sufficient capital within the firm to meet our future plans and anticipated risks.

The Board's review was carried out 8 July 2010. The independent Peer review was carried out by the firm's external compliance consultants at Resource Compliance on 21 July 2010 after which the Board formally approved the final version.