

OCP SENIOR CREDIT FUND

Annual Financial Statements for the year ended
December 31, 2014

OCP SENIOR CREDIT FUND

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of OCP Senior Credit Fund (the "Fund") are the responsibility of the management of the Fund. They have been prepared in accordance with International Financial Reporting Standards using information available to March 26, 2015 and management's best estimates and judgements.

The management of the Fund is responsible for the information and representations contained in these Annual Financial Statements and the Annual Management Report of Fund Performance. Management is also responsible for the selection of the accounting principles that are most appropriate for the Fund's circumstances and for the judgements and estimates made in the financial statements. The management of the Fund maintains appropriate processes to ensure that accurate, relevant and reliable financial information is produced.

These financial statements have been approved by the management of the Fund and have been audited by Collins Barrow Toronto LLP, Licensed Public Accountants, Chartered Accountants, on behalf of the unitholders. The auditors' report outlines the scope of their audit and their opinion on the financial statements.



Josh Spierer
Chief Financial Officer
Onex Credit Partners, LLC,
The Manager of the Fund
March 26, 2015



Michael Gelblat
Chief Executive Officer
Onex Credit Partners, LLC,
The Manager of the Fund
March 26, 2015

INDEPENDENT AUDITORS' REPORT

To the unitholders of

OCP Credit Trust

We have audited the accompanying financial statements of OCP Senior Credit Fund, which comprise the statements of financial position as at December 31, 2014, December 31, 2013 and January 1, 2013, and the statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2014 and December 31, 2013, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of OCP Senior Credit Fund as at December 31, 2014, December 31, 2013 and January 1, 2013, and its financial performance, its changes in equity and its cash flows for the years ended December 31, 2014 and December 31, 2013 in accordance with International Financial Reporting Standards.



Licensed Public Accountants

Chartered Accountants

March 26, 2015

Toronto, Ontario

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INTERNATIONAL

OCP SENIOR CREDIT FUND

STATEMENTS OF FINANCIAL POSITION

As at (Stated in Canadian dollars)

| | December 31, 2014 \$ | December 31, 2013 \$ | January 1, 2013 \$ |
|--|----------------------------|----------------------------|--------------------------|
| | | <i>[Note 12]</i> | <i>[Note 12]</i> |
| ASSETS | | | |
| Current Assets | | | |
| Forward Agreement <i>[Note 6]</i> | 243,025,044 | 297,778,411 | 306,902,180 |
| Cash and cash equivalents | 458,981 | 5,899,050 | 235,049 |
| Receivable from counterparty under Forward Agreement | 4,200,000 | - | 7,100,000 |
| Total Assets | 247,684,025 | 303,677,461 | 314,237,229 |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Accounts payable and accrued liabilities <i>[Note 5]</i> | 635,000 | 955,123 | 1,015,399 |
| Distributions payable <i>[Note 4]</i> | 3,034,447 | 3,647,062 | 3,964,059 |
| Total Liabilities | 3,669,447 | 4,602,185 | 4,979,458 |
| EQUITY | | | |
| Unit capital | 178,297,107 | 229,602,617 | 265,840,419 |
| Retained earnings | 65,717,471 | 69,472,659 | 43,417,352 |
| Total Equity | 244,014,578 | 299,075,276 | 309,257,771 |
| Total Liabilities and Equity | 247,684,025 | 303,677,461 | 314,237,229 |
| Number of Units Outstanding <i>[Note 7]</i> | 24,275,577 | 29,176,493 | 31,712,469 |
| Total Equity/Net Assets per unit | \$10.05 | \$10.25 | \$9.75 |

See accompanying notes

OCP SENIOR CREDIT FUND

STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31 (Stated in Canadian dollars)

| | 2014 \$ | 2013 \$ |
|---|--------------------|------------------|
| | | <i>[Note 12]</i> |
| INCOME | | |
| Investment Income | | |
| Interest for distribution purposes | 18,392 | 11,291 |
| | 18,392 | 11,291 |
| Realized and unrealized gain (loss) on Forward Agreement | | |
| Net changes in fair value of Forward Agreement | | |
| Net realized gain on Forward Agreement | 20,486,122 | 8,118,407 |
| Net change in unrealized (depreciation) appreciation of Forward Agreement | (8,038,297) | 26,257,864 |
| | 12,466,217 | 34,387,562 |
| EXPENSES | | |
| Management fees <i>[Note 5]</i> | 1,360,712 | 1,529,291 |
| Dealer service fees <i>[Note 5]</i> | 1,088,570 | 1,197,591 |
| Transaction costs <i>[Note 2 and 6]</i> | 742,793 | 838,385 |
| Harmonized sales tax | 243,133 | 282,653 |
| Securityholder reporting costs | 109,761 | 92,866 |
| Custodian and valuation fees | 46,340 | 45,225 |
| Audit fees | 26,035 | 21,514 |
| Legal fees | 21,025 | 28,595 |
| Independent Review Committee fees | 11,250 | 11,250 |
| Trustee fees | 9,000 | 9,000 |
| Total Expenses | 3,658,619 | 4,056,370 |
| Profit and total comprehensive income for the year | 8,807,598 | 30,331,192 |
| Earnings/(loss) per unit <i>[Notes 2 and 11]</i> | \$0.34 | \$1.00 |

See accompanying notes

OCP SENIOR CREDIT FUND

STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2014 and 2013 (Stated in Canadian dollars)

| | Unit Capital \$ | Retained Earnings \$ | Total Equity \$ |
|--|--------------------|----------------------------|--------------------|
| As at January 1, 2014 | 229,602,617 | 69,472,659 | 299,075,276 |
| Changes in equity for 2014: | | | |
| Profit (loss) for the year | - | 8,807,598 | 8,807,598 |
| Units purchased for cancellation | (996,271) | (276,745) | (1,273,016) |
| Redemption of units | (37,571,186) | (12,286,041) | (49,857,227) |
| Distributions to unitholders | | | |
| Return of capital | (12,738,053) | - | (12,738,053) |
| As at December 31, 2014 | 178,297,107 | 65,717,471 | 244,014,578 |
| As at January 1, 2013 | 265,840,419 | 43,417,352 | 309,257,771 |
| Changes in equity for 2013: | | | |
| Profit (loss) for the year | - | 30,331,192 | 30,331,192 |
| Units purchased for cancellation | (4,965,992) | (858,295) | (5,824,287) |
| Redemption of units | (16,292,679) | (3,417,590) | (19,710,269) |
| Distributions to unitholders | | | |
| Return of capital | (14,979,131) | - | (14,979,131) |
| As at December 31, 2013 [Note 12] | 229,602,617 | 69,472,659 | 299,075,276 |

See accompanying notes

OCP SENIOR CREDIT FUND

STATEMENTS OF CASH FLOWS

For the years ended December 31 (Stated in Canadian dollars)

| | 2014 \$ | 2013 \$ |
|---|---------------------|--------------|
| Cash Flow from Operating Activities | | |
| Profit (loss) for the year | 8,807,598 | 30,331,192 |
| Adjustments for: | | - |
| Net realized (gain) loss on Forward Agreement | (20,486,122) | (8,118,407) |
| Change in unrealized (appreciation) depreciation of Forward Agreement | 8,038,297 | (26,257,864) |
| Non-cash working capital changes | | |
| Increase (decrease) in accounts payable and accrued liabilities | (320,123) | (60,276) |
| Net proceeds from Forward Agreement | 63,000,000 | 50,600,000 |
| Net Cash Generated (Used) by Operating Activities | 59,039,650 | 46,494,645 |
| Cash Flows from Financing Activities | | |
| Distributions to unitholders | (13,350,668) | (15,296,128) |
| Units purchased for cancellation | (1,273,016) | (5,824,287) |
| Amount paid on redemption of units | (49,857,227) | (19,710,269) |
| Net Cash Generated (Used) by Financing Activities | (64,480,911) | (40,830,684) |
| Foreign currency gain (loss) on cash and cash equivalents | 1,192 | 40 |
| Net increase (decrease) in cash and cash equivalents | (5,441,261) | 5,663,961 |
| Cash and cash equivalents beginning of year | 5,899,050 | 235,049 |
| Cash and Cash Equivalents End of Year | 458,981 | 5,899,050 |
| Cash and cash equivalents comprise: | | |
| Cash at bank | 458,981 | 5,899,050 |
| | 458,981 | 5,899,050 |
| Interest received | 18,392 | 11,291 |

See accompanying notes

OCP SENIOR CREDIT FUND

SCHEDULE OF FORWARD AGREEMENT

As at December 31, 2014 (Stated in Canadian dollars)

| Par Value (US\$) | Description | Maturity Date | Average Cost (US\$) | Fair Value (US\$) |
|---|---|--------------------|---------------------------|-------------------------|
| Investments held by OCP Credit Trust | | | | |
| TOTAL RETURN SWAP | | | | |
| BONDS | | | | |
| 6,331,075 | ACST Pass Through Trust Floating Rate | June 14, 2037 | 5,720,308 | 6,188,626 |
| 13,815,000 | Altegrity, Inc., 9.500% | July 1, 2019 | 13,815,000 | 13,055,175 |
| 1,592,000 | Avaya Inc., 9.000% | April 1, 2019 | 1,651,700 | 1,627,820 |
| 375,000 | Clear Channel Worldwide Holdings Inc., 6.50%, Series A | November 15, 2022 | 371,250 | 381,563 |
| 1,013,000 | Clear Channel Worldwide Holdings Inc., 6.50%, Series B | November 15, 2022 | 1,013,000 | 1,043,390 |
| 3,185,000 | First Data Corporation, 6.75% | November 1, 2020 | 3,208,888 | 3,399,987 |
| 8,256,000 | Harbinger Group Inc., 7.875% | July 15, 2019 | 8,232,318 | 8,792,640 |
| 560,000 | HD Supply Inc., 5.250% | December 15, 2021 | 560,000 | 569,800 |
| 700,000 | K Hovnanian Enterprises, 7.250% | October 15, 2020 | 700,000 | 724,500 |
| 4,251,000 | Prospect Medical Holding, Inc., 8.375% | May 1, 2019 | 4,259,545 | 4,537,942 |
| 7,198,000 | Stena International SA, 5.750% | March 1, 2024 | 7,198,000 | 6,766,120 |
| Total Bonds | | | 46,730,009 | 47,087,563 |
| BANK DEBT | | | | |
| 7,482,522 | Albertsons LLC, Term Loan B-2 | March 21, 2019 | 7,519,934 | 7,423,283 |
| 10,761,325 | Alon USA Partners, LP, Term Loan B | November 26, 2018 | 11,185,053 | 10,855,487 |
| 6,917,853 | Arch Coal Inc., Term Loan | May 16, 2018 | 6,800,941 | 5,710,687 |
| 5,314,293 | Avaya Inc., Term Loan B6 | March 31, 2018 | 5,314,293 | 5,232,921 |
| 3,806,653 | Aveta Inc., Term Loan | December 12, 2017 | 3,835,202 | 3,654,386 |
| 7,951,414 | Brand Energy & Infrastructure Services Inc., Term Loan | November 26, 2020 | 7,911,657 | 7,673,114 |
| 3,927,000 | 1011778 B.C. Unlimited Liability Company (New Red Finance, Inc.) (aka Burger King/Tim Horton's) | December 12, 2021 | 3,887,730 | 3,915,781 |
| 2,352,152 | Ceva Group PLC (Dutch), Term Loan | March 19, 2021 | 2,316,869 | 2,191,911 |
| 3,244,347 | Ceva Group PLC (USD), Term Loan | March 19, 2021 | 3,195,682 | 3,023,326 |
| 2,247,344 | Ceva Group PLC Pre-Funded LLC, Term Loan | March 19, 2021 | 2,213,634 | 2,094,243 |
| 405,543 | Ceva Group PLC, Term Loan | March 19, 2021 | 399,460 | 377,916 |
| 2,419,553 | Citycenter Holdings, LLC, Term Loan B | October 16, 2020 | 2,419,553 | 2,395,358 |
| 7,498,440 | Commercial Barge Line Company, Term Loan | September 22, 2019 | 7,569,675 | 7,460,948 |
| 4,000,000 | Creative Artists Agency, LLC, Term Loan | December 17, 2021 | 3,960,000 | 4,000,000 |
| 2,847,619 | Dell International Inc., Term Loan B | April 29, 2020 | 2,819,142 | 2,835,923 |
| 1,455,944 | Exgen Texas Power, LLC, Term Loan | September 18, 2021 | 1,441,385 | 1,434,105 |
| 11,281,725 | Federal Mogul Corporation, Term Loan C | April 15, 2021 | 11,225,316 | 11,175,959 |
| 5,055,000 | First Data Corporation, 2018B Term Loan | September 24, 2018 | 5,029,725 | 4,942,845 |
| 3,478,074 | Freescale Semiconductor Inc., Term Loan B-4 | February 28, 2020 | 3,478,074 | 3,384,166 |
| 5,537,900 | Freescale Semiconductor Inc., Term Loan B-5 | January 15, 2021 | 5,620,969 | 5,510,210 |
| 4,088,663 | HD Supply Inc., Term Loan B | June 28, 2018 | 4,083,552 | 4,044,370 |
| 4,451,103 | HGIM Corporation, Term Loan B | June 18, 2020 | 3,776,761 | 3,560,882 |

OCP SENIOR CREDIT FUND

SCHEDULE OF FORWARD AGREEMENT continued

As at December 31, 2014 (Stated in Canadian dollars)

| Par Value (US\$) | Description | Maturity Date | Average Cost (US\$) | Fair Value (US\$) |
|--|---|-------------------|---------------------------|-------------------------|
| 11,437,620 | Houghton Mifflin Harcourt Publishing Company, Term Loan B | May 22, 2018 | 11,437,620 | 11,351,837 |
| 5,835,140 | JC Penney Corporation Inc., Term Loan | May 22, 2018 | 5,647,832 | 5,725,731 |
| 8,482,000 | Level 3 Financing Inc., Term Loan B-III 2019 | August 1, 2019 | 8,417,200 | 8,413,084 |
| 3,932,409 | McGraw-Hill Global Education Holdings, LLC, Term Loan B | March 22, 2019 | 3,932,409 | 3,906,604 |
| 6,775,020 | New Albertson's Inc., Term Loan B | June 27, 2021 | 6,719,465 | 6,660,692 |
| 4,116,007 | Phoenix (Metal Services), Term Loan | June 30, 2017 | 4,116,007 | 4,074,847 |
| 11,767,216 | Radio One Inc., Term Loan | March 31, 2016 | 11,564,937 | 11,649,544 |
| 10,674,884 | SRA International Inc., Term Loan B | July 20, 2018 | 10,433,415 | 10,654,869 |
| 4,945,178 | Stations Casino Inc., Term Loan B | March 2, 2020 | 4,951,360 | 4,837,003 |
| 4,902,718 | STG-Fairway Acquisitions Inc., Term Loan | February 28, 2019 | 4,893,550 | 4,823,049 |
| 6,058,922 | Supervalu Inc., Term Loan | March 21, 2019 | 6,054,680 | 5,939,640 |
| 3,504,118 | TNS Inc., Term Loan | February 14, 2020 | 3,526,019 | 3,490,978 |
| 4,000,817 | Wabash National Corporation, Term Loan B-1 | May 8, 2019 | 4,007,209 | 3,980,813 |
| 8,242,276 | Zayo Group LLC, Term Loan B | July 2, 2019 | 8,242,276 | 8,156,886 |
| Total Bank Debt | | | 199,948,586 | 196,563,398 |
| Total Bonds and Bank Debt | | | 246,678,595 | 243,650,961 |
| Unrealized loss on total return swap (US\$) | | | | (3,027,634) |
| Unrealized loss on total return swap (C\$) | | | | (3,513,722) |

OCP SENIOR CREDIT FUND

SCHEDULE OF FORWARD AGREEMENT continued

As at December 31, 2014 (Stated in Canadian dollars)

| Par Value (US\$) | Description | Maturity Date | Average Cost \$ | Fair Value \$ |
|--------------------------|--|--------------------|-----------------------|---------------------|
| OTHER INVESTMENTS | | | | |
| BANK DEBT | | | | |
| 1,531,000 | Albertsons LLC, Term Loan B-2 | March 21, 2019 | 1,675,602 | 1,762,736 |
| 157,599 | Alpha Natural Resources Inc., Term Loan B | May 22, 2020 | 149,030 | 146,779 |
| 1,658,631 | Appvion Inc., Term Loan | June 28, 2019 | 1,726,614 | 1,897,254 |
| 298,238 | Arch Coal Inc., Term Loan | May 16, 2018 | 311,200 | 285,722 |
| 7,262,123 | Ascend Learning LLC, Term Loan | July 31, 2019 | 8,019,947 | 8,336,759 |
| 744,689 | Azaya Inc., Term Loan B6 | March 31, 2018 | 820,951 | 851,016 |
| 1,632,100 | Azure Midstream Holdings, Term Loan B | November 15, 2018 | 1,687,753 | 1,704,721 |
| 11,230,560 | Caesars Entertainment Resort Properties LLC, Term Loan B | October 11, 2020 | 11,788,896 | 12,284,199 |
| 1,227,927 | Commercial Barge Line Company, Term Loan | September 22, 2019 | 1,264,397 | 1,417,945 |
| 1,430,550 | Community Health Systems Inc., Term Loan D | January 27, 2021 | 1,575,984 | 1,654,692 |
| 7,107,992 | Eastman Kodak Company, Term Loan | September 3, 2019 | 7,225,256 | 8,194,187 |
| 1,784,528 | Essar Steel Algoma Inc., Term Loan | August 16, 2019 | 1,985,374 | 2,052,913 |
| 3,828,405 | Gates Global LLC, Term Loan | July 5, 2021 | 4,112,455 | 4,312,938 |
| 1,569,236 | Granite Broadcasting Corporation, Term Loan B | May 23, 2018 | 1,633,758 | 1,802,966 |
| 3,845,368 | Infor (US) Inc., (Lawson), Term Loan B-5 | June 3, 2020 | 4,047,713 | 4,317,705 |
| 6,445,396 | Ion Media Networks, Inc., Term Loan | December 18, 2020 | 7,253,466 | 7,405,406 |
| 5,705,468 | Lightower Fiber LLC, Term Loan B | April 13, 2020 | 6,284,470 | 6,472,501 |
| 3,256,408 | McGraw-Hill Global Education Holdings, LLC, Term Loan B | March 22, 2019 | 3,653,507 | 3,754,426 |
| 10,069,684 | Navistar Financial Corporation, Term Loan | December 2, 2016 | 9,279,415 | 10,955,978 |
| 9,599,693 | Navistar Inc., Term Loan B | August 17, 2017 | 9,584,132 | 11,057,372 |
| 842,548 | OCI Beaumont LLC, Term Loan B3 | August 20, 2019 | 925,114 | 965,597 |
| 1,503,445 | Overseas Shipholding Group, Inc., Term Loan | August 5, 2019 | 1,587,249 | 1,692,479 |
| 3,074,081 | PSAV (AVSC Holding Corporation), Term Loan | January 25, 2021 | 3,380,326 | 3,536,410 |
| 50,118 | Realogy Corporation, Extended Synthetic Commitment | October 10, 2016 | 47,070 | 57,583 |
| 5,364,986 | Realogy Corporation, Term Loan B | March 5, 2020 | 5,958,911 | 6,106,998 |
| 4,623,391 | Select Medical Corporation, Series E Tranche B Term Loan | June 1, 2018 | 5,137,729 | 5,218,122 |
| 1,739,348 | University Support Services LLC (St. George's University Scholastic Services LLC), Term Loan | August 6, 2021 | 1,898,788 | 1,993,368 |
| 4,369,045 | TI Group Automotive Systems LLC, Term Loan | March 28, 2019 | 4,681,680 | 4,981,764 |
| 1,004,850 | TMS International Corporation, Term Loan B | October 16, 2020 | 1,030,472 | 1,151,602 |
| 573,000 | TNS, Inc. (Transaction Network Services, Inc.), Term Loan | February 14, 2020 | 628,833 | 662,502 |
| 965,000 | Westmoreland Coal Company, Term Loan | December 9, 2020 | 1,079,282 | 1,094,733 |
| 1,477,849 | Windsor Essex Mobility Group GP, Term Loan | September 29, 2016 | 1,426,124 | 1,463,070 |
| 1,711,378 | XO Communications LLC, Term Loan | March 20, 2021 | 1,860,457 | 1,952,625 |
| 7,475,192 | YRC Worldwide Inc., Term Loan | February 13, 2019 | 8,322,372 | 8,566,897 |
| Total Bank Debt | | | 122,044,327 | 130,111,965 |

OCP SENIOR CREDIT FUND

SCHEDULE OF FORWARD AGREEMENT continued

As at December 31, 2014 (Stated in Canadian dollars)

| Par Value (US\$) | Description | Maturity Date | Average Cost \$ | Fair Value \$ |
|---|-----------------------------------|--------------------|-----------------------|---------------------|
| UNFUNDED BANK DEBT COMMITMENTS | | | | |
| (281,912) | Windsor Essex, Unfunded Term Loan | September 29, 2016 | (9,867) | (2,819) |
| Total Unfunded Bank Debt Commitments | | | (9,867) | (2,819) |
| Total Investments | | | 122,034,460 | 130,109,146 |

| | | | Fair Value (C\$) |
|--|--|--|------------------------|
| Other assets and liabilities held in OCP Credit Trust | | | |
| | Unrealized loss on total return swap | | (3,513,722) |
| | Cash and cash equivalents | | 12,498,088 |
| | Cash on deposit with brokers as collateral | | 104,177,344 |
| | Receivable for investments sold | | 895,974 |
| | Interest and other receivables | | 4,468,711 |
| | Unrealized loss on forward contracts | | (783,801) |
| | Accounts payable and accrued liabilities | | (367,382) |
| | Distribution payable | | (4,200,000) |
| | Interest payable | | (259,314) |
| Forward Agreement | | | 243,025,044 |

See accompanying notes.

OCP SENIOR CREDIT FUND

NOTES TO FINANCIAL STATEMENTS

December 31, 2014 and 2013
(Stated in Canadian dollars)

1. THE FUND

OCP Senior Credit Fund (the "Fund") is an investment fund governed by the laws of the Province of Ontario by a Declaration of Trust dated October 25, 2010.

The Fund is designed to provide unitholders with a stable source of tax-advantaged income through exposure to the performance of an actively managed, diversified portfolio (the "Portfolio") comprised of senior secured loans and other senior debt obligations of non-investment grade North American issuers.

In order to meet its investment objective, the Fund used the net proceeds of the offering to pre-pay its obligation to purchase a portfolio of Canadian Securities (the "Canadian Securities Portfolio") under a forward purchase and sale agreement (the "Forward Agreement"), which the Fund entered into with The Bank of Nova Scotia (the "Counterparty"). Under the terms of the Forward Agreement, the Counterparty has agreed to deliver to the Fund on November 19, 2015 (being the scheduled Forward Termination Date) the Canadian Securities Portfolio with an aggregate value equal to the redemption proceeds of a corresponding number of units of OCP Credit Trust (the "Trust"), which holds the Portfolio securities, net of any amount owing by the Fund to the Counterparty. As such, the return of the Fund will, by virtue of the Forward Agreement, be based on the return of the Trust, which, in turn, will be based on the performance of the Portfolio.

The manager of the Fund is Onex Credit Partners, LLC (the "Manager"), as such, the Fund is dependent on the Manager for the administration and management of all matters relating to its operations.

The Fund's registered office is at 161 Bay Street, 49th Floor, Toronto, Ontario, M5J 2S1.

The financial statements of the Fund for the year ended December 31, 2014 were authorized for issue by the Manager on March 26, 2015.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial statements of the Fund have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The Fund adopted IFRS on January 1, 2014 with a transition date of January 1, 2013 as required by Canadian securities legislation and the Canadian Accounting Standards Board. Previously, the Fund prepared its financial statements in accordance with Canadian generally accepted accounting principles as defined in Part V of the CPA Canada Handbook (Canadian GAAP).

Subject to certain transition elections disclosed in note 12, the Fund has consistently applied the same accounting policies in its opening IFRS statement of financial position at January 1, 2013 and throughout all periods presented, as if these policies had always been in effect. Note 12 discloses the impact of the transition to IFRS on the Fund's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Fund's financial statements prepared under Canadian GAAP.

The financial statements have been prepared on a going concern basis using the historical cost convention except for financial assets and financial liabilities measured at fair value.

In applying IFRS, management may make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses during the reporting periods. Significant estimates include the valuation of the Forward Agreement, determination of functional currency, classification of redeemable units and classification of the Fund as an investment entity. These estimates are based on information available as at the reporting date. Actual results could differ from those estimates.

Functional currency

The financial statements are presented in Canadian dollars (CAD), which is the currency of the primary economic environment in which the Fund operates and is considered the functional currency of the Fund.

Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the prevailing rate of exchange on each valuation date. Purchases and sales of investments, income and expenses are translated at the rate of exchange prevailing on the respective dates of such transactions.

Financial instruments

The Fund recognizes a financial asset or a financial liability when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Fund commits to purchase or sell the asset.

NOTES TO FINANCIAL STATEMENTS continued

(i) Classification and recognition of financial instruments

The Fund classifies financial assets and financial liabilities at initial recognition into the following categories, in accordance with IAS 39, *Financial Instruments: Recognition and Measurement* (IAS 39).

Financial assets and liabilities at fair value through profit or loss

The category of financial assets and liabilities at fair value through profit or loss (FVTPL) is sub-divided into:

Financial assets and liabilities held for trading: Financial assets are classified as held for trading if they are acquired for the purpose of selling and/or repurchasing in the near term. All derivatives are classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39. The Funds' policy is not to apply hedge accounting.

Financial instruments designated as fair value through profit or loss upon initial recognition: All investments held by the Fund (other than derivatives) are designated as fair value through profit or loss upon initial recognition. The Fund includes both long and short positions of equities, bonds, and other interest-bearing investments in this category. These financial assets and liabilities are designated upon initial recognition on the basis that they are part of a group of financial instruments that are managed and have their performance evaluated on a fair value basis, in accordance with risk management and investment strategies of the Fund, as set out in the Fund's prospectus.

The classification of financial instruments depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the Fund's designation of such instruments.

Other financial assets and liabilities

All other financial assets and liabilities not measured at FVTPL are measured at amortized cost. Included in loans and receivables are receivable from counterparty under Forward Agreement and cash and cash equivalents. Included in other financial liabilities are accounts payable and accrued liabilities and distributions payable. Financial assets and liabilities are shown at the amount required to be received or paid, discounted, when appropriate.

(ii) Valuation of financial instruments

Financial assets and financial liabilities at FVTPL are recorded in the statements of financial position at fair value upon initial recognition. 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. All transaction costs such as brokerage commissions, incurred in the purchase and sale of securities for such instruments are recognized directly in the statement of comprehensive income. All other financial assets and liabilities (other than those classified as FVTPL) are measured initially at their fair value plus any directly attributable incremental costs of acquisition or issue.

After initial measurement, the Fund measures financial instruments which are classified as FVTPL at fair value. Subsequent changes in the fair value of those financial instruments are recorded as "unrealized appreciation (depreciation) of investments" in the statements of comprehensive income. "Net realized gain (loss) on Forward Agreement" and "net change in unrealized appreciation (depreciation) of Forward Agreement" are determined on an average cost basis.

The Fund meets the definition of an investment entity within IFRS 10 *Consolidated Financial Statements* and is required to measure its subsidiaries, if any, at FVTPL rather than consolidate them. The fair values of each specific type of investment and derivative are determined in the following manner:

Forward Agreement

The Forward Agreement is valued at an amount that would be realized if the position was to be closed out in accordance with its terms, in which case fair value shall be based on the net asset value (NAV) of the Trust. The Forward Agreement is categorized as held for trading and changes in fair value are reflected in the Fund's statements of comprehensive income under "Net change in unrealized appreciation (depreciation) of Forward Agreement."

(iii) Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount presented in the statements of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Cash and cash equivalents

Cash and cash equivalents in the statements of financial position comprise short-term deposits in banks that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, with original maturities of three months or less.

Short-term investments that are not held for the purpose of meeting short-term cash commitments and restricted margin accounts are not considered as 'cash and cash equivalents'.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

OCP SENIOR CREDIT FUND

NOTES TO FINANCIAL STATEMENTS continued

Income and expense recognition

The interest for distribution purposes shown on the Statements of Comprehensive Income represents the coupon interest received by the Fund accounted for on an accrual basis. The Fund does not amortize premiums paid or discounts received on the purchase of fixed income securities except for zero coupon bonds which are amortized on a straight line basis.

Realized gain/loss on sale of investments and unrealized appreciation/depreciation in investments are determined on an average cost basis. Average cost does not include amortization or premiums or discounts on fixed income securities with the exception of zero coupon bonds.

Redeemable participating units

The Fund's redeemable units meet the criteria of equity classification of puttable instruments in accordance with IAS 32, *Financial Instruments: Presentation* (IAS 32). All redeemable unitholders are classified as unit capital in the statements of financial position. The movement in unit capital is shown in the statements of changes in equity.

Valuation of Fund Units

The value at which units are redeemed is the Net Asset Value per unit. Net asset value per unit is calculated daily by dividing the net asset value by its outstanding units. Amounts received on the issuance of units and amounts paid on the redemption of units are included on the statements of changes in financial position.

Earnings (loss) Per Unit

Earnings (loss) per unit are based on the profit and total comprehensive income for the period divided by the weighted average number of units outstanding during the period.

Future Accounting Pronouncements – IFRS 9 *Financial Instruments* ("IFRS 9")

In July 2014, the IASB issued the final version of IFRS 9, first issued on November 2009, which brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 *Financial Instruments: Recognition and Measurement* (IAS 39). IFRS 9 introduces a principles-based approach to the classification of financial assets based on an entity's business model and the nature of the cash flows of the asset. It introduces a forward-looking impairment model for financial assets which will be applicable for all financial instruments subject to impairment accounting and requires more timely recognition of expected credit losses. Finally, it introduces a new hedge accounting model that aligns the accounting for hedge relationship more closely with risk management. IFRS 9 will be effective for the Fund on January 1, 2018. The Fund is currently assessing the impact of adopting IFRS 9 on the financial statements.

3. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments of the Fund include cash and cash equivalents, receivable from counterparty under Forward Agreement, accounts payable and accrued liabilities and distributions payable. There are no significant differences between the carrying value of these financial instruments and their fair value. The Forward Agreement is a financial instrument and is carried at its fair value as described in Note 2 above. Financial instruments recorded at fair value, are categorized between those whose fair value is based on quoted market prices (Level 1), those involving valuation techniques where all the model inputs are observable in the market (Level 2) and those where the valuation technique involves the use of non-market observable inputs (Level 3). The Forward Agreement is considered Level 2.

4. DISTRIBUTIONS

An objective of the Fund is to provide unitholders with tax efficient quarterly distributions consisting of capital gains and returns of capital currently targeted to be \$0.125 per unit (\$0.50 per annum to yield 5.0% on the subscription price of \$10.00 per unit) to unitholders of record on the last business day of each of March, June, September and December.

If, in any year after such distributions, there would otherwise remain in the Fund additional net income or net realized capital gains, the Fund intends to make, on or before December 31 of that year, a special distribution of such portion of the remaining net income and net realized capital gains as is necessary to ensure that the Fund will not be liable for income tax under the Income Tax Act (Canada).

5. EXPENSES OF THE FUND AND RELATED PARTY TRANSACTIONS

The Manager is entitled to an annual management fee of 0.50% based on the NAV of the Fund, as well as an annual fee of 1.00% based on the NAV of the Trust (total overall management fee of 1.50%). These fees are calculated daily and paid monthly in arrears. During the year ended December 31, 2014, the Fund incurred a management fee of \$1,360,712 (2013 – \$1,529,291) of which \$111,581 (December 31, 2013 – \$131,953, January 1, 2013 – \$132,405) was owing at December 31, 2014.

A dealer service fee, which is equal to 0.40% annually of the NAV of the Fund is payable to dealers whose clients hold units of the Fund. This fee is calculated daily and paid quarterly in arrears.

The Fund is responsible for all costs relating to its administration and operation.

All transactions with the Manager are measured at the exchange amounts, and occur within the normal course of business.

OCP SENIOR CREDIT FUND

NOTES TO FINANCIAL STATEMENTS continued

6. FORWARD AGREEMENT

The Fund has used the net proceeds of the offering to pre-pay its obligation to purchase the Canadian Securities Portfolio pursuant to a Forward Agreement that it has entered into with the Counterparty, which has a credit rating of A+ according to Standard & Poor's Rating Services ("S&P"). Under the terms of the Forward Agreement, the Counterparty has agreed to deliver to the Fund on November 19, 2015, being the scheduled Forward Termination Date, the Canadian Securities Portfolio with an aggregate value equal to the redemption proceeds of a corresponding number of units of the Trust, net of any amount owing by the Fund to the Counterparty. The Fund will partially settle the Forward Agreement prior to the Forward Termination Date in order to fund quarterly distributions, redemptions and repurchases of units from time to time, and operating expenses of the Fund. Under the Forward Agreement, the Fund pays to the counterparty an annual fee as negotiated with the counterparty, of the notional amount of the Forward Agreement (being effectively equal to the NAV of the Trust), calculated daily and paid quarterly in arrears.

7. REDEEMABLE UNITS

Units of the Fund are puttable instruments and are required to be presented as equity or liability depending on certain criteria. The Fund has assessed the unitholder's structure and has determined the equity treatment is the most appropriate classification. Unit capital amounts are determined on a per unit average costs basis.

The Fund is authorized to issue an unlimited number of transferable and redeemable units of one class, each of which is entitled to one vote at all unitholder meetings and represents an equal, undivided interest in the net assets of the Fund.

Units may be surrendered annually for redemption during the period from the first business day in March until 5:00pm (Toronto time) on March 15 in each year (the "Notice Period") subject to the Fund's right to suspend redemptions in certain circumstances. Units surrendered for redemption during the Notice Period will be redeemed on the last business day of May of each year (the "Annual Redemption Date") for a redemption price per unit equal to the NAV per unit determined as of the Annual Redemption Date, less any costs and expenses incurred by the Fund in order to fund such redemption.

Changes in the number of redeemable units outstanding for the years ended December 31 are summarized as follows:

| | 2014 # | 2013 # |
|--|--------------------|-------------|
| Redeemable units outstanding, beginning of year | 29,176,493 | 31,712,469 |
| Redemption of redeemable units | (4,774,316) | (1,943,576) |
| Redeemable units purchased for cancellation | (126,600) | (592,400) |
| Redeemable units outstanding, end of year | 24,275,577 | 29,176,493 |

Under a normal course issuer bid, which will expire on July 16, 2015, the Fund has the ability to repurchase units up to a maximum of 10% of the public float at the time the bid commenced. Under the bid, units were repurchased at their market price through the facilities of the Toronto Stock Exchange ("TSX"). During the year ended December 31, 2014, 126,600 units (2013 – 592,400 units) were purchased under this normal course issuer bid at an average price of \$10.06 per unit (2013 – \$9.83). When units are redeemed, the average cost of the units is deducted from unit capital and the difference between average cost and redemption price is taken to retained earnings.

8. MANAGEMENT OF FINANCIAL RISKS

In the normal course of business, the Fund is exposed to various financial risks, including credit risk, liquidity risk and market risk (consisting of interest rate risk and currency risk). The Fund's overall risk management program seeks to minimize potentially adverse effects of these risks on the Fund's financial performance by employing professional, experienced portfolio managers, by monitoring daily the Fund's positions and market events and by diversifying the Investment Portfolio of the Trust within the constraints of the investment guidelines. To assist in managing risk, the Manager maintains a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment strategy, investment guidelines and securities regulations.

As the Fund obtains exposure to the Portfolio held in the Trust through the Forward Agreement, the following incorporates the risks and risk management applicable to the Fund and the Trust.

Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. The Fund mitigates such risk by entering into investment transactions with high credit quality financial institutions.

OCP SENIOR CREDIT FUND

NOTES TO FINANCIAL STATEMENTS continued

In entering into the Forward Agreement, which is the most significant asset of the Fund, the Fund is exposed to the credit risk associated with the Counterparty. As at December 31, 2014, the credit exposure is \$247,225,044 (December 31, 2013 – \$297,778,411, January 1, 2013 – \$314,002,180) and is represented by the NAV of the Trust and amounts owing from the Counterparty under the Forward Agreement. The possibility exists that the Counterparty will default on its obligations under the Forward Agreement. This risk is managed by dealing with a counterparty that the Manager believes to be creditworthy and through regular monitoring of credit exposures. As at December 31, 2014, December 31, 2013 and January 1, 2013, the Counterparty had a current credit rating of A+ by S&P.

The Fund is also exposed to credit risk of the debt securities it has exposure to via the Forward Agreement, which derives its value based on the performance of the Trust's Portfolio. The Trust has exposure to senior secured loans and other senior debt obligations of non-investment grade issuers, which are held directly or in a total return swap ("TRS Facility"). The fair value of debt securities held directly or in the TRS Facility, includes consideration of the credit worthiness of the issuer, and accordingly, represents the maximum credit exposure of the Fund. The Trust currently uses only one counterparty for its TRS Facility. Credit risk for the TRS Facility is managed by dealing with a counterparty that had a current credit rating of A+ by S&P as at December 31, 2014, December 31, 2013 and January 1, 2013.

As part of its cash management, the Fund limits its direct exposure to credit loss by placing its cash with high credit quality financial institutions.

Within the Trust's Portfolio, the maximum exposure to any one debt issuer as of December 31, 2014 was \$22,013,350 representing 9.06% of the net assets of the Trust (December 31, 2013 – \$21,845,423 or 7.34%, January 1, 2013 – \$22,241,153 or 7.25%).

As at December 31, 2014, December 31, 2013 and January 1, 2013, indirect exposure to debt securities by credit rating is as follows:

| | As a % of the Trust's Net Assets | | |
|-----|----------------------------------|----------------------|--------------------|
| | December 31, 2014 | December 31, 2013 | January 1, 2013 |
| A | 2.96 | 2.52 | 2.90 |
| BBB | 1.35 | 2.03 | 3.42 |
| BB | 38.88 | 23.66 | 23.04 |
| B | 106.78 | 107.99 | 104.94 |
| CCC | 19.32 | 6.18 | 7.49 |
| NR* | 0.60 | 13.66 | 14.29 |

* Not rated by S&P Rating Services

Liquidity risk

Liquidity risk is the risk that the Fund may not be able to settle or meet its obligations on time or at a reasonable price.

The Forward Agreement may be partially pre-settled at any time. If the Trust is unable to dispose of some or all of the Portfolio upon receipt of a redemption request, the Fund may experience a delay in the receipt of cash on the sale of Canadian Securities Portfolio to be delivered by the Counterparty under the Forward Agreement until such time as the Trust is able to dispose of such securities.

The Fund has financial liabilities outstanding including accounts payable and accrued liabilities and distributions payable. These financial liabilities are all current and are expected to be settled within three months. The Fund has sufficient liquid assets to settle these financial liabilities.

Redeemable units are redeemable at the holder's option subject to the conditions outlined in Note 7. The Manager expects to have sufficient liquid assets to settle any redemptions.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or fair values of financial instruments.

The Fund is exposed to the performance of the Trust, which invests in debt securities which may bear interest. Consequently, the Fund is exposed to interest rate risk on the Portfolio. Changes in the prevailing levels of market interest rates are not expected to have a significant impact on the fair value of the TRS Facility or investments nor the related interest income and TRS Facility funding cost cash flows.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

OCP SENIOR CREDIT FUND

NOTES TO FINANCIAL STATEMENTS continued

The Fund is exposed to the performance of the Trust, which invests its assets in securities that are denominated in a currency other than the Canadian dollar, the functional currency of the Fund. Consequently, the Fund is exposed to currency risk as the fair value of the Portfolio securities denominated in currencies other than the Canadian dollar will vary due to changes in foreign currency exchange rates. As at December 31, 2014, December 31, 2013 and January 1, 2013, the Fund does not have significant exposure to foreign exchange risk as substantially all of the Trust's foreign exposure is hedged back to the Canadian dollar.

Concentration risk

Concentration risk arises as a result of the concentration of exposures within the same category. A summary of the Fund's concentration risk by product type as at December 31, 2014 is shown in the Fund's schedule of investment portfolio. The value of the Forward Agreement is based on the value of the Trust, which represents the concentration risk for the Fund.

9. CAPITAL MANAGEMENT

Units issued and outstanding represent the capital of the Fund. The Fund has no restrictions or specific capital requirements and is authorized to issue an unlimited number of redeemable units as specified in its most recent Annual Information Form. Restrictions and specific requirements on the redemption of units are described in Note 7. The statements of changes in equity and Note 7 outline the relevant changes of the Fund's units for the periods.

The Fund's objectives in managing its capital in respect of the units are to provide unitholders with tax-efficient quarterly distributions consisting of capital gains and returns of capital currently targeted to be \$0.125 per unit (\$0.50 per unit per year to yield 5% per year based on the \$10.00 subscription price), while at the same time to preserve and enhance the NAV.

The Fund manages its capital in accordance with its investment objectives and strategies and the risk management practices outlined in Note 8 while maintaining sufficient liquidity to meet distributions and redemptions.

10. TAXATION

The Fund qualifies as a mutual fund trust under the provisions of the Income Tax Act (Canada) and, accordingly, is not subject to tax on that portion of its income, including net realized capital gains for its taxation year that is paid or payable to its unitholders. Income tax on net realized capital gains not paid or payable will be generally recoverable by virtue of refunding provisions contained in the Income Tax Act (Canada) and provincial income tax legislation, as redemptions occur. It is the intention of the Fund to pay all net taxable income and sufficient net taxable gains so that the Fund will not be subject to income taxes. If the Fund distributes more than it earns, this excess distribution is a return of capital and is not taxable to unitholders.

As at December 31, 2014, the Fund has accumulated \$12,998,790 non-capital losses, which may be carried forward to reduce future taxable income and expire in the years indicated:

| Non-Capital Losses | Expiration of Non-Capital Losses | | |
|--------------------|----------------------------------|-------------|-------------|
| | 2031 | 2032 | 2033 |
| \$12,998,790 | \$4,745,637 | \$5,141,672 | \$3,111,481 |

11. EARNINGS (LOSS) PER UNIT

Earnings (loss) per unit for the years ended December 31, 2014 and 2013 is calculated as follows:

| | 2014 | 2013 |
|--|-------------|--------------|
| Profit for the period | \$8,807,598 | \$30,331,192 |
| Weighted average units outstanding during the period | 26,247,836 | 30,337,603 |
| Earnings (loss) per unit | \$0.34 | \$1.00 |

OCP SENIOR CREDIT FUND

NOTES TO FINANCIAL STATEMENTS continued

12. TRANSITION TO IFRS

The effect of the Fund's transition to IFRS is summarized as follows:

(i) Transition election

The Fund did not apply any transition exceptions or exemptions to full retrospective application of IFRS, except for the voluntary exemption to designate a financial asset or financial liability at FVTPL upon transition to IFRS. All financial assets and liabilities designated at FVTPL upon transition were previously carried at fair value under Canadian GAAP.

(ii) Statement of cash flows

Under Canadian GAAP, the Fund was exempt from providing a statement of cash flows. IAS 1 requires that a complete set of financial statements include a statement of cash flows for the current and comparative period without exception.

(iii) Classification of redeemable units issued by the Fund

Under Canadian GAAP, the Fund accounted for its redeemable units as equity. Under IFRS, IAS 32 requires that units or shares of an entity which include a contractual obligation for the issuer to repurchase or redeem them for cash or another financial asset be classified as financial liability unless they meet the criteria mentioned in IAS 32. The Fund's units meet the criteria in IAS 32 for classification as equity and therefore, have been classified as equity on transition to IFRS. Previously, only net assets were presented under Canadian GAAP. Under IFRS, equity is split between unit capital and retained earnings, with balances at December 31, 2013 of \$229,602,617 and \$69,472,659, respectively, and balances at January 1, 2013 of \$265,840,419 and \$43,417,352, respectively.

(iv) Revaluation of investments at FVTPL

Under Canadian GAAP, the Fund measured the fair values of its investments in accordance with Section 3855, Financial Instruments – Recognition and Measurement, which required the use of bid prices for long positions and ask prices for short positions, to the extent such prices are available. Under IFRS, the Fund measures the fair values of its investments using the guidance in IFRS 13, Fair Value Measurement (IFRS 13), which requires that if an asset or a liability has a bid price and an ask price, then its fair value is to be based on a price within the bid-ask spread that is most representative of fair value. It also allows the use of midmarket pricing or other pricing conventions that are used by market participants as a practical expedient for fair value measurements within a bid-ask spread. There was no impact as a result of the revaluation of investments at FVTPL.

There was no change in net assets or net assets value per unit as of December 31, 2013 and January 1, 2013 and earnings (loss) per unit for period ended December 31, 2013.

Reconciliation of equity and comprehensive income as previously reported under Canadian GAAP to IFRS:

| Net assets | December 31, 2013 | January 1, 2013 |
|--|----------------------|--------------------|
| Net assets as reported under Canadian GAAP | 299,075,276 | 309,257,771 |
| Revaluation of investments at FVTPL | - | - |
| Net assets attributable to unit holders | 299,075,276 | 309,257,771 |

| Comprehensive income | December 31, 2013 |
|--|----------------------|
| Comprehensive income as reported under Canadian GAAP | 30,331,192 |
| Revaluation of investments at FVTPL | - |
| Increase in net assets attributable to redeemable unit holders | 30,331,192 |

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