

KKR Credit Income Fund

ARSN 634 082 107

Appendix 4D

Interim report

For the period June 12, 2019 to December 31, 2019

Details of Reporting Period

This interim report is for the half-year from June 12, 2019 to December 31, 2019. This is the first period of operations for KKR Credit Income Fund. Therefore, there are no prior period comparatives.

The Directors of The Trust Company (RE Services) Limited, the Responsible Entity of KKR Credit Income Fund (the "Fund") announce the reviewed results of the Fund for the half-year ended December 31, 2019 as follows:

Results for announcement to the market	Half-year ended December 31, 2019 \$'000
Total investment income/(loss)	12,042
Operating profit/(loss) for the half-year	9,221

Brief explanation of results

Total investment income for the period from June 12, 2019 to December 31, 2019 of \$12,042,651 was comprised primarily of a net unrealised loss on investments of \$3,894,655 offset by a net unrealised gain on forward currency contracts of \$15,695,494. Operating profit for the period June 12, 2019 to December 31, 2019 includes listing expenses of \$1,593,858, representing expenses associated with the listing of the Fund's units on the ASX. The Fund also incurred costs directly attributable to the issuance of units of \$30,363,441, which were recorded as a reduction of the proceeds received from the initial public offering. Pursuant to the terms of the Investment Management Agreement, the Investment Manager agreed to pay in full out of its own pocket all upfront establishment fees, costs and expenses of the IPO to ensure that the net assets per unit at the beginning of the day on which trading of units commenced on the ASX was not less than the subscription price of \$2.50 per unit. The payment of these costs of \$31,957,299 is recorded as a capital contribution in the condensed statement of changes of equity.

Distribution information

No distributions relating to the half-year were paid or are payable.

Distribution Reinvestment Plan (DRP)

The Responsible Entity has established a Distribution Reinvestment Plan ("DRP") in relation to distributions. The Responsible Entity expects to make distributions on a quarterly basis. For such distributions, it is expected the record date will be on or around the first ASX trading day of each quarter and the last day for electing into the DRP will be 5.00pm (Sydney Time) on the first business day after the record date.

Units under the DRP are currently issued at the net asset value of a unit as determined in accordance with the Fund's constitution on the record date.

Net tangible assets

	As at December 31, 2019
Net tangible assets per security	\$2.5292

Details of associates and joint venture entities

The Fund did not have any interest in associates and joint venture entities during the current period.

Independent review report

This Appendix 4D is based on the interim financial statements which have been reviewed by the Fund's Auditors – Deloitte Touche Tohmatsu.

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Interim Financial Report

For the period June 12, 2019 to December 31, 2019

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Interim Financial Report

For the period June 12, 2019 to December 31, 2019

Contents

	Page
Directors' report	1
Auditor's Independence declaration	4
Condensed statement of comprehensive income	5
Condensed statement of financial position	6
Condensed statement of changes in equity	7
Condensed statement of cash flows	8
Notes to the interim financial statements	9
Directors' declaration	21
Independent auditor's report to the unitholders of KKR Credit Income Fund	22

This interim report does not include all the notes of the type normally included in an annual report. Accordingly, this interim report is to be read in conjunction with any public announcements made in respect of KKR Credit Income Fund during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

This interim report covers KKR Credit Income Fund as an individual entity. The Responsible Entity of KKR Credit Income Fund is The Trust Company (RE Services) Limited (ABN 45 003 278 831) (AFSL 235150). The Responsible Entity's registered office is:

Level 18 Angel Place
123 Pitt Street
Sydney NSW 2000.

Directors' report

The Trust Company (RE Services) Limited (ABN 45 003 278 831) is the responsible entity (the "Responsible Entity") of KKR Credit Income Fund (the "Fund"). The Directors of the Responsible Entity (the "Directors") present their report together with the financial statements of the Fund for the period June 12, 2019 to December 31, 2019.

Principal activities

The Fund is a registered managed investment scheme domiciled in Australia.

The Fund invests in income generating alternative credit investments in accordance with the Product Disclosure Statement and the provisions of the Fund's Constitution.

The Fund was constituted on June 12, 2019 and commenced operations on November 15, 2019.

The Fund did not have any employees during the period.

Directors

The Directors of the Responsible Entity during the period and up to the date of this report are shown below. The Directors were in office for this entire period except where stated otherwise:

Name	Date of appointment/resignation
Glenn Foster	
Michael Vainauskas	Resigned as Director on September 27, 2019
Andrew McIver	Resigned as Alternate Director for Michael Vainauskas on September 2, 2019, Appointed as Alternate Director for Glenn Foster on September 2, 2019, Resigned as Alternative Director for Glenn Foster on September 27, 2019
Vicki Riggio	
Phillip Blackmore	Alternate Director for Vicki Riggio
Richard McCarthy	
Simone Mosse	Appointed as Director on September 27, 2019

Review and results of operations

During the period, the Fund invested in accordance with investment objective and guidelines as set out in the governing documents of the Fund and in accordance with the provisions of the Fund's Constitution.

Directors' report (continued)

Results

The performance of the Fund, as represented by the results of its operations, was as follows;

	For the period June 12, 2019 to December 31, 2019
Operating profit/(loss) for the period (\$'000)	9,221
Distributions paid and payable (\$'000)	-
Distributions (cents per unit)	-

Operating profit for the period June 12, 2019 to December 31, 2019 includes listing expenses of \$1,593,858, representing expenses associated with the listing of the Fund's units on the ASX. The Fund also incurred costs directly attributable to the issuance of units of \$30,363,441, which were recorded as a reduction of the proceeds received from the initial public offering. Pursuant to the terms of the Investment Management Agreement, the Investment Manager agreed to pay in full out of its own pocket all upfront establishment fees, costs and expenses of the IPO to ensure that the net assets per unit at the beginning of the day on which trading of units commenced on the ASX was not less than the subscription price of \$2.50 per unit. The payment of these costs of \$31,957,299 is recorded as a capital contribution in the condensed statement of changes in equity. The listing expenses and issue costs associated with the Fund's IPO are one-time costs and are not expected to recur in future periods.

Significant changes in state of affairs

The Fund was listed on the Australian Securities Exchange (ASX) on November 19, 2019 and is quoted under ticker code KKC. In the opinion of the directors, there were no other significant changes in the state of affairs of the Fund that occurred during the period.

Matters subsequent to the end of the financial period

No matter or circumstance has arisen since December 31, 2019 that has significantly affected, or may significantly affect:

- (i) the operations of the Fund in future financial years, or
- (ii) the results of those operations in future financial years, or
- (iii) the state of affairs of the Fund in future financial years.

Likely developments and expected results of operations

The Fund will continue to be managed in accordance with the investment objectives and guidelines as set out in the governing documents of the Fund and in accordance with the provisions of the Fund's Constitution.

The results of the Fund's operations will be affected by a number of factors, including the performance of investment markets in which the Fund invests. Investment performance is not guaranteed and future returns may differ from past returns. As investment conditions change over time, past returns should not be used to predict future returns.

Indemnification and insurance of officers and auditors

No insurance premiums were paid for out of the assets of the Fund in regards to insurance cover provided to either the officers of the Responsible Entity or the auditors of the Fund. So long as the officers of the Responsible Entity act in accordance with the Fund's Constitution and the *Corporations Act, 2001*, the officers remain indemnified out of the assets of the Fund against losses incurred while acting on behalf of the Fund.

The auditors of the Fund are in no way indemnified out of the assets of the Fund.

Directors' report (continued)

Units in the Fund

The movement in units on issue in the Fund during the period is disclosed in Note 7 to the financial statements.

During the period from June 12, 2019 to December 31, 2019, the Fund incurred issue costs associated with its Initial Public Offering (IPO) totaling \$31,957,299, comprised of \$1,593,858 recorded as listing expenses in the statement of comprehensive income and \$30,363,441 of costs directly attributable to the issuance of units that were recorded as a reduction of the proceeds from the IPO in the condensed statement of changes in equity. Pursuant to the terms of the Investment Management Agreement, the Investment Manager agreed to pay in full out of its own pocket all upfront establishment fees, costs and expenses of the IPO to ensure that the net assets per unit at the beginning of the day on which trading of units commenced on the ASX was not less than the subscription price of \$2.50 per unit. The payment of these costs of \$31,957,299 is recorded as a capital contribution in the condensed statement of changes in equity. The issue costs associated with the Fund's IPO are one-time costs and are not expected to recur in future periods.

The value of the Fund's assets and liabilities is disclosed on the Statement of financial position and derived using the basis set out in Note 2 of the interim financial statements.

Environmental regulation

The operations of the Fund are not subject to any particular or significant environmental regulations under a Commonwealth, State or Territory law.

Rounding of amounts to the nearest thousand dollars

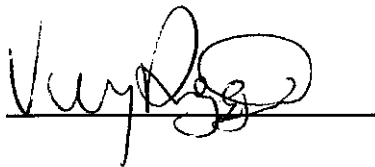
The Fund is an entity of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* issued by the Australian Securities and Investments Commission ("ASIC") relating to the "rounding off" of amounts in the Directors' report. Amounts in the Directors' report have been rounded to the nearest thousand dollars in accordance with that ASIC Corporations Instrument, unless otherwise indicated.

Auditor's independence declaration

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 4.

This report is made in accordance with a resolution of the Directors of The Trust Company (RE Services) Limited.

Director

A handwritten signature in black ink, appearing to be 'Vuylo', is written over a horizontal line.

Sydney

February 28, 2020

The Board of Directors
The Trust Company (RE Services) Limited
As the Responsible Entity of KKR Credit Income Fund
Level 18, 123 Pitt Street
Sydney NSW 2000

28 February 2020

Dear Board Members,

KKR Credit Income Fund

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of The Trust Company (RE Services) Limited as the Responsible Entity of KKR Credit Income Fund.

As lead audit partner for the review of the financial statements of KKR Credit Income Fund for the period 12 June 2019 to 31 December 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely,



DELOITTE TOUCHE TOHMATSU



Declan O'Callaghan
Partner
Chartered Accountants

Condensed Statement of Comprehensive Income

	Notes	For the period June 12, 2019 to December 31, 2019 \$'000
Investment income		
Interest income from financial assets at amortised cost		22
Net gains/(losses) on financial instruments at fair value through profit or loss	4	<u>12,020</u>
Total investment income/(loss)		<u>12,042</u>
Expenses		
Management fees	10	1,061
Listing expenses	7	1,594
Responsible Entity fees	10	31
Custody and administration fees		35
Remuneration of auditors		15
Other expenses		<u>85</u>
Total expenses		<u>2,821</u>
Operating profit/(loss) for the period		<u>9,221</u>
Profit/(loss) for the period		9,221
Other comprehensive income		<u>-</u>
Total comprehensive income for the period		<u>9,221</u>
Earnings/(loss) per unit for profit attributable to unitholders of the Fund		
Basic and diluted earnings/(loss) per unit in cents	9	2.49

The above Condensed Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Condensed Statement of Financial Position

	Notes	As at December 31, 2019 \$'000
Assets		
Cash and cash equivalents		158,793
Financial assets at fair value through profit or loss	3,5	<u>778,249</u>
Total assets		<u>937,042</u>
Liabilities		
Management fees payable	10	1,061
Responsible Entity fees payable	10	31
Custody and administration fees payable		35
Remuneration to auditors payable		15
Other payables		<u>85</u>
Total liabilities		<u>1,227</u>
Net assets attributable to unitholders - equity	7	<u><u>935,815</u></u>

The above Condensed Statement of Financial Position should be read in conjunction with the accompanying notes.

Condensed Statement of Changes in Equity

		For the period June 12, 2019 to December 31, 2019
	Notes	\$'000
Total equity at the beginning of the period		-
Comprehensive income for the period		
Profit/(loss) for the period		<u>9,221</u>
Total comprehensive income for the period		<u>9,221</u>
Transactions with unitholders		
Capital raising - Initial Public Offering (IPO)	7	925,000
Capital contribution	7	31,957
IPO offer costs directly attributable to issuance of units	7	<u>(30,363)</u>
Total transactions with unitholders		<u>926,594</u>
Total equity at the end of the period		<u><u>935,815</u></u>

The above Condensed Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Condensed Statement of Cash Flows

	Note	For the period June 12, 2019 to December 31, 2019 \$'000
Cash flows from operating activities		
Proceeds from sale of financial instruments at fair value through profit or loss		219
Purchase of financial instruments at fair value through profit or loss		(766,448)
Interest received from financial assets at amortised cost		<u>22</u>
Net cash inflow/(outflow) from operating activities		<u>(766,207)</u>
Cash flows from financing activities		
Proceeds from capital raising - Initial Public Offering (IPO)	7	<u>925,000</u>
Net cash inflow/(outflow) from financing activities		<u>925,000</u>
Net increase/(decrease) in cash and cash equivalents		158,793
Cash and cash equivalents at the beginning of the period		<u>-</u>
Cash and cash equivalents at the end of the period		<u><u>158,793</u></u>

The above Condensed Statement of Cash Flows should be read in conjunction with the accompanying notes.

Supplemental disclosure of cash flow information and non-cash financing activities:

Listing expenses paid by Investment Manager		(1,594)
IPO costs directly attributable to issuance of units paid by Investment Manager		(30,363)
Capital contribution from Investment Manager		31,957

Notes to the interim financial statements

Contents

- 1 General information
- 2 Summary of significant accounting policies
- 3 Fair value measurement
- 4 Net gains/(losses) on financial instruments at fair value through profit or loss
- 5 Financial assets at fair value through profit or loss
- 6 Derivative financial instruments
- 7 Net assets attributable to unitholders
- 8 Distributions to unitholders
- 9 Earnings/(loss) per unit
- 10 Related party transactions
- 11 Operating segments
- 12 Events occurring after the reporting period
- 13 Contingent assets and liabilities and commitments

1 General information

These interim financial statements cover KKR Credit Income Fund (the "Fund") as an individual entity. The Fund is an Australian registered managed investment scheme, which was constituted on June 12, 2019, registered with Australian Securities and Investment Commission on September 19, 2019 and commenced operation on November 15, 2019. The Fund will terminate in accordance with the provisions of the Fund's Constitution or by Law.

The Fund was listed on the Australian Securities Exchange (ASX) on November 19, 2019 and is quoted under ticker code: KKC.

The Trust Company (RE Services) Limited (ABN 45 003 278 831) is the responsible entity of the Fund (the "Responsible Entity"). The Responsible Entity's registered office is Level 18 Angel Place, 123 Pitt Street, Sydney, NSW 2000.

The interim financial statements are presented in Australian dollars, which is the functional currency of the Fund.

The Responsible Entity is incorporated and domiciled in Australia.

The Investment Manager of the Fund is KKR Australian Investment Management Pty Ltd (ABN 42 146 164 454) (the "Investment Manager"). The Manager is an affiliate of Kohlberg Kravis Roberts & Co. L.P., a global alternative asset manager (together with its affiliates as applicable, "KKR").

The Responsible Entity has contracted services to KKR Australia Investments Management Pty Limited to act as Investment Manager for the Fund (the "Investment Management Agreement"). The contracts are on normal commercial terms and conditions.

The investment objective is to provide Unitholders with an income stream as well as to achieve attractive long term capital appreciation over a full market cycle by providing investors with exposure to underlying credit investments that are diversified by a number of investments and across geographies and asset classes.

The Fund invests in income generating alternative credit investments managed by KKR's credit investment teams in accordance with the Product Disclosure Statement and the provisions of the Fund's Constitution. The Fund also uses derivatives for hedging purpose. As at December 31, 2019, the Fund has invested in a profit participating note issued by KKR Global Credit Opportunities Access Fund L.P. (the "GCOF PPN"), which in turn invests in KKR Global Credit Opportunities Master Fund L.P. ("GCOF"). The Fund also has a commitment to invest €284 million into KKR Lending Partners Europe II (Euro) Unlevered SCSp ("EDL"). As at December 31, 2019, the Fund has not made any investments in EDL. Together, GCOF and EDL are referred to as the KKR Managed Funds.

The interim financial statements were authorised for issue by the Directors on February 28, 2020. The directors of the Responsible Entity have the power to amend and reissue the financial statements.

2 Summary of significant accounting policies

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

(a) Basis of preparation

These interim financial statements have been prepared in accordance with accounting standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001* in Australia. Compliance with AASB 134 ensures compliance with International Financial Reporting Standards IAS 34 *Interim Financial Reporting*.

This interim report does not include all the notes of the type normally included in an annual report. Accordingly, this report is to be read in conjunction with any announcements made in respect of the Fund during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Investment entity

The Fund is considered to meet the definition of an 'Investment Entity' as described in AASB 10 'Consolidated Financial Statements'. Under AASB 10 an Investment Entity is required to hold its subsidiaries at fair value through the profit or loss rather than consolidate them. Subsidiaries are entities over which control is exercised. Control exists when the entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Under the definition of an Investment Entity, as set out in AASB 10, an entity must satisfy all of the following three tests:

- Obtains funds from one or more investors for the purpose of providing those investors with investment management services: and
- Commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- Measures and evaluates the performance of substantially all of its investments on a fair value basis.

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

The Fund satisfies the above three tests in consideration of the following factors:

- The Fund has multiple investors, having obtained funds from a diverse group of investors through its Initial Public Offering;
- The business purpose of the Fund is to provide unitholders with an income stream as well as to achieve attractive long term capital appreciation over a full market cycle by providing investors with exposure to underlying credit investments that are diversified by a number of investments and across geographies and asset classes; and
- The Fund measures and evaluates performance of its investments on a fair value basis which is most relevant for its unitholders.

The Fund's interim accounts clearly state its objective of investing directly into portfolio investments and providing investment management services to investors for the purpose of generating returns in the form of investment income and capital appreciation. The Fund has reported its investment in GCOF PPN at fair value. The GCOF PPN matures in 2069 and can also be redeemed by giving notice at least 60 days before the end of the relevant quarter therefore has identifiable exit date. Based on the above, the Board concludes that the Fund meets the characteristics of an investment entity. This will be reassessed on an annual basis for changes in any of these criteria or characteristics.

(b) Financial instruments

(i) Classification

- Financial assets

The Fund classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value through profit or loss; and
- those to be measured at amortised cost.

The Fund classifies its investments based on its business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The Fund's portfolio of financial assets is managed and performance is evaluated on a fair value basis in accordance with the Fund's documented investment strategy. The Fund's policy is for the Responsible Entity to evaluate the information about these financial instruments primarily on a fair value basis, with the supporting use of other related financial information.

For derivatives, the contractual cash flows held by the Fund are not solely principal and interest. Consequently, these investments are measured at fair value through profit or loss.

For cash and cash equivalents and receivables, these assets are held in order to collect the contractual cash flows and the contractual terms of these assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Consequently, these are measured at amortised cost.

(ii) Recognition/derecognition

The Fund recognises financial assets and financial liabilities on the date it becomes party to the contractual agreement (trade date) and recognises changes in fair value of the financial assets or financial liabilities from this date.

Investments are derecognised when the right to receive cash flows from the investments have expired or have been transferred and the Fund has transferred substantially all risks and rewards of ownership.

(iii) Measurement

Financial assets and liabilities at fair value through profit or loss

At initial recognition, the Fund measures a financial asset at its fair value. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the condensed statement of comprehensive income.

Subsequent to initial recognition, all financial assets and liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of 'financial assets or liabilities at fair value through profit or loss' category are presented in the statement of comprehensive income within net gains/(losses) on financial instruments at fair value through profit or loss in the period in which they arise.

For further details on how the fair values of financial instruments are determined please see Note 3 to the financial statements.

2 Summary of significant accounting policies (continued)

(b) Financial instruments (continued)

(iii) Measurement (continued)

Financial instruments measured at amortised cost

For financial assets and financial liabilities at amortised cost, they are initially measured at fair value including directly attributable costs and are subsequently measured at amortised cost using effective interest rate.

(iv) Derivatives

The Fund designates hedging instruments, which include derivatives in respect of foreign currency risk, as fair value hedges.

At the inception of the hedge relationship, the Fund documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Fund documents whether the hedging instrument is highly effective in offsetting changes in fair values of the hedged item attributable to the hedged risk. Note 5 sets out details of the fair values of the derivative instruments used for hedging purposes.

Fair value hedges

The Fund applies hedge accounting as it meets the criteria under the *AASB 9 Financial Instruments* ("AASB 9"), being formal designation and documentation of risk management objective and strategy, hedging instrument, hedged item, nature of risk being hedged and hedging effectiveness.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in the condensed statement of comprehensive income immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognised in the Condensed statement of comprehensive income in the line item relating to the hedged item.

The carrying value of the hedged investment is adjusted for fair value changes attributable to the risk being hedged, and those fair value changes are recognised in the condensed statement of comprehensive income. The hedging instrument is measured at fair value, with changes in fair value also recognised in condensed statement of comprehensive income.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting.

(v) Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The Fund does not hold any instruments that meet the offsetting criteria at the end of the reporting period.

(c) Net assets attributable to unitholders

Units in the Fund are listed on the ASX and traded by unitholders. The units can be traded on the ASX at any time for cash based on the listed price. While the Fund is a listed investment and liquidity is generally expected to exist in the secondary market (ASX), there are no guarantees that an active trading market with sufficient liquidity will be available. The units issued by the Fund meet the requirement of AASB 132 for classification as equity. Incremental costs directly attributable to the issue of units are recognised as a deduction from equity.

(d) Cash and cash equivalents

For the purpose of presentation in the condensed statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of 3 months or less from the date of acquisition that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

Payments and receipts relating to the purchase and sale of investment securities are classified as cash flows from operating activities, as movements in the fair value of these securities represent the Fund's main income generating activity.

2 Summary of significant accounting policies (continued)

(e) Investment income

Interest does not accrue on the GCOF PPN at a stated rate but rather, available proceeds of KKR Global Credit Opportunities Access Fund L.P., as defined in the GCOF PPN agreement, will be payable as interest on the GCOF PPN. Interest will be paid quarterly in arrears.

(f) Expenses

All expenses are recognised in the statement of comprehensive income on an accruals basis.

(g) Income tax

Under current legislation, the Fund is not subject to income tax provided the taxable income of the Fund is attributed either by way of cash or reinvestment (i.e. unitholders are presently entitled to the income of the Fund).

(h) Distributions

In accordance with the Fund's Constitution, the Fund attributes its taxable income to unitholders by cash or reinvestment. Distributions are recognised in the statement of changes in equity as distributions paid and payable.

(i) Foreign currency translation

(i) Functional and presentation currency

Items included in the Fund's financial statements are measured using the currency of the primary economic environment in which it operates (the "functional currency"). This is the Australian dollar, which reflects the currency of the economy in which the Fund competes for funds and is regulated. The Australian dollar is also the Fund's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the condensed statement of comprehensive income.

Non monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported in the statement of comprehensive income on a net basis within gains/(losses) on financial instruments held at fair value through profit or loss.

(j) Payables

Payables include liabilities and accrued expenses owing by the Fund which are unpaid as at the end of the reporting period.

(k) Applications

Applications received for units in the Fund are recorded net of any entry fees payable prior to the issue of units in the Fund.

(l) Goods and Services Tax (GST)

The GST incurred on the costs of various services provided to the Fund by third parties such as custodial services and investment management fees have been passed onto the Fund. The Fund qualifies for Reduced Input Tax Credits (RITC) at a rate of 55% or 75%; hence investment management fees, custodial fees and other expenses have been recognised in the statement of comprehensive income net of the amount of GST recoverable from the Australian Taxation Office (ATO). Accounts payable are inclusive of GST. The net amount of GST recoverable from the ATO (if any) is included in receivables in the condensed statement of financial position. Cash flows relating to GST are included in the statement of cash flows on a gross basis.

2 Summary of significant accounting policies (continued)

(m) Use of estimates

The Fund makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Models use observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

For certain other financial instruments, including payables, the carrying amounts approximate fair value due to short term nature of these financial instruments.

For fair value information of specific instruments, please see note 3.

(n) Climate risk

The Fund has reviewed its exposure to climate-related and other emerging risks but has not identified any significant risks that could impact the financial performance or position of the Fund.

(o) Rounding of amounts

The Fund is an entity of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, relating to the "rounding off" of amounts in the financial statements. Amounts in the financial statements have been rounded off to the nearest thousand dollars unless otherwise indicated.

3 Fair value measurement

The Fund measures and recognises the following assets and liabilities at fair value on a recurring basis:

- Financial assets at fair value through profit or loss (FVTPL)
- Derivative financial instruments (6)

The Fund has no assets or liabilities measured at fair value on a non-recurring basis in the current reporting period.

AASB 13 *Fair Value Measurement* requires disclosure of fair value measurements by level of the following fair value hierarchy:

- (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- (b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2); and
- (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3)

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. These include the use of recent arm's length market transactions, reference to the current fair value of a substantially similar other instrument, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This may be the case for certain unlisted shares, certain corporate debt securities and unlisted unit trusts with suspended applications and withdrawals.

The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Fund holds. Valuations are therefore adjusted, where appropriate, to allow for additional factors including liquidity risk and counterparty risk.

The determination of what constitutes 'observable' requires significant judgment by management. Management consider 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 carrying value of other receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Fund for similar financial instruments.

The fair value of the forward contracts is determined using quoted forward exchange rates at the reporting date.

3 Fair value measurement (continued)

Investment in KKR Global Credit Opportunities Access Fund L.P. - The Fund carries its investment in the GCOF PPN at fair value, which in turn is based on the fair value of KKR Global Credit Opportunities Access Fund L.P.'s investment in GCOF (representing its proportionate share of net assets of GCOF as at the reporting date) less expenses of KKR Global Credit Opportunities Access Fund L.P.

Recognised fair value measurement

The following table presents the Fund's financial assets measured and recognised at fair value as at December 31, 2019.

As at 31 December 2019	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets at fair value through profit or loss				
Forward currency contracts	-	15,696	-	15,696
Profit participating note	-	-	762,553	762,553
Total financial assets at fair value through profit or loss	<u>-</u>	<u>15,696</u>	<u>762,553</u>	<u>778,249</u>

(i) Transfers between levels

The Fund's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

There were no transfers between levels during the reporting period

(ii) Fair value measurement using significant unobservable inputs (level 3)

The following table presents the movement in level 3 financial instruments for the period ended 31 December 2019.

31 December 2019	Profit Participation Notes \$'000
Purchases	766,448
Net unrealised loss recognised in the condensed statement of comprehensive income (excluding effects of fair value hedging)	<u>(3,895)</u>
Closing balance	<u>762,553</u>
Total unrealised gains/(losses) for the year included in the condensed statement of comprehensive income for level 3 financial assets and liabilities held at the end of the period	<u>(3,895)</u>

(iii) Fair values of other financial instruments

Due to their short-term nature, the carrying amounts of cash and cash equivalents and payables are assumed to approximate fair value.

4 Net gains/(losses) on financial instruments at fair value through profit or loss

Net gains/(losses) recognised in relation to financial assets and financial liabilities at fair value through profit or loss:

	For the period June 12, 2019 to December 31, 2019 \$'000
Financial assets	
Net realised gains/(losses) on financial assets at fair value through profit or loss	219
Net unrealised gains/(losses) on financial assets at fair value through profit or loss	<u>11,801</u>
Total net gains/(losses) on financial instruments at fair value through profit or loss	<u>12,020</u>

5 Financial assets at fair value through profit or loss

	As at 31 December 2019 \$'000
Financial assets at fair value through profit or loss	
Forward currency contracts	15,696
Profit participating note	<u>762,553</u>
Total financial assets at fair value through profit or loss	<u>778,249</u>

6 Derivative financial instruments

In the normal course of business the Fund enters into transactions in various derivative financial instruments which have certain risks. A derivative is a financial instrument or other contract which is settled at a future date whose value changes in response to a change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable.

Derivative financial instruments require no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.

Derivative transactions include many different instruments such as forwards, futures and options. Derivatives are considered to be part of the investment process and the use of derivatives is an essential part of the Fund's portfolio management. Derivatives are not managed in isolation. Consequently, the use of derivatives is multifaceted and includes:

- hedging to protect an asset or liability of the Fund against a fluctuation in market values or to reduce volatility.
- a substitution for trading of physical securities.
- adjusting asset exposures within the parameters set in the investment strategy, and/or adjusting the duration of fixed interest portfolios or the weighted average maturity of cash portfolios.

The Fund holds the following derivative financial instruments:

Forward currency contracts

Forward currency contracts are primarily used by the Fund to manage against foreign currency risks on its investment in GCOF PPN which is denominated in US dollars. The Fund agrees to receive or deliver a fixed quantity of foreign currency for an agreed upon price on an agreed future date. Forward currency contracts are valued at the prevailing bid price at the end of each reporting period. The Fund recognises a gain or loss equal to the change in fair value at the end of each reporting period.

The Fund's derivative financial instruments at year end are detailed below:

	As at 31 December 2019			
	Fair values			
	Contract/ Notional Sell USD \$'000	Contract/ Notional Buy AUD \$'000	Assets \$'000	Liabilities \$'000
Forward currency contracts (Expiry Feb 2021- Nov 2024)	<u>534,191</u>	<u>766,228</u>	<u>15,696</u>	<u>-</u>
	<u>534,191</u>	<u>766,228</u>	<u>15,696</u>	<u>-</u>

7 Net assets attributable to unitholders

Movements in the number of units and net assets attributable to unitholders during the period were as follows:

	For the period June 12, 2019 to December 31, 2019	
	No.'000	\$'000
Opening balance	-	-
Capital raising - Initial Public Offering (IPO)	370,000	925,000
Capital contribution	-	31,957
IPO offer costs directly attributable to issuance of units	-	(30,363)
Profit/(loss) for the period	-	9,221
Closing balance	370,000	935,815

As stipulated within the Fund's Constitution, each unit represents a right to an individual share in the Fund and does not extend to a right to the underlying assets of the Fund. There are no separate classes of units and each unit has the same rights attaching to it as all other units of the Fund.

IPO costs

The Fund incurred costs of \$31,957,299 in connection with the IPO, comprised of \$1,593,858 of listing expenses recorded as listing expenses in the statement of comprehensive income and \$30,363,441 of costs directly attributable to the issuance of units that were recorded as a reduction of the proceeds from the IPO in the condensed statement of changes in equity. In accordance with the terms of the Investment Management Agreement, the Investment Manager agreed to pay in full out of its own pocket all upfront establishment fees, costs and expenses of the IPO to ensure that the net assets per unit at the beginning of the day on which trading of units commenced on the ASX was not less than the subscription price of \$2.50 per unit.

Capital risk management

The Fund manages its capital to ensure that it will be able to continue as a going concern, while maximising the return to unitholders. The Fund's principal use of cash raised is to fund investments as well as ongoing operational expenses.

The directors monitor and review the broad structure of the Fund's capital on an ongoing basis. As at December 31, 2019, the capital structure consists of net assets attributable to unitholders - equity only. There are no externally imposed capital requirements.

8 Distributions to unitholders

There were no distributions during the period.

9 Earnings/(loss) per unit

Basic earnings/(loss) per unit amounts are calculated by dividing operating profit/(loss) before distributions by the weighted average number of units outstanding during the period.

Diluted earnings per unit are the same as basic earnings/(loss) per unit as there are no options at the end of the reporting period.

	For the period June 12, 2019 to December 31, 2019	
Operating profit/(loss) for the period \$'000		9,221
Weighted average number of units in issue '000		370,000
Basic and diluted earnings/(loss) per unit in cents		2.49

10 Related party transactions

For the purpose of these financial statements, parties are considered to be related to the Fund if they have the ability, directly or indirectly, to control or exercise significant influence over the Fund in making financial and operating disclosures. Related parties may be individuals or other entities.

Key management personnel

Key management personnel includes persons who were directors of the Responsible Entity at any time during the financial period as follows:

Name	Date of appointment/resignation
Glenn Foster	
Michael Vainauskas	Resigned as Director on September 27, 2019
Andrew McIver	Resigned as Alternate Director for Michael Vainauskas on September 2, 2019, Appointed as Alternate Director for Glenn Foster on September 2, 2019, Resigned as Alternative Director for Glenn Foster on September 27, 2019
Vicki Riggio	
Phillip Blackmore	Alternate Director for Vicki Riggio
Richard McCarthy	
Simone Mosse	Appointed as Director on September 27, 2019

There were no other persons with responsibility for planning, directing and controlling the activities of the Responsible Entity of the Fund, directly or indirectly during the financial period.

Transactions with key management personnel

There were no transactions with key management personnel during the reporting period.

Other transactions with the Fund

Apart from those details disclosed in this Note, no key management personnel have entered into a material contract with the Fund during the reporting period and there were no material contracts involving management personnel's interests existing at period end.

Key management personnel unitholdings

As at 31 December 2019, no key management personnel held units in the Fund.

Key management personnel compensation

Key management personnel are paid by a related entity of the Responsible Entity in their capacity as Directors or employees of the Responsible Entity or its related parties. Payments made from the Fund do not include any amounts directly attributable to key management personnel compensation.

Key management personnel loan disclosures

The Fund has not made, guaranteed or secured, directly or indirectly, any loans to the key management personnel or their personally related entities at any time during the reporting period.

10 Related party transactions (continued)

Responsible Entity's fees and other transactions

Under the terms of the Fund's Constitution and the Product Disclosure Statement for the Fund, the Responsible Entity and the Investment Manager are entitled to receive management fees.

The transactions during the reporting period and amounts payable at period end between the Fund, and the Responsible Entity and the Investment Manager were as follows

	For the period June 12, 2019 to December 31, 2019
	\$
Investment management fees for the period	1,061,378
Total fees payable to the Investment Manager at period end	1,061,378
Responsible Entity fees for the period	30,738
Fees payable to the Responsible Entity at period end	30,738

For information on how management fees are calculated please refer to the Fund's Product Disclosure Statement.

The Investment Manager is also entitled to receive a performance fee, which is dependent on the Fund exceeding a return hurdle and high water mark over a given calculation period. The first calculation period begins on the date of allotment of units and ends on the earlier of June 30, 2020 or the date immediately before the date on which there is a further issuance of new units or a redemption of units. From that point on, each calculation period will begin on the day after the end of the preceding calculation period, and continue until the earlier of the next June 30 or the date immediately before the date on which there is a further issuance of new units or a redemption of units. As of December 31, 2019, the Fund's performance has not exceeded the hurdle rate and there is no performance fee liability recorded.

As detailed in Note 7, the Investment Manager agreed to pay in full out of its own pocket \$31,957,299 for costs incurred in connection with the IPO.

Related party unitholdings

During or since the end of the reporting period, none of the Directors or Director related entities held units in the Fund, either directly, indirectly or beneficially.

Neither the Responsible Entity nor its affiliates held units in the Fund at the end of the reporting period.

Related party investments

The Fund held the following investments which were also managed by the Investment Manager, or its related parties as at 31 December 2019:

31 December 2019 Investment	Fair value \$	Interest Held %	Face Value US\$
GCOF PPN	762,553,462	100*	520,473,750

* The Fund holds 100% of the profit participating note issued by KKR Global Credit Opportunities Access Fund L.P.

11 Operating segments

The Fund is organised into one main operating segment with only one key function, being the investment of funds in income generating alternative credit investments. The Fund has access to global credit opportunities sourced through proprietary KKR channels and invests into KKR Managed Funds, which are generally open to institutional investors. It expects to earn revenue from interest income on the GCOF PPN, available from proceeds of KKR Global Credit Opportunities Access Fund L.P., and other returns from the investment portfolio.

The Fund continues to have foreign exposures as it invests in Funds which operate internationally. The Fund invested in the GCOF PPN as detailed at Note 5.

12 Events occurring after the reporting period

The Directors are not aware of any event or circumstance since the end of the period not otherwise addressed within these interim financial statements that has affected or may significantly affect the operations of the Fund, the results of those operations or the state of affairs of the Fund in subsequent years. The Fund continues to operate as a going concern.

13 Contingent assets and liabilities and commitments

There are no outstanding contingent assets or liabilities as at December 31, 2019. The Fund has committed to invest €284 million in EDL.

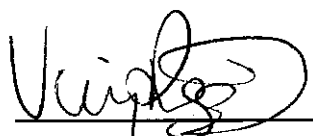
Directors' declaration

In the opinion of the directors of the Responsible Entity:

- (a) the financial statements and notes set out on pages 5 to 20 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Fund's financial position as at December 31, 2019 and of its performance for the financial period ended on that date; and
- (b) there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors of The Trust Company (RE Services) Limited.

Director



The Trust Company (RE Services) Limited

Sydney

February 28, 2020

Independent Auditor's Review Report to the Members of KKR Credit Income Fund

We have reviewed the accompanying financial report of KKR Credit Income Fund (the "Fund"), which comprises the condensed statement of financial position as at 31 December 2019, the condensed statement of comprehensive income, the condensed statement of cash flows and the condensed statement of changes in equity for the period 12 June 2019 to 31 December 2019, selected explanatory notes and, the directors' declaration by the directors of The Trust Company (RE Services) Limited (the "Responsible Entity") as set out on pages 5 to 21.

Directors' Responsibility for the Financial Report

The directors of the Responsible Entity are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Fund's financial position as at 31 December 2019 and its performance for the period 12 June 2019 to 31 December 2019; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of KKR Credit Income Fund, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of KKR Credit Income Fund, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of KKR Credit Income Fund is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Fund's financial position as at 31 December 2019 and of its performance for the period 12 June 2019 to 31 December 2019; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



DELOITTE TOUCHE TOHMATSU



Declan O'Callaghan
Partner
Chartered Accountants
Sydney, 28 February 2020