

Crescent CIT Levered Designated Activity Company

Directors Report and Financial Statements

**For the period from October 15, 2018 (commencement of operations)
to December 31, 2019**

Crescent CIT Levered Designated Activity Company

Table of Contents

December 31, 2019

	Page(s)
Company Information.....	1
Directors' Report	2-5
Report of Independent Auditor	6-10
Statement of Financial Position	11
Statement of Comprehensive Income	12
Statement of Changes in Equity	13
Statement of Cash Flows	14
Notes to the Financial Statements.....	15-26

Crescent CIT Levered Designated Activity Company

Company information

Board of Directors

Winfried Teddy Otto
Neil Clifford
Yevgeny Kuznetsov

Legal Advisors (as to Irish law)

Dechert LLP
5 Earlsfort Terrace, Saint Kevins
Dublin 2
Ireland

Registered Office

2nd Floor, Block E, Iveagh Court
Harcourt Road, Dublin D02 YT22
Ireland

Legal Advisors (as to U.S. law)

Dechert LLP
1095 6th Ave
New York, NY 10036
United States of America

Investment Manager

Crescent Capital Group, LP
11100 Santa Monica Blvd., Suite 2000
Los Angeles, CA 90025
United States of America

Administrator

State Street Custodial Services (Ireland) Ltd.
78 Sir John Rogersons Quay
Dublin 2
Ireland

Custodian

State Street Bank and Trust Company
100 Summer Street, 5th Floor
Boston, MA 02110
United States of America

Independent Auditors

Ernst & Young
Harcourt Centre
Dublin 2
Ireland

Company Secretary

Carne Global Financial Services Limited
2nd Floor Block E
Iveagh Court
Harcourt Road
Dublin 2

Registration Number: 635862

Directors' Report

The directors present their report and the audited financial Statement of the company for the period ended December 31, 2019. The financial Statement of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and Irish Statute comprising the Companies Act 2014.

The financial statements have been prepared on a going concern basis which assumes that the Company will continue in operational existence for the foreseeable future. The Board of Directors has reviewed the characteristics of the Profit Participating Note (the "Note") issued by the Company and is satisfied that they operate in such a way to ensure the Company will continue to be a going concern. Refer to Note 18 in the Director's Report for discussion on COVID-19.

1. PRINCIPAL ACTIVITY AND INVESTMENT OBJECTIVE

The Company was established to invests substantially all of its assets in Crescent CIT II Levered Investment Partnership, LP (the "Fund") which is treated as an investment vehicle. The Company owns 100% of the Fund.

2. BUSINESS REVIEW

The directors are satisfied with the overall performance of the Company during the period achieved through allocated net income from its investment in the Fund.

For the period ended December 31, 2019, the Company reported net change in unrealised gain on financial assets at fair value through profit or loss of \$9,010,024 and net change in unrealised loss on financial liabilities at fair value through profit or loss of \$8,927,994. During the period ended December 31, 2019, the Company received other income of \$1,329,731.

As at December 31, 2019, the fair value of the Profit Participating Note is \$150,605,828.

3. RESULTS AND DIVIDENDS

The results for the period have been presented on page 12 of the financial statements and in the related notes. The directors do not recommend payment of a dividend.

4. DIRECTORS AND SECRETARY

The directors, all of whom served throughout the period were as follows:

- Winfried Teddy Otto
- Neil Clifford
- Yevgeny Kuznetsov

Directors' Report (continued)

5. STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the directors' report and the financial statements in accordance with applicable laws and regulations. Irish company law requires the directors to prepare financial statements for each financial period. Under that law the directors have prepared the financial statements in accordance with IFRS as adopted by the EU and applicable law.

Under Irish company law the directors shall not approve the financial statements unless they are satisfied that they give a true and fair view of the Company's assets, liabilities and financial position as at the end of the financial period and of the changes in shareholder's funds of the Company for the financial period and otherwise comply with the Companies Act 2014.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with IFRS as adopted by the EU and note the effect and reasons for any material departures from the standards; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the assets, liabilities, financial position and profit or loss of the Company and enable them to ensure that its financial statements comply with the Companies Act 2014 and enable such financial statements to be audited. They are responsible for such internal controls as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company.

In this regard they have entrusted the assets of the Company to a Depositary for safe-keeping. They have general responsibility for taking such steps as are reasonably open to them to prevent and detect fraud and other irregularities. The Directors are also responsible for preparing a Directors' Report that complies with the requirements of the Companies Act 2014.

The financial statements comply with the aforementioned requirements.

6. ACCOUNTING RECORDS

The directors are also responsible for ensuring that accounting records, as outlined in Section 281 to 285 of the Companies Act 2014, are kept by the Company. The directors have appointed State Street Custodial Services (Ireland) Limited, 78 Sir John Rogersons Quay, Dublin 2, Ireland, as the Administrator, in order to ensure compliance with those requirements. The books and accounting records of the company are maintained by the Administrator and accessible in Ireland to comply with the requirements of Companies Act 2014.

7. PARENT, ULTIMATE CONTROLLING PARTY AND GROUP STRUCTURE

The Company has an authorised share capital of \$1,000,000 divided into 1,000,000 shares of \$1.00 each. Two ordinary shares were issued on incorporation to the Directors and subsequently transferred to Crescent Capital Trust II (Levered). The Board of Directors are responsible for the day-to-day management and administration of the Company.

Directors' Report (continued)

8. RELATED PARTIES

The related parties of the Company are as follows:

- Crescent Capital Group LP
- Carne Global Financial Services Limited
- Crescent CIT II Levered Investment Partnership, LP
- Crescent Capital Trust II (Levered)

Refer to Note 4 for discussion on related parties.

9. PRINCIPAL RISKS AND UNCERTAINTIES

The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise permanent capital loss. The Company uses different methods to measure and manage the various types of risk to which it is exposed, including entering into forward foreign currency contracts to hedge the Euro value of portfolio securities denominated in a particular foreign currency. The company is exposed to risks outlined in Note 8 to the financial statements, which includes market price risk, currency risk, interest rate risk, credit risk, and liquidity risk. Refer to Note 18 of the director's report for discussion on COVID-19.

10. FUTURE DEVELOPMENTS

The development to maintain the position of the Company's existing activities will be the main area of attention in the coming year.

11. INTERESTS OF DIRECTORS AND SECRETARY

Neither the directors nor secretary held any direct interest in the ordinary share capital and debentures of the Company at the beginning, during or at the end of the financial period.

12. POLITICAL DONATIONS

During the period ended December 31, 2019, the Company did not provide political donations.

13. AUDITORS

Ernst & Young, Chartered Accountants and Registered Auditors, have been appointed as auditors in accordance with Section 383(1) of the Companies Act 2014.

14. RELEVANT AUDIT INFORMATION

In the case of the persons who are directors at the time this report is approved in accordance with section S330 of the Companies Act 2014:

- (a) so far as each director is aware, there is no relevant audit information of which the Company's statutory auditors are unaware; and
- (b) each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the Company's statutory auditors are aware of that information.

Directors' Report (continued)

15. DIRECTORS' COMPLIANCE STATEMENT (continued)

At this present time the Company is operating within the balance sheet and turnover threshold limits as set out under Section 225 (7) of the Act, which enables the Company to avail of an exemption to the Compliance Policy Statement obligations. Accordingly the Directors are not required to include a Compliance Statement in their statutory Directors' report for the current financial year ended 31 December 2019

16. AUDIT COMMITTEE

Pursuant to section 167(2) of the Companies Act 2014, given the contractual obligations of the Administrator and the limited recourse nature of the securities the Company may participate in, the Board of Directors has concluded that there is currently no need for the Company to have a separate audit committee in order for the Board to perform effective monitoring and oversight of the internal control and risk management systems of the Company in relation to the financial reporting process.

17. GOING CONCERN

The Board of Directors has made an assessment of the Company's ability to continue as a going concern and is satisfied the Company has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast doubtful upon the company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

18. SUBSEQUENT EVENTS

The Board of Directors has evaluated subsequent events through July 20, 2020, the date the financial statements were available to be issued and have determined that no additional items require disclosure.

Certain impacts to public health conditions particular to the coronavirus (COVID-19) outbreak that occurred subsequent to year end may have a significant negative impact on the operations and profitability of the Company's investments. The extent of the impact to the financial performance of the Company will depend on future developments, including (i) the duration and spread of the outbreak, (ii) the restrictions and advisories, (iii) the effects on the financial markets, and (iv) the effects on the economy overall, all of which are highly uncertain and cannot be predicted.

Approved July 20, 2020 by the Board and signed on its behalf by



Winfried Teddy Otto
Director



Neil Clifford
Director

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CRESCENT CIT LEVERED DESIGNATED ACTIVITY COMPANY

Opinion

We have audited the financial statements of Crescent CIT Levered Designated Activity Company (the "Company") for the period ended 31 December 2019, which comprise the Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows and notes to the financial statements, including the summary of significant accounting policies set out in note 2. The financial reporting framework that has been applied in their preparation is Irish Law and International Financial Reporting Standards (IFRS) as adopted by the European Union as applied in accordance with the provisions of the Companies Act 2014.

In our opinion the financial statements:

- give a true and fair view of the assets, liabilities and financial position of the company as at 31 December 2019 and of its result for the period then ended;
- have been properly prepared in accordance with IFRS as adopted by the European Union; and
- have been properly prepared in accordance with the requirements of the Companies Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) (ISAs (Ireland)) and applicable law. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with ethical requirements that are relevant to our audit of financial statements in Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority (IAASA) as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters, in relation to which ISAs (Ireland) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CIT LEVERED DESIGNATED ACTIVITY COMPANY (continued)

Key audit matters (continued)

Risk	Our response to the risk	Key observations communicated to the Board of Directors
<p>Management override of controls in relation to valuation of Investments.</p> <p>Investment in Investment Partnership \$150,605,828</p> <p>This Company invests in an investment partnership which ultimately invests into a portfolio of loan assets.</p> <p>The audit team has identified a risk of management override of controls over the valuation of the loan assets. This is primarily as a result of the use of complex assumptions and judgements in the valuation of the loan assets.</p> <p>The impact of an inappropriate valuation of the loan assets may result in misstatement of both the financial assets and liabilities of the Company.</p> <p>Refer to Notes 2, 8 and 9 in the financial statements.</p>	<p>We have performed the following procedures in response to the identified risk:</p> <ul style="list-style-type: none"> Assessed the design effectiveness of the Company's controls over the valuation of investments carried at FVTPL, including appropriate governance procedures and reporting, over the valuation of financial instruments. Assessed the appropriateness of accounting policies governing the valuation of investments carried at FVTPL. Tested the valuation of investment using independent models and market data. Where Company data was relied upon we assessed reasonableness of the data used. Assessed the reasonability of the inputs used and assumptions made in the valuation of investments. 	<p>Our planned audit procedures were completed and no material exceptions were noted.</p>

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CIT LEVERED DESIGNATED ACTIVITY COMPANY (continued)

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

Materiality is the magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Company to be \$3,010,475 which equates to 2% of the Noteholder's liability of the Company. We believe that noteholder's liability provides us with the most appropriate basis for materiality having considered the expectation of the users of the financial statements and the overall business environment.

During the course of our audit, we reassessed initial materiality and concluded that our initial determination of materiality was still appropriate.

Performance materiality

Performance materiality is the application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments as well as noting this is a new listed entity for the current period, together with our assessment of the Company's overall control environment, our judgement was that performance materiality was 50% of our planning materiality, namely \$1,505,238. We have set performance materiality at this percentage based on our knowledge of the entity and industry, effectiveness of the control environment, our assessment of the risks associated with the engagement.

Reporting threshold

Reporting threshold is the amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Board of Directors that we would report to them all uncorrected audit differences in excess of \$150,524 which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

An overview of the scope of our audit report

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the Company. Taken together, this enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the Company and effectiveness of entity-wide controls, including controls and changes in the business environment and other factors such as controls within the administrator when assessing the level of work to be performed.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CIT LEVERED DESIGNATED ACTIVITY COMPANY (continued)

Other information

The directors are responsible for the other information. The other information comprises the information included in the Directors' report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2014

Based solely on the work undertaken in the course of the audit, we report that:

- in our opinion, the information given in the directors' report is consistent with the financial statements; and
- in our opinion, the directors' report has been prepared in accordance with the Companies Act 2014.

We have obtained all the information and explanations which we consider necessary for the purposes of our audit.

In our opinion the accounting records of the Company were sufficient to permit the financial statements to be readily and properly audited and the financial statements are in agreement with the accounting records.

Matters on which we are required to report by exception

Based on the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

The Companies Act 2014 requires us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions required by sections 305 to 312 of the Act are not made. We have nothing to report in this regard.

Respective responsibilities

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CIT LEVERED DESIGNATED ACTIVITY COMPANY (continued)

Auditor's responsibilities for the audit of the financial statements

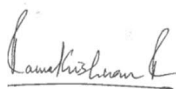
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee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

A further description of our responsibilities for the audit of the financial statements is located on the IAASA's website at: http://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description_of_auditors_responsibilities_for_audit.pdf.

This description forms part of our auditor's report.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with section 391 of the Companies Act 2014. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Ramakrishnan Ramanathan
For and on behalf of
Ernst & Young
Chartered Accountants and Statutory Audit Firm
Dublin
Date: 06 August 2020

Crescent CIT Levered Designated Activity Company

STATEMENT OF FINANCIAL POSITION

(expressed in United States Dollars)

		<i>As at</i> <i>December 31, 2019</i>
	<i>Notes</i>	
Assets		\$
Financial assets at fair value through profit or loss	9	<u>150,605,828</u>
Total Assets		<u><u>150,605,828</u></u>
Liabilities		
Financial liabilities at fair value through profit or loss	7	150,523,766
Accrued expenses	10	<u>82,060</u>
Total Liabilities		150,605,826
Equity		
Share capital	11	2
Retained earnings		<u>-</u>
Total Equity		<u>2</u>
Total liabilities and equity		<u><u>150,605,828</u></u>

On behalf of the Board of Directors:



Director



Director

Dated: July 20, 2020

Crescent CIT Levered Designated Activity Company

STATEMENT OF COMPREHENSIVE INCOME

(expressed in United States Dollars)

		<i>For the period from October 15, 2018 (commencement of operations), to December 31, 2019</i>
	<i>Notes</i>	
Income		\$
Other income	2 (f), 4	1,329,731
Net change in unrealised gain on financial assets at fair value through profit or loss	5	9,010,024
Net change in unrealised loss on financial liabilities at fair value through profit or loss	5	<u>(8,927,994)</u>
Total net income		1,411,761
 Expenses		
Interest expense	2(g), 7	1,288,271
Other expenses	10	<u>123,490</u>
Total expenses		1,411,761
Operating income		<u>-</u>
Net income before tax on ordinary activities		-
Tax on profit on ordinary activities		<u>-</u>
Total Comprehensive Income		<u><u>-</u></u>

Gains and losses arose solely from continuing investment activities. There were no other comprehensive income items other than those presented in the Statement of Comprehensive Income.

Crescent CIT Levered Designated Activity Company

STATEMENT OF CHANGES IN EQUITY

(expressed in United States Dollars)

	For the period from October 15, 2018 (commencement of operations) to December 31, 2019		
	Share Capital	Retained Earnings	Total Equity - Shareholders' Funds - Equity Interest
	\$	\$	\$
Equity Shareholders' Funds at the beginning of period	-	-	-
Issuance of shares	2	-	2
Total Comprehensive Income	-	-	-
Total Equity at the end of the period	2	-	2

Crescent CIT Levered Designated Activity Company

STATEMENT OF CASH FLOWS

(expressed in United States Dollars)

	<i>Notes</i>	<i>For the period from October 15, 2018 (commencement of operations) to December 31, 2019</i>
Cash flows from operating activities		\$
Purchases of financial assets at fair value through profit or loss	4	(176,962,328)
Proceeds from disposition of financial assets at fair value through profit or loss	4	35,366,524
Other income received	2 (f)	1,329,731
Operating expenses	10	(41,428)
Net cash used in operating activities		<u>(140,307,501)</u>
Cash flows from financing activities		
Proceeds from participating note	7	176,962,296
Repayment of participating note	7	(35,366,524)
Interest paid	7	<u>(1,288,271)</u>
Net cash provided by financing activities		140,307,501
Net increase in cash and cash equivalents		-
Exchange gain (loss) on foreign currencies		-
Cash and cash equivalents - Beginning of the period		<u>-</u>
Cash and cash equivalents - End of the period		<u><u>-</u></u>

Crescent CIT Levered Designated Activity Company

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019

(expressed in United States Dollars)

1. GENERAL INFORMATION

Crescent CIT Levered Designated Activity Company (the “Company”) is a limited liability company, incorporated on October 15, 2018, under the laws of Ireland, pursuant to the Companies Act 2014 with registered number 635862. The Company qualifies as a “qualifying company” for the purposes of section 110 of the Taxes Consolidation Act 1997 (as amended), and meets the conditions to be classified as a section 110 company. The registered address of the Company is 2nd Floor, Block E, Iveagh Court, Harcourt Road, Dublin D02 YT22, Ireland. The Company is wholly owned subsidiary of Crescent Capital Trust II (Levered) (the “Noteholder”) a collective investment fund established under Crescent Capital Collective Investment Trust, the collective investment trust structured under the laws of US state of Maine. Crescent Capital Trust II (Levered) is the immediate and ultimate parent of the company. The Company did not have any employees as at December 31, 2019. The Company, Crescent CIT II Levered Investment Partnership, LP (the “Fund”), and the Noteholder are managed by the same Investment Manager. As of December 31, 2019, the Company had a 100% ownership interest in the Fund.

The Company commenced operations on October 15, 2018. The participation note (the “Note”) was issued by the Company to the Noteholder, pursuant to a Note Purchase Agreement. Refer to note 2 and 7 for further details. The Note is listed on The International Stock Exchange (“TISE”) Geurnsey. The Company is domiciled in Ireland.

(a) Activity and objective of the Company

The purpose of the Company is to operate as an investment vehicle of the Noteholder and achieve the objective of the Noteholder through the Company's investment in the Fund. The Company's investment objective is to seek to realize superior risk-adjusted returns by investing in a multi-asset class, diversified portfolio of primarily below-investment grade debt securities on a levered basis.

The Company expects to be primarily invested in senior secured loans, unitranche loans (including first-out and last-out loans), debtor-in-possession loans, revolving credit facilities, delayed draw loans, second lien loans, unsecured notes, mezzanine and other senior and subordinated debt, as well as preferred stock and equity interests purchased in conjunction with debt investments.

(b) Administrator, Registrar, Transfer Agent and Custodian

State Street Custodial Services (Ireland) Limited (the “Administrator”) acts as Administrator, Registrar and Transfer Agent of the Company. The Administrator provides various administrative services to the Company, including maintaining the books of the Company and preparing account balances and financial statements. The Administrator provides these services in accordance with the administration agreement. Registrar and transfer agent services involve maintaining the share account records of the Company.

State Street Bank and Trust Company is the custodian (the “Custodian”) for the Company. The Custodian holds title to all or a portion of the Company's assets for the benefit of the Company, and provides a variety of services such as settling purchases and sales of investments, collecting and distributing interest and principal payments, safekeeping physical evidence of debt and documentation relating to all assets purchased by the Company. The Custodian also collects subscription funds, disburses redemption payments and processes certain cash transactions including the payment of expenses for the Company. The Custodian may, with written consent of the Company, appoint any number of custodians, including one or more of its affiliates to serve as sub-custodians of the Company.

For its services, the Company pays the Custodian a monthly custodian fee in accordance with the Custodian's customary rates. Custody fees are determined as a percentage of month end net assets and as a fixed amount per transaction and are reflected as Custody fees on the Statement of Comprehensive Income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to the period presented, unless otherwise stated.

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union and Irish Statute comprising the Companies Act 2014.

The financial statements have been prepared on a going concern basis which assumes that the Company will continue in operational existence for the foreseeable future. The Board of Directors has reviewed the characteristics of the Note and is satisfied that they operate in such a way to ensure the Company will continue to be a going concern.

Crescent CIT Levered Designated Activity Company

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

December 31, 2019

(expressed in United States Dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Basis of preparation (continued)

As of December 31, 2019, all assets and liabilities, except financial assets and financial liabilities at fair value through profit or loss, are current in nature.

Use of Estimates, Judgements and Assumptions

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's significant accounting policies. Actual results could differ from those estimates. There are no significant accounting judgements and estimates that the Company has made in preparing its financial statements except for the determination of the fair values of the financial instruments and the Company's designation as an investment entity. Refer to Note 9 for the determination of fair values of the financial instruments and Note 2(k) for determination on the Company's investment entity status.

The following is a summary of the significant accounting policies:

(a) New accounting standards and amendments to existing standards

The following new standards and interpretations became effective for the Company on January 1, 2020

There are no new standards, amendments and interpretations effective January 1, 2019 that have been early adopted.

(b) New standards, amendments and interpretations effective after January 1, 2020 and have not been early adopted

IFRIC 23, Uncertainty over Income Tax Treatments ("IFRIC 23")

In June 2018 the IFRS Interpretations Committee issued IFRIC 23, which is effective for annual periods beginning on or after January 1, 2019, with early application permitted and transitional rules apply. IFRIC 23 clarifies how to apply the recognition and measurement requirements in IAS 12, Income Taxes when there is uncertainty over income tax treatments. IFRIC 23 requires entities to assume that a tax authority with the right to examine and challenge tax treatments will examine those tax treatments and to conclude whether it is probable or not probable that a particular tax treatment is accepted. If an entity concludes that it is probable that the tax authority will accept an uncertain tax treatment that has been taken or is expected to be taken on a tax return, it should determine its accounting in the financial statements consistently with that tax treatment. If an entity concludes that it is not probable that the treatment will be accepted, it should reflect the effect of the uncertainty in its financial statements in the period in which that determination is made. The standard is not currently expected to impact the Company as there are no uncertain tax positions.

The Investment Manager assessed the potential impact of upcoming standards on the company's financial statements and has determined that no other upcoming standards will have a material impact on the Company's financial statements.

(c) Investments

Classification

The Company classifies financial assets and financial liabilities into the following categories:

- Financial assets mandatorily classified at fair value through profit or loss: investment in investment partnership at fair value and derivative financial instruments
- Financial assets at amortized cost: All other financial assets
- Financial liabilities classified at fair value through profit or loss: derivative financial instruments and securities sold short, if any
- Financial liabilities at amortized cost: all other financial liabilities

Assets

The Company classifies its investments based on both the Company's business model for managing those financial assets and the contractual cash flow characteristics of the financial assets, in accordance with IFRS 9. The portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Company is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. The contractual cash flows of the Company's debt securities are solely principal and interest; however, these securities are neither held for the purpose of collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Company's business model's objective. Consequently, all investments are measured at fair value through profit or loss.

As such, the Company classifies all of its investment portfolio as financial assets at fair value through profit or loss.

Crescent CIT Levered Designated Activity Company

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

December 31, 2019

(expressed in United States Dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Investments (continued)

Recognition, derecognition and measurement

Regular purchases and sales of investments are recognised on the trade date – the date on which the Company commits to purchase or sell the investment. Financial assets are initially recognised at fair value.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or the Company has transferred substantially all risks and rewards of ownership.

Subsequent to initial recognition, all financial assets 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 at fair through profit or loss are presented in the Statement of Comprehensive Income within 'Net change in unrealised loss on financial assets fair value through profit or loss' in the period in which they arise.

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 securities) are based on quoted market close prices on the reporting date.

The fair value of financial assets that are not traded in an active market is determined by using valuation techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at each Statement of Financial Position date. Valuation techniques employed include the analysis of comparable recent arm's length transactions, comparison to other instruments that are substantially the same 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.

Notwithstanding the above, the Investment Manager may at its discretion, modify any valuation, if it determines in good faith that modification is advisable to more fairly represent the value of any asset held by the Company. All related realised and unrealised gains and losses are recognised in the Statement of Comprehensive Income.

(d) Functional and presentation currency

The Note and the investment in the Fund is denominated in United States Dollars. The performance of the Company is measured and reported to the investors in United States Dollars. The Board of Directors considers the United States Dollars as the currency that most faithfully represents the economic effects of the underlying transactions, events and condition. The financial statements are presented in United States Dollars, which is the Company's functional and presentation currency.

(e) Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency monetary assets and liabilities are translated into the functional currency using the exchange rate prevailing at the Statement of Financial Position date. Foreign exchange gains and losses arising from translation are included in the Statement of Comprehensive Income. Gains and losses on the translation of foreign currency into the function currency are netted on the Statement of Comprehensive Income.

Foreign exchange gains and losses relating to cash and other financial assets and liabilities are presented in the Statement of Comprehensive Income within 'Net realised (loss)/gain on foreign currency translation' and 'Net change in unrealised gain/(loss) on foreign currency translation', as applicable. Foreign exchange gains and losses relating to financial assets at fair value through profit or loss are presented in the Statement of Comprehensive Income within 'Net realised gain on financial assets at fair value through profit or loss', and 'Net change in unrealised loss on financial assets at fair value through profit or loss'.

(f) Other income

Other income constitutes distributions amounts received from the Fund to cover the expenses of the Company and the Noteholder. During the period ended December 31, 2019, the Company accrued other income of \$1,329,731, none of which is receivable.

(g) Expense recognition

Expenses, including interest expense, that are attributable to the Company are recorded on an accruals basis. Interest expense represents the corporate benefit for the Company for entering into the Note Purchase Agreement and issuing the Note and is calculated as other income received from the Fund less amounts held back to cover expenses of the Company.

Crescent CIT Levered Designated Activity Company

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

December 31, 2019

(expressed in United States Dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(h) Cash and cash equivalents

Cash and cash equivalents comprise deposits with banks and highly liquid financial assets with maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value and are used by the Company in the management of short-term commitments.

(i) Taxation

The corporation tax expense comprises current and deferred tax. Corporation tax expense is recognised in the Statement of Comprehensive Income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates applicable to the Company's activities enacted or substantively enacted at the reporting date, and adjustments to tax payable in respect of previous years.

Deferred tax is provided for on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following: temporary differences arising on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that related tax benefits will be realised.

(j) Profit participating note (the "Note")

The Note issued by the Company provides the Noteholder with the right to repayment for cash at the carrying value of the Note on the maturity date. In accordance with IFRS 9 "Financial Instruments" the Note has been classified as a financial liability and fair valued at the value of the redemption amount in the Statement of Financial Position. The Company is contractually obliged to redeem the Note in accordance with the Note Purchase Agreement (see Note 7). The obligations of the Company to the Noteholder shall be limited recourse obligations payable solely from the Fund by the Company.

The Note is designated as financial liabilities at fair value through profit or loss. A liability may be designated at fair value through profit or loss when it eliminates or significantly reduces a measurement or recognition inconsistency, "an accounting mismatch" that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on a different basis. Where an accounting mismatch would otherwise exist, financial liabilities are measured at fair value through profit or loss. The Board of Directors consider that adoption of the IFRS 9 option to fair value liabilities is required to give a true and fair view of the financial performance of the Company. Where there is no accounting mismatch financial liabilities are measured at amortized cost.

Classification

Liabilities

The Company classifies the Note as financial liabilities as fair value through profit or loss.

Recognition, derecognition and measurement

Regular purchases and sales of the Note are recognised on the trade date. Financial liabilities are initially recognised at fair value.

Financial liabilities are derecognised when the obligation under the liability is discharged, cancelled or expired.

Subsequent to initial recognition, all 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 and liabilities at fair through profit or loss are presented in the Statement of Comprehensive Income within 'Net change in unrealised loss on financial assets and liabilities at fair value through profit or loss' in the period in which they arise.

Crescent CIT Levered Designated Activity Company

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

December 31, 2019

(expressed in United States Dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Profit participating note (continued)

Fair value estimation

The fair value of financial liabilities that are not traded in an active market is determined by using valuation techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at each Statement of Financial Position date. Valuation techniques used include the use of net asset value of the Note to estimate fair value of the Note.

Notwithstanding the above, the Investment Manager may at its discretion, modify any valuation, if it determines in good faith that modification is advisable to more fairly represent the value of any asset held by the Company. All related realised and unrealised gains and losses are recognised in the Statement of Comprehensive Income.

(k) Investment entity

“IFRS 10 – Consolidated Financial Statements” (“IFRS 10”) defines an investment entity as an entity that:

- An entity that obtains funds from one or more investors for the purpose of providing those investors with investment management services
- An entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both
- An entity that measures and evaluates the performance of substantially all of its investments on a fair value basis

The Company qualifies as an investment company under IFRS 10.

Further, IFRS 10 notes that an investment entity displays the following characteristics:

- It has more than one investment, to diversify the risk portfolio and maximise returns;
- It has multiple investors, who pool their funds to maximise investment opportunities;
- It has investors that are not related parties of the entity; and
- It has ownership interests in the form of equity or similar interests.

Accordingly, given the Company qualifies as an investment company, the Company has not consolidated its investment in the Fund and has accounted for it at fair value through profit or loss in accordance with IFRS 9 “Financial Instruments: Recognition and Measurement”. Further details with respect to the application of fair value accounting are given in Note 1(c). Refer to Note 9 for the determination of fair values of the financial instruments.

3. TAXATION

The Company is a qualifying company within the meaning of Section 110 of the Taxes Consolidation Act, 1997. As such, the profits are chargeable to corporation tax under Case III of Schedule D, at the rate of 25%, but are computed in accordance with the provisions applicable to Case I of Schedule D.

The table below details the tax charge under 2004 GAAP for the period ended December 31, 2019:

	December 31, 2019
Net income/(loss) before tax on ordinary activities	\$ -
Losses from prior year	\$ -
Taxable profit under 2004 GAAP	\$ -
Tax on profit on ordinary activities	\$ -

There is no difference between the current tax charge for the period and the current charge that would result from applying the passive rate of Irish corporation tax on profit on ordinary activities.

Crescent CIT Levered Designated Activity Company

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

December 31, 2019

(expressed in United States Dollars)

4. SIGNIFICANT AGREEMENTS AND RELATED PARTIES

Noteholder

The Noteholder is a related party of the Company. The Company is dependent on the Noteholder for financing; as a result the Company may be materially affected by the actions of the shareholders in the Noteholder. The Noteholder holds the Note of the Company. The shares of the Company are held by the Noteholder. Refer to Note 7 for amounts outstanding at as of December 31, 2019 and the gains and losses arising from the Note. The investments by the Fund through the Company are made by way of the Note. The Note mimics the return of the investment and transfers the economic value through the Note and interest payment, but does not convey any ownership or voting rights. The Noteholder has control of the Company and therefore consolidates its interest in the Company.

Auditor's Remuneration

The following expenses are payable to the statutory auditor for services provided to the Company for the period ended December 31, 2019.

	December 31, 2019
Audit of the Company's statutory financial statements	\$ 10,500
Other non-audit services	-
	10,500

Audit fees are accrued and paid for by the Noteholder.

Unconsolidated Subsidiaries

The Company was established to invests substantially all of its assets in Crescent CIT II Levered Investment Partnership, LP, a Cayman Islands limited partnership, which is treated as an investment vehicle. The Company owns 100% of the Fund. During the period ended December 31, 2019, the Company had purchase and sales of the Fund of \$176,962,328 and \$35,366,524, respectively. During the period ended December 31, 2019, the Company accrued other income of \$1,329,731, from the Fund. The Company has not consolidated its interest in this entity under as the Company is an investment entity under IFRS 10. The Company does not have any other interests in any other companies as at December 31, 2019.

Investment Manager and Investment Advisor

The Company has appointed Crescent Capital Group, LP (the "Manager") incorporated under the laws of the State of California, acting as the Investment Manager of the Company. The Investment Manager is responsible for investment management decisions in respect of the Company's portfolio, subject to the overall supervision, control and policies of the Company.

The Investment Manager are currently registered with Security Exchange Commission ("SEC") as an investment advisor under the Advisors Act.

The Noteholder pays to the Investment Manager a fee for management services (the "Management Fee"), as stated in the investment manager agreement. The Company did not pay a Management Fee to the Investment Manager.

The Investment Manager is a related party of the Company.

The directors are not aware of any related party transaction other than those disclosed in the financial statements.

The Administrator

The Administrator provides various administrative services to the Company, including maintaining the books of the Company and preparing account balances and financial statements. For its services, the Company pays the Administrator a monthly custodian fee in accordance with the Administrator's customary rates. Administration fees are determined as a percentage of month end net assets and as a fixed amount per transaction and are reflected in Other Expenses on the Statement of Comprehensive Income. For the period ended December 31, 2019, the administration fee expenses amounted to \$54,423, all of which is payable as of December 31, 2019.

The Directors

During the period ended December 31, 2019, the Directors fees amounted to \$16,837, which consists solely of emoluments.

Crescent CIT Levered Designated Activity Company

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

December 31, 2019

(expressed in United States Dollars)

5. NET REALISED AND UNREALISED GAINS/LOSSES ON FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The net gain/(loss) on financial assets and liabilities at fair value through profit or loss shown in the Statement of Comprehensive Income for the period ended December 31, 2019 can be analysed as follows:

	December 31, 2019
Net change in unrealised gain on financial assets at fair value through profit or loss	\$ 9,010,024
Net change in unrealised loss on financial liabilities at fair value through profit or loss	\$ (8,927,994)
Net change in Unrealised Investment Gain	\$ 82,030

Net gain on financial assets and liabilities at fair value through profit or loss	\$ 82,030
---	-----------

6. CAPITAL RISK MANAGEMENT

The Noteholder has beneficial interest in the Company's performance and the Note is held entirely by the Noteholder whose investors are the ultimate beneficiaries therefore, the Noteholder is where the capital structure is monitored. The Noteholder's objective when managing capital is to safeguard the Noteholder's ability to continue as a going concern in order to provide returns to the Noteholder's shareholders. As of December 31, 2019, the sole capital the Company manages is the Note, which has a value of \$150,523,766.

7. PROFIT PARTICIPATING NOTE

The company has entered into a note purchase agreement (the "Note Purchase Agreement") with the Noteholder. In accordance with the Note Purchase Agreement, the Company has issued the Note to the Noteholder.

The Note is structured as a profit participating instrument in that the coupon payable on the Note is equal to the net profit earned by the Company less certain obligations to pay for expenses.

The fair value of the Note denoted on the Statement of Financial Position consists of the principal amount which reflects the amount of drawdowns from the Noteholder, repayments by the Company, and the net profits or losses earned by the Company.

	Fair Value December 31, 2019
Carrying Value - Beginning of the Period	\$ -
Drawdowns from the Noteholder	(176,962,296)
Repayments by the Company	35,366,524
Unrealized loss on the Note	(8,927,994)
Carrying Value - End of the Period	\$ (150,523,766)

The coupon, if available, (interest expense) is payable on an annual basis which represents the corporate benefit for the Company for entering into the Note Purchase Agreement and issuing the Note. The Note is due and payable within 10 days at the option of the Noteholder or any event of default as defined in the Note Purchase Agreement. For the period ended December 31, 2019, coupon payments to the Noteholder amounted to \$1,288,271.

The Company invests the proceeds from the draw downs on the Note in appropriate investments while maintaining sufficient liquidity to meet redemptions at the Noteholder level when necessary.

Crescent CIT Levered Designated Activity Company

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

December 31, 2019

(expressed in United States Dollars)

7. PROFIT PARTICIPATING NOTE (continued)

The Company entered into the Note due to the Noteholder for the amount up to \$10,000,000,000, which are listed on the TISE. As of December 31, 2019, \$150,523,766 is issued.

During the period ended December 31, 2019, 100% of interest expense incurred was attributable to the Note.

8. FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks: market risk (including price risk, currency risk, and interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise permanent capital loss. The Company uses different methods to measure and manage the various types of risk to which it is exposed; these methods are explained below.

General Risk Management Process

The Investment Manager is responsible for monitoring the Company's risk management process. The Administrator is not responsible for the investment decisions of the Company, nor is the Administrator responsible for monitoring the Company's risk management process.

(a) Market risk

Market Price risk

Market price risk is the risk that the value of the instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market. The Investment Manager seeks to moderate this risk through a careful selection of securities and other financial instruments with specified limits.

At December 31, 2019, the fair value of investments and obligations exposed to price risk was as follows:

	Fair Value December 31, 2019
Investment in investment partnership at fair value	\$ 150,605,828
Payable for profit participating note	\$ (150,523,766)

As at December 31, 2019, if the security value of financial assets and financial liabilities were higher or lower by 5%, the increase or decrease in net assets attributable to the note holder for the period would amount to approximately \$7,530,291.

Since the Company's investment objective is directly dependent on the Noteholder contributing assets for a specific purpose, the Investment Manager does not manage the portfolio of the Company in order to correlate with any particular benchmark index. Therefore any analysis of the Company's portfolio relative to a particular benchmark index would be irrelevant.

Crescent CIT Levered Designated Activity Company

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

December 31, 2019

(expressed in United States Dollars)

8. FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk (continued)

Currency risk

Currency risk as defined in IFRS 7 arises as the value of recognised monetary assets and monetary liabilities denominated in other currencies fluctuate due to changes in foreign exchange rates. Non-monetary assets, investment in investment partnership at fair value, are deemed to be denominated in the currency in which they are purchased and sold. However, the Investment Manager monitors the exposure on all foreign currency denominated financial assets and liabilities.

The Company is not directly exposed to currency risk as the investment in investment partnership and the Note are denominated in United States Dollars.

Interest rate risk

Interest rate risk arises from the effects of fluctuations in the prevailing levels of market interest rates on the fair value of the financial assets and liabilities and future cash flows.

The Company has indirect exposure to interest rate changes on the valuation of its interest bearing assets and liabilities held at the Fund. It may also be indirectly affected by the impact of interest rate changes on the earning of certain companies in which the Fund invests. As such, the Interest Rate Risk is primarily at the level of the Fund. Therefore, a sensitivity analysis is not prepared due to the Company not being exposed to significant interest rate sensitivity.

(b) Credit risk

Credit risk is the risk that any counterparty to a financial instrument will fail to discharge an obligation or commitment that it entered into with the Company. The Company manages the credit risk by engaging in full analysis of possible investments and limiting investments to high credit quality institutions.

State Street Bank and Trust Company, is custodian to the Company and has a long term credit rating of A+ (2017: A+) according to Standard & Poor's ("S&P").

As at December 31, 2019, the Company did not have assets directly exposed to credit risk. The Company is indirectly exposed to credit risk through its investment in the Fund.

(b) Credit risk (continued)

In the event of insolvency or bankruptcy of the Custodian, the Company will be treated as a general creditor of the Custodian in relation to cash holdings. Investments are segregated from the assets of the Custodian, with ownership rights remaining with the Company. Bankruptcy or insolvency of the Custodian may cause the Company's rights with respect to its cash and investments to be delayed or limited. The obligations of the Company to the Noteholder shall be limited recourse obligations payable solely from the Fund by the Company.

(c) Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet its commitments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

The table below discloses a maturity analysis of financial liabilities it holds for managing liquidity risk:

As at December 31, 2019

	Up to 1 month	From 1 to 3 months	From 3 months to 6 months	Over 6 months	Total
Liabilities					
Financial liabilities at fair value through profit or loss	-	-	-	150,523,766	150,523,766
Accrued expenses	-	82,060			82,060
Total liabilities	-	82,060	-	150,523,766	150,605,826

As the sole limited partner in the Fund, the Company is able to fully liquidate its investment in the Fund with 180 day written notice.

Crescent CIT Levered Designated Activity Company

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

December 31, 2019

(expressed in United States Dollars)

9. FAIR VALUE INFORMATION

The Company classifies fair value measurements, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted market prices (unadjusted) in active markets for identical financial assets or liabilities (level 1). These include active listed equities, exchange traded derivatives, and certain sovereign obligations. The Company does not adjust the quoted price for these instruments.
- Inputs other than quoted market prices included within level 1 that are observable for the financial asset or liability, either directly (that is, as market prices) or indirectly (that is, derived from market prices) (level 2). These include investment-grade corporate bonds and certain sovereign obligations, listed equities and over-the-counter derivatives. As Level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information, including quoted prices for similar securities, interest rates, bid ask prices, daily currency rates, discount rates, volatilities and others.
- Inputs for the financial asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3). These may include private equity and corporate debt securities. As observable prices are not available for these securities, the Company may use valuation techniques to derive the fair value.

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 judgment, considering factors specific to the financial asset or financial liability.

The determination of what constitutes “observable” requires significant judgment 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 fair value of financial assets that are not traded in an active market is determined by using valuation techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at each Statement of Financial Position date. Valuation techniques employed include the use of prices obtained from the lead underwriter, analysis of comparable recent arm’s length transactions, comparison to other instruments that are substantially the same 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.

The Company’s investment in the Fund is carried at fair value through profit or loss, which is the amount equal to the Company’s interest in the net asset value of the Fund. The Note is carried at fair value through profit or loss, which is the amount equal to the Company’s net asset value excluding the value of the Note.

The following tables analyse within the fair value hierarchy the Company’s financial assets and liabilities measured at fair value as at December 31, 2019:

	2019
Valuation inputs	\$
Financial assets	
Level 1 - Quoted market prices	
Level 2 - Other significant observable inputs	-
Level 3 - Significant unobservable inputs	-
Investment in investment partnership at fair value	150,605,828
Total financial assets	150,605,828

Crescent CIT Levered Designated Activity Company

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

December 31, 2019

(expressed in United States Dollars)

9. FAIR VALUE INFORMATION (continued)

	2019
Valuation inputs	\$
Financial liabilities	
Level 1 - Quoted market prices	-
Level 2 - Other significant observable inputs	-
Level 3 - Significant unobservable inputs	
Participation notes	150,523,766
Total financial liabilities	<u>150,523,766</u>

Fair values are classified as Level 1 when the related securities are actively traded and quoted prices are available. If a financial instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such a case, the financial instrument is reclassified into Level 2, unless the measure of its fair value requires the use of significant unobservable inputs, in which case it is reclassified as Level 3.

A sensitivity analysis for Level 3 securities has not been presented due to the fact that these securities have no other observable or non-observable inputs available to calculate the valuation sensitivity impact.

The following table analyses within the fair value hierarchy the Company's financial assets and liabilities at fair value at December 31, 2019.

	Investment in Investment Partnership at fair Value	Profit Participating Note
Balance at the beginning of the period	-	-
Purchases	176,962,328	(176,962,296)
Sales	(35,366,524)	35,366,524
Unrealised gains (losses)	9,010,024	(8,927,994)
Balance at the end of the period	<u>150,605,828</u>	<u>(150,523,766)</u>

The change in unrealized Level 3 securities held at year end was included in net realized and unrealized gains (losses) on financial assets and liabilities at fair value through profit or loss was \$9,010,024 and \$(8,927,994), respectively.

For the period ended December 31, 2019, the Company did not have any transfers in and out of levels 1, 2 or 3.

Unobservable inputs

The impact on profit and/or equity is estimated as a function of the fair value of the net asset value in the investment in investment partnership at fair value and the Note at period end. An entity is not required to create quantitative information if quantitative unobservable inputs are not developed by the entity when measuring fair value. Therefore, the Company has determined that the sensitivity analysis is not applicable since net asset value in the investment in investment partnership at fair value and the Note represents the fair value at the end of the period.

Crescent CIT Levered Designated Activity Company

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

December 31, 2019

(expressed in United States Dollars)

10. ACCRUED EXPENSES AND OTHER EXPENSES *(continued)*

Accrued expenses

Accrued expenses in the Statement of Financial Position includes following:

	December 31, 2019
Administrative fees	\$ 54,423
Custody fees	10,800
Director's fees	16,837

Other expenses

Other expenses in the Statement of Comprehensive Income includes following:

	December 31, 2019
Administration Fees	\$ 54,423
Custody Fees	10,800
Director's Fees	16,837
Listing fees	23,190
Registration Fees	7,459
Tax Expense	10,781
Total	\$ 123,490

11. SHARE CAPITAL

The authorised share capital of the Company is \$1,000,000 divided into 1,000,000 ordinary shares of \$1.00 each.

	2019
Opening shares in issue	-
Cash subscriptions	2
Cash redemptions	-
Closing shares in issue	2

The Noteholder owns 100% of the units in issue.

12. COMMITMENTS AND CONTINGENCIES

In the ordinary course of its business, the Company may enter into contracts or agreements that may contain indemnifications or warranties. Future events could occur that lead to the execution of these provisions against the Company. Based on its history and experience, management considers that the likelihood of such an event is remote. As of December 31, 2019, the Company is not subjected to any contingencies.

13. SUBSEQUENT EVENTS

The Board of Directors has evaluated subsequent events through July 20, 2020, the date the financial statements were available to be issued and have determined that no additional items require disclosure.

Certain impacts to public health conditions particular to the coronavirus (COVID-19) outbreak that occurred subsequent to year end may have a significant negative impact on the operations and profitability of the Company's investments. The extent of the impact to the financial performance of the Company will depend on future developments, including (i) the duration and spread of the outbreak, (ii) the restrictions and advisories, (iii) the effects on the financial markets, and (iv) the effects on the economy overall, all of which are highly uncertain and cannot be predicted.

14. APPROVAL OF THE FINANCIAL STATEMENTS

On July 20, 2020, the Board of Directors approved the financial statements.