

ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS
Boussard & Gavaudan Holding Limited

For the year ended 31 December 2017

Boussard & Gavaudan Holding Limited
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For the year ended 31 December 2017

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Boussard & Gavaudan Holding Limited
Management and Service Providers
For the year ended 31 December 2017

Directors

Christopher Fish (Chairman) (resigned on 27 July, 2017)
Andrew Henton (Chairman) (since 27 July, 2017)
Nicolas Wirz
Andrew Howat (since 1 July, 2017)
(Directors are non-executive and independent for the purpose of LR15.2.12-A)

Investment Manager

Boussard & Gavaudan Investment Management LLP
One Vine Street
London, W1J 0AH
United Kingdom

Legal Advisors

(English and United States law)
Herbert Smith Freehills LLP
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Legal Advisors

(Dutch law)
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1077 ZZ Amsterdam
The Netherlands

Administrator and Corporate Secretary

JTC Fund Solutions (Guernsey) Limited
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Admiral Park
St Peter Port
Guernsey GY1 2HT

Registrar and CREST Service Provider

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Anson House, Havilland Street,
St Peter Port, Guernsey
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Legal Advisors

(Guernsey law)
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Les Banques, St Peter Port
Guernsey GY1 4BZ

Independent Auditor

Ernst & Young LLP
Royal Chambers
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St. Peter Port
Guernsey GY1 4AF

Sub-Administrator

SS&C Financial Services LLC
One South Road, Harrison
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USA

Euroclear Nederland
Paying, Issuing, Transfer,
Proxy & Conversion Agent
F. Van Lanschot Bankiers N.V

Listing Agent

Kempen & Co N.V.
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The Netherlands

Custodian

BNP Paribas Securities Services
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For the latest information: <https://www.bgholdingltd.com/index.php>

Boussard & Gavaudan Holding Limited

Glossary of Terms

For the year ended 31 December 2017

Described below are the legal entities underlying funds, management companies, as well as some other commonly used terms and their acronyms or defined terms used within this report.

Management companies

BGIM/Investment Manager	Boussard & Gavaudan Investment Management LLP
BGAM	Boussard & Gavaudan Asset Management, LP
BGPL	Boussard & Gavaudan Partners Limited

Funds

BGHL	Boussard & Gavaudan Holding Limited
Umbrella Fund	BG Umbrella Fund PLC
BGF	BG Fund (a sub-fund of the Umbrella Fund)
Master Fund	BG Master Fund ICAV

Commonly used terms

AIFMD	The Alternative Investment Fund Managers Directive, Directive 2011/61/EU
AIFM	Alternative Investment Fund Manager for the purposes of the AIFMD
AIF	Alternative Investment Fund for the purposes of the AIFMD
AIFMD Regulations	The Alternative Investment Fund Managers Regulations 2013 made by H.M. Treasury in the United Kingdom
Board	The Board of Directors
Code	The UK Corporate Governance Code published by the UK's Financial Reporting Council
Companies Law	The Companies (Guernsey) Law, 2008, as amended
Exane	Exane BNP Paribas
NAV	Net asset value
Year	The year ended 31 December 2017
IFRS	International Financial Reporting Standards (as adopted by the European Union)
AFM	Authority for the Financial Markets
AUM	Assets Under Management
Financial Statements	Financial Statements for the year ended 31 December 2017

Boussard & Gavaudan Holding Limited
Chairman's Statement
For the year ended 31 December 2017

Dear Shareholders,

I am pleased to present to you the Annual Report and Audited Financial Statements of BGHL for the Year.

From 1 January to 31 December 2017, BGHL's NAVs for the Euro and Sterling shares increased by 5.8% and 6.5% respectively, whilst the market price improved by 8.3% and 10.9% respectively.

The determinants of share price are the NAV, reflecting the performance of BGF and the underlying Master Fund, and the degree of discount or premium to NAV at which BGHL's shares trade, which in turn is driven by supply and demand in the market place, the liquidity of the underlying shares and general market sentiment.

We continue to monitor closely the discounts to the NAVs at which both classes of share trade. Every reasonable and cost-effective endeavour will continue to be made to narrow the discounts to the NAV at which BGHL's shares trade and to increase the liquidity of the shares.

With regard to the review of the business, performance, allocation and risk analysis, I refer you to the Investment Manager's Report and Financial Highlights. In addition, I refer you to the Directors' Report, which describes BGHL's corporate governance systems.

For your continuing information, BGHL publishes on its website (www.bgholdingltd.com) daily and monthly NAVs and monthly newsletters based on data provided to it by the Sub-Administrator and the Investment Manager.

On behalf of the Board, I would like to thank you once again for your continued support.



Andrew Henton
Chairman

19 April 2018

Boussard & Gavaudan Holding Limited

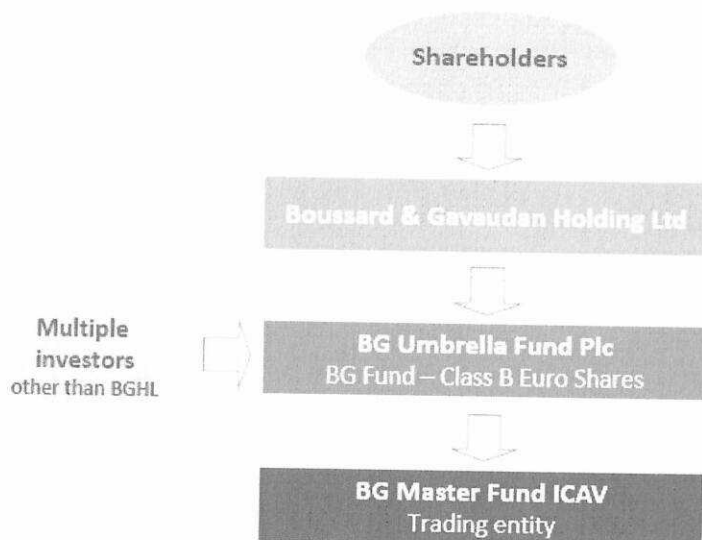
Investment Manager's Report and Financial Highlights

For the year ended 31 December 2017

1. Background and Structure

Boussard & Gavaudan Investment Management LLP is the Investment Manager of BGHL, the Umbrella Fund and of the Master Fund.

The Umbrella Fund, BGF and the Master Fund structure.



BGHL invests in Class B Euro shares which are a separate Euro-denominated share class of BGF. BGF is a sub fund of the Umbrella Fund, predominantly owned by investors other than BGHL. BGHL is not subject to management fees and performance fees at BGF level in order to avoid multiple layering of fees. The Investment Manager receives management fees and performance fees in respect of its role as Investment Manager of BGHL.

The Umbrella Fund was incorporated under the laws of Ireland as a public company with limited liability on 16 November 2011 under the Companies Act 1990 with registration number 506116. The Umbrella Fund is authorised by the Central Bank of Ireland (the "Central Bank") as a designated investment company pursuant to Part XIII of the Companies Act, 1990 and also as a qualifying investor alternative investment fund (QIAIF). The Umbrella Fund is structured as an umbrella fund with segregated liability between sub-funds. Each sub-fund of the Umbrella Fund maintains a single pool of assets subject to any allocations made to a class in accordance with the requirements of the Central Bank. The assets of each sub-fund are segregated from one another and are invested in accordance with the investment objectives and investment policies applicable to each such sub-fund and as set out in the relevant supplement to the Umbrella Fund's prospectus.

BGF is a sub-fund of the Umbrella Fund, launched on 3 January 2012, which invests substantially all of its assets into the Master Fund. BGHL is therefore exposed to the strategies offered by the Master Fund.

The Master Fund is an open-ended Irish collective asset-management vehicle (ICAV) with variable capital incorporated under the laws of Ireland under the Irish Collective Asset-management Vehicles Act 2015 with registration number C154515. The Master Fund is also authorised by the Central Bank of Ireland as a QIAIF. The Master Fund, which is the trading entity, maintains a single pool of assets subject to any allocations made to a share class in accordance with the requirements of the Central Bank.

2 Investment policies

2.1 BGHL's investment policy

BGHL invests its assets in order to deliver an exposure to multiple alternative investment strategies. The Investment Manager is responsible for the day-to-day management of BGHL's investments. BGHL seeks to achieve its investment objective by investing the proceeds of any fund raising, net of any amounts retained to be used for working capital requirements, into BGF. BGF in turn invests in the Master Fund and, by utilising its borrowing powers, makes leveraged investments.

Over time, a proportion of the net assets of BGHL may, at the discretion of the Investment Manager, be invested in other hedge funds and/or other financial assets within the limits set out under the heading "Asset Allocation" below and subject to the limit on the leverage set out under the heading "Gearing" below, provided that, where such hedge funds are managed by the Investment Manager, BGHL will invest through a share class which will not be subject to management or performance fees at the level of the underlying hedge fund.

The Investment Manager may use BGHL's borrowing facilities at its discretion within the limits set out under the heading "Asset Allocation" below. The Investment Manager's ability to use borrowings is subject to the limit on

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Investment Manager's Report and Financial Highlights

For the year ended 31 December 2017

leverage set out under the heading "Gearing" below. Such investments may include the acquisition of minority or majority interests in unlisted companies or listed companies ("Direct Investments"). The Investment Manager may also make private equity investments through investing in funds that have a private equity investment focus ("Indirect Private Equity Investments").

With the possible application of leverage and when taken with the returns achieved from BGF, investments other than the investment in BGF as described above are intended to allow BGHL to achieve an attractive return. BGHL's investments in assets other than BGF are expected to consist of investment opportunities that are identified by the Investment Manager in connection with its, and its affiliates, current activities but which are not pursued by BGF due to risk profiles or liquidity profiles inconsistent with those of BGF.

Gearing

BGHL intends to make use of its borrowing facilities to allow it to have a gross investment exposure of up to 200 percent of its NAV at the time of investment. BGHL has power under its Articles of Incorporation to borrow up to an amount equal to 100 percent of its NAV as at the time of borrowing. It is intended that leverage will be used by BGHL for the purposes of (i) managing day to day cash flow, i.e. for meeting expenses of BGHL and for funding repurchases of its own shares and (ii) leveraging investments made by BGHL, including its investment in BGF or in other hedge funds managed by the Investment Manager (hereafter, "Manager Funds"), provided that BGHL complies with the exposure limitations set out under the heading "Asset Allocation" below.

Asset Allocation

Investments in Manager Funds

Substantially all of the net assets of BGHL are currently invested in BGF and it is anticipated that a significant proportion of BGHL's net assets will remain invested in BGF. Over time, no less than 80 percent of the NAV and no more than 110 percent of the NAV will be invested in Manager Funds, with at least 80 per cent of the NAV invested in BGF.

Investments in assets other than Manager Funds

In relation to those investments in assets other than Manager Funds, the Directors have determined that such investments shall not exceed certain limits, namely:

- Other Hedge fund investments. The Directors have determined that BGHL's investments in hedge funds (other than Manager Funds) when aggregated may not exceed an amount equal to 25 percent of its NAV at the time of making any such investment.
- Indirect Private Equity Investments. The aggregate value of Indirect Private Equity Investments may not exceed an amount equal to 25 percent of BGHL's NAV at the time of making any such investment. In addition, BGHL will not make any single Private Equity Investment representing in excess of an amount equal to 10 percent of its NAV as at the time that investment is made. Private Equity Investments made in linked transactions will be aggregated for the purposes of this calculation.
- Other Investments (Direct Investments). The aggregate value of Direct Investments may not exceed an amount equal to 50 percent of BGHL's NAV at the time of making any such investment.

2.2 The Master Fund's investment policy

The investment objective of the Master Fund, in which BGF is mainly invested, is to seek to achieve an attractive return on capital consistent with principles designed to manage risk of capital loss. The Master Fund arbitrages linear and non-linear instruments that can be exchange traded or traded over the counter. The Investment Manager may use derivative financial instruments for investment purposes or to hedge against fluctuations in the relative values of the Master Fund's portfolio positions. The investments are subject to normal market fluctuations and to the risks inherent to investment in securities. There can be no assurances that appreciation will occur. The value of financial instruments can increase as well as decrease and investors may not realise their initial investment on the disposal of their investments.

The Master Fund carries the following strategies and sub-strategies:

Volatility strategies:

- mandatory convertible bond arbitrage ("mandatories")
- convertible bond arbitrage (including credit convertible bonds)
- gamma trading

Equity strategies:

- merger arbitrage & special situations
- long / short trading with short-term catalyst & value

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Credit strategies:

- credit long / short
- capital structure arbitrage

Trading:

- short-term directional trading.

3. Highlights and review of the development of the business

The Investment Manager's role is to allocate BGHL's capital in accordance with its investment objective which is to produce long term appreciation of BGHL's assets. Except for its working capital, BGHL has fully invested its net assets as well as any amount borrowed.

BGHL (in Euro)	31 Dec 2017	31 Dec 2016	Variation %
Net assets	689,001,092	651,166,613	5.8%

The increase in BGHL's net assets is explained by a positive performance during the Year.

4. Performance

BGHL's Euro and Sterling Share prices and NAV per Share performed as follows:

BGHL	Ticker Bloomberg	Price		Performance	
		31 Dec 2017	31 Dec 2016	31 Dec 2017	5 years annualised
Euro share - Price	BGHL NA Equity	€19.40	€17.92	8.3%	11.0%
Euro share - NAV	-	€23.45	€22.14	5.9%	9.8%
Sterling share - Price	BGHS LN Equity	£17.55	£15.83	10.9%	12.2%
Sterling share - NAV	-	£20.71	£19.44	6.5%	9.2%

HFRX Global Hedge Fund Index	HFRXGL Index	1,275.60	1,203.46	6.0%	2.1%
HFRX Equal Weighted Strategies Index	HFRXEW Index	1,275.64	1,217.15	4.8%	2.5%

BGHL's NAV is calculated by BGHL's Sub-Administrator, SS&C Financial Services LLC. BGHL's Euro and Sterling Share prices are provided by Euronext Amsterdam and the London Stock Exchange, respectively. Past performances are not indicative of future results.

The Investment Manager's actions affect BGHL's performance and NAV per Share. Although the NAV per Share appreciation influences BGHL's Share price on the Amsterdam and London stock exchanges, the Investment Manager has little direct influence on the Share price and on the discount between the Share price and the NAV per Share. The performance of BGHL's Sterling NAV per share tracks the performance of BGHL's Euro NAV per share, plus/minus the impact of the EUR/GBP hedge compared to a perfect hedge and less the accretive effect of the Euro shares bought back as part of the share buy-back programme.

5. Risks

Through a rigorous investment process, the Investment Manager identifies and assesses risks before investing.

5.1 Risk Management Organisation and Policy

The Investment Manager has established a Risk Management unit, segregated from the Portfolio Management unit, which reports to its Chief Executive Officer. Risks and responsibilities are split between the Quantitative Risk Management team which is in charge of market risk and the Qualitative Risk Management team which is in charge of counterparty and operational risk. A Risk Management Committee oversees the Risk Management unit. Exposures are calculated using a risk management system which is a third party proprietary software package provided by a leading risk and portfolio management solution provider. The system provides extensive real time information on the Master Fund's exposures and limits, generates sensitivity analyses and calculates stress-test scenarios. The open architecture of the system allows the Investment Manager to create specific in-house reports for risk management purposes.

5.2 The Master Fund's Risk Management Policy

The Master Fund takes significant market risk exposure from the investments it makes. When assessing market risks the Investment Manager always combines:

- a macroeconomic, portfolio level with a microeconomic, position specific approach;
- quantitative measures with qualitative assessments; and
- a local risk measurement perspective which captures the impact both of limited market moves, and stress scenario type measurements which capture large market moves.

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5.2.1 Macroeconomic risk

Macroeconomic risk is defined as those risks having a wide ranging effect on the entire portfolio or on a significant portion of it. It results from exogenous events such as economic changes, geopolitical uncertainty or general market disruptions.

Quantitative analysis

For *limited market variations* the Investment Manager assesses exposure by using a number of sensitivity factors (colloquially known as “Greeks”, a recognised set of metrics used within the financial industry) mainly linked to changes and movements in equity markets, credit instruments, interest rates and foreign exchange. Greeks are used for real time portfolio hedging.

For *extreme market variations*, stress scenarios are run to measure the impact on the portfolio of a wide variety of market situations. Scenarios, which stress all types of market data, are produced daily and can be generated on demand. The reports allow risks to be assessed from the portfolio level down into each strategy, sub-strategy, trade and finally individual instrument in order to identify the main contributors to potential losses. A “trade” generally means a combination of financial instruments which contribute to the same arbitrage opportunity. Scenarios are graduated from level 1 to 5 with level 5 scenarios bearing the largest shocks. Level 3 scenarios are tested against established tolerance limits and trigger adjustment of the portfolio when limits are breached.

Results are checked daily by the Investment Manager's front office and quantitative risk management teams. Given the non linear nature of the portfolio and the wide range of instruments and strategies used, stress scenario calculations are considered by the Investment Manager to provide a better assessment of risk than value at risk calculations. A wide range of reports are also produced to monitor exposures and concentrations of risk. “What-if scenarios” as well as other risk indicators (which aggregate all types of exposures in different ways) are scrutinised. A non aggregated vision, focusing on nominal and/or notional amounts, is also used to track excessive concentrations of risk.

Qualitative analysis

The qualitative assessment focuses on hard to measure risks such as potential changes in the liquidity of various underlying financial instruments. Small and mid caps, leveraged positions as well as speculative positions entailing a hedge fund liquidation risk are examples of positions exposed to liquidity changes.

5.2.2 Microeconomic risk

Microeconomic risk is defined as the risk applying to a *specific “trade” position* in the portfolio and one of its main components is the *idiosyncratic risk* which measures the risks applying to *one single issuer* to whom the Master Fund has exposure. Idiosyncratic risk is used to assess events such as bankruptcy, takeovers, bond offers, credit rating changes or any other credit event. Idiosyncratic risks are identified in the decision-making phases before the investments takes place and during the investment's life.

Quantitative analysis

For *limited market variations* the Investment Manager assesses exposure by using the Greeks by issuer. The Greeks (delta, gamma, theta and vega) in this sense measure risk in the context of key variables affecting option prices. Delta measures the effect of a change in the price of an underlying asset on an option's premium, and gamma reflects the rate of delta change in relation to that underlying price change. Theta measures the rate of decline in time premium to maturity, and vega is an indicator of how an option price changes as volatility changes.

For *extreme market variations*, crash tests by issuer are run. The scenario which aims at assessing the bankruptcy of an issuer aggregates all the positions of the Master Fund by issuer and then applies extreme shocks whose magnitude depends on each financial instrument type contributing to the trade, and on their recovery rate, both of which themselves depend on the seniority of instruments. The Master Fund's portfolio has protection against extreme movements by trading equity options which provide positive convexity to the portfolio. Options will behave as insurance to the portfolio, in particular through their Gamma sensitivity which provides protection in the event of a market crash.

Qualitative analysis

Qualitative analysis takes account of many events such as regulatory changes, changes in the management of a company but also liquidity risk. Liquidity risk is the risk that the Master Fund will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. It also reflects the ability of the Master Fund to unwind a specific trade in a reasonable timeframe. Liquidity has, by definition, an idiosyncratic component, but it also varies according to macroeconomic conditions. The Master Fund is exposed to the risk of credit related losses that can occur as a result of a counterparty or issuer being unable or unwilling to honour its contractual obligations. This credit exposure exists within financing relationships,

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derivatives and other transactions. Concentrations of risk are managed by diversifying the credit sensitivity of the portfolio across sectors, countries and maturities.

5.2.3 Capital allocation process and Equity-at-risk methodology.

The Investment Manager uses the "Equity-at-risk" methodology as a key indicator to monitor the leverage and solvency of the Master Fund and to allocate capital across strategies. Within each strategy, the Equity-at-risk allocated to each trade is used to calculate the return on equity which is the ratio used to assess the profitability of a trade. The Investment Manager secures the "Excess Margin" (see below) of the funds it manages by signing agreements which allow "Haircut" levels (see below) to be fixed over a pre-agreed period of time.

Equity-at-Risk and Excess Margin methodology

Prime brokers, when providing financing to hedge funds, take a risk that they assess using their own methodology. Even though each prime broker has its own methodology and risk measure, approaches tend to be similar. Risk measures are achieved by the use of "Haircuts". Haircuts reflect the level of risk attributed by a prime broker to a position. The higher the level of haircut, the higher the risk is. These methodologies take into account, to a large extent, the benefits of hedging by applying specific haircut and netting effects to hedged positions. Under these methodologies, an amount of equity, considered at risk, is allocated through the use of haircuts to each position. Each prime broker calculates its risk exposure to the sole portion of the fund's portfolio it holds. Given that prime brokers are the main financing and leverage providers, their view of the risk is central to the Investment Manager and so is the consequence of any restriction they may impose. Their measure constitutes an independent risk measurement.

The Investment Manager replicates the methodology applied by prime brokers through a model, named "**Equity-at-risk**". The model, applied to the entire portfolio, is a proxy for the calculations of the prime brokers. The difference between the AUM and the Equity-at-risk is the "**Excess-Margin**". The level of Excess-Margin is the level of spare risk to increase positions or enter into additional ones without having to raise additional cash. An Excess-Margin of 25%, which corresponds to a 75% level of Equity-at-Risk, means that the Master Fund can theoretically increase all of the positions in its portfolio by approximately 33% without having to raise further cash. The model provides an estimation of the fund's potential for additional leverage across its prime brokers. Equity-at-risk calculations are run every night and compared to the prime broker's calculations.

6. Capital allocation, risk and risk adjusted returns:

6.1 Capital allocation, risks and risk adjusted returns of BGHL

BGHL's investments are diversified thanks to its exposure -through BGF- to the investment strategies of the Master Fund which is its main investment. BGHL uses its borrowings from Natixis to leverage its exposure to BGF and to finance its "other investments". The additional exposure to BGF contributed an extra performance of BGHL during the Year.

The Investment Manager is satisfied with the performance of BGHL. BGHL's assets were allocated and performed as shown in the table below.

	Performance 2017	
	Euro Share	Sterling Share
BGHL	5.9%	6.5%
BGF Euro B Class - NAV	9.1%	9.1%
BGF Euro B Class – Leverage	0.5%	0.5%
Other Investments	(0.5%)	(0.5%)
Foreign Exchange	0.0%	0.7%
Share buy back	0.0%	0.0%
Fees, miscellaneous	(3.2%)	(3.3%)

	Holding in % AUM		
	31-Dec-17 Exposure	Minimum Year Exposure	Maximum Year Exposure
BGHL	109.9%	107.5%	112.5%
BGF Euro B Class - NAV	100.0%	100.0%	100.0%
BGF Euro B Class – Leverage	8.7%	5.1%	8.8%
Other Investments	1.2%	0.7%	6.3%

Source: Boussard & Gavaudan Investment Management LLP

BGF Euro Class B's NAV is calculated by the Administrator, SS&C Financial Services LLC

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During the reporting Year, BGHL complied with its Investment Policy and has maintained its gross and commitment exposure, as required under AIFMD, within the limits established by the Investment Manager.

BGHL % AUM	AIFMD Commitment method		AIFMD Gross method	
	Exposure	Limit	Exposure	Limit
31 December 2017	109.5%	200.0%	113.5%	200.0%
31 December 2016	112.3%	200.0%	113.6%	200.0%

6.2 Capital allocation, risks and risk adjusted returns of the Master Fund

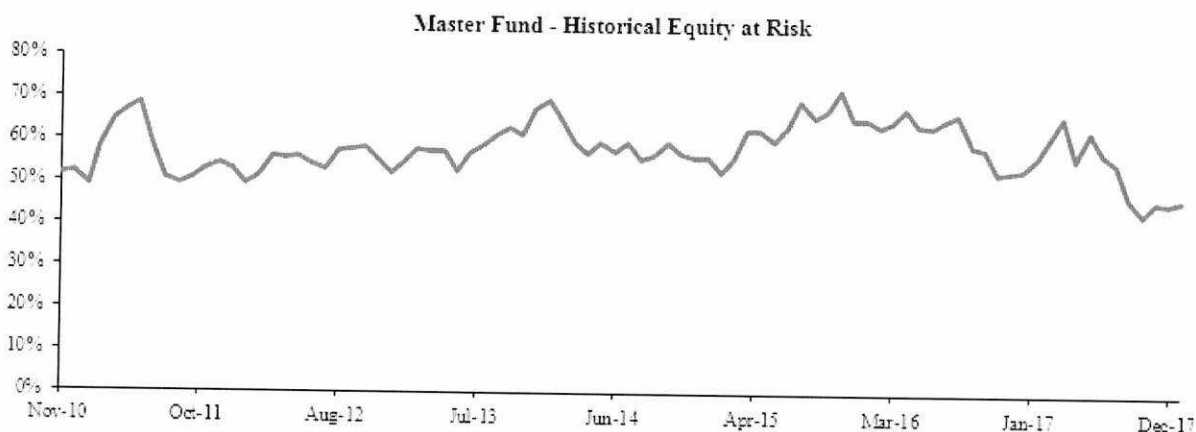
The Master Fund's investments are diversified thanks to its exposure to its multiple investment strategies.

The Investment Manager allocates the capital of the Master Fund according to the Equity-at-risk methodology. The Master Fund's usage of Equity-at-risk and performance by strategies were as follows:

Master Fund (% AUM)	Performance	Equity at risk	
	31 December 2017	31 December 2017	31 December 2016
Volatility strategies	(1.9%)	7.3%	14.5%
Equity strategies	7.7%	28.6%	27.8%
Credit strategies	1.8%	3.6%	5.0%
Trading	1.5%	5.7%	4.2%
Others	0.0%	1.0%	2.1%
BGF Euro B Class – NAV	9.1%	46.2%	53.6%
	Excess Margin	53.8%	46.4%
	Total Risk	100.0%	100.0%

Source: Boussard & Gavaudan Investment Management LLP

The Investment Manager is very selective when deploying Equity-at-risk and seeks to maintain, at the Master Fund level, a prudent Excess-margin level at any time. The graph below illustrates the evolution of the equity at risk since November 2010.



Source: Boussard & Gavaudan Investment Management LLP

The Investment Manager monitors carefully the risk of the asset classes to which the Master Fund is sensitive. The main asset classes are the equity, credit and volatility asset classes whose sensitivities are shown and explained below.

Asset Class	Index	Ticker Bloomberg	Master Fund's beta vs Index(5 years)	Index volatility (5 years)
Equity	Stoxx 600	SXXP index	0.08	14.2%
Credit	FTSE Euro Corporate Bonds All Maturities	FECVCP index	0.10	2.5%
Interest rate	Bloomberg / EFFAS	BCEE1T Index	0.12	3.7%

Asset Class	Master Fund's Vega
Volatility	18 basis point by volatility point

Source: Boussard & Gavaudan Investment Management LLP

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A beta sensitivity of 0.10 versus an index means that if the index increases or decreases by 1%, the Master Fund is likely to increase or decrease by 0.1%. The "Stoxx 600" index is an equity market index which represents large, mid and small capitalisation companies across the main countries of the European region. The "FTSE Euro Corporate bond" index is a credit market index which includes Euro issues from corporate entities. The Investment Manager believes that these indices are the most relevant equity and credit indices to compare the Master Fund with.

A vega sensitivity of 1 basis point means that an increase in volatility by 1 percentage point leads to a performance of 0.01% for BGMF. The Vega measures the sensitivity to volatility for a given instrument. For a given instrument, it is the derivative of its price with respect to the volatility of its underlying. The Investment Manager considers the Vega to be the best proxy of the Master Fund's sensitivity to volatility and believes there are no relevant indices to compare its volatility sensitivity against.

Given that interest rate risks are essentially hedged, the Master Fund has low beta sensitivity versus the "Bloomberg/EFFAS" index which is a government bond market index.

During the Year, the Master Fund complied with its Investment Policy and has maintained the gross and commitment exposures, as required under AIFMD, within the limits established by the Investment Manager.

Master Fund %AUM	AIFMD Commitment method		AIFMD Gross method	
	Exposure	Limit	Exposure	Limit
31 December 2017	240.5%	700.0%	543.1%	2000.0%
31 December 2016	299.8%	700.0%	669.5%	2000.0%

Source: Boussard & Gavaudan Investment Management LLP

7. Detailed performance analysis

7.1. Detailed allocation and performance analysis of the Master Fund

The Master Fund contributed approximately 9.6% to BGHL's performance during the Year, primarily driven by equity strategies.

Volatility strategies

Volatility strategies posted a negative performance due to the volatility trading sub-strategy suffering from subdued volatilities. This was partially offset by convertible bond arbitrage and mandatory convertible bond arbitrage sub-strategies which both performed well.

Convertible Bond Arbitrage

Convertible bond contribution (excluding mandatories) was positive during the Year thanks to several positions in special situations. In particular, Futuren performed strongly as the company entered into exclusive talks to be bought by EDF Energies Nouvelles. The convertible bond primary market offered few opportunities overall as deals were in general issued on expensive terms, reflecting the continued significant appetite from long only investors in the context of extremely low realised volatilities. The secondary market was also very quiet with most of the trading activity linked to potential M&A and financial restructuring situations. Throughout the Year, the convertible book remained limited in scope and focused on special situations.

Mandatory Convertible Bond Arbitrage

Mandatory convertible bonds also contributed positively during the Year, mostly due to such instruments trading higher. On the new issuances side, the market saw two new exchangeable bonds linked to Anglo American which attracted interest from hedge funds and also long-only funds. Flows overall were generally muted in the secondary market.

Volatility Trading

Volatility trading contributed negatively during the Year and weighed on the Master Fund's performance due to extremely low realised volatilities and lower implied volatilities on major equity indices. Against this backdrop, the exposure of the book has been gradually reduced and ended the Year light in directional positioning and with a focus on theta in the book.

Warrant Trading

Warrant trading contributed slightly positively during this Year.

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Equity Strategies

Equity strategies were the main contributor to the Master Fund's performance this Year.

European equity markets followed a positive trend in 2017 and demonstrated an extremely low realised volatility. In this context, the Investment Manager decided to focus the portfolio on special situations. During the first half of the Year, this approach proved profitable and the portfolio benefited from the elevated level of corporate activity. Despite the low volatility of markets overall, the Master Fund managed to generate a positive performance thanks to long gamma positioning on single stocks, particularly around earnings events.

As we entered the second half of the Year, equity strategies continued to perform well as individual stocks continued to move significantly around earnings, despite volatility continuing to decrease in the broader market. During the later part of the Year, equity strategies progressively gave back part of this performance due to realised volatility continuing to fall, hitting an historic low in September, and theta creating a net drag on the performance.

Over the course of the Year the equity portfolio has been structurally repositioned, with some historical holdings successfully closed out. With the on-going low volatility environment, the Investment Manager has been very careful in spending on theta while remaining committed to a long vol/gamma strategy which, experience has demonstrated, should bear fruit in the long run.

While the Investment Manager expected corporate activity to remain elevated throughout 2017, the pace of activity in the last few months of the Year saw a decline. This started to reverse at the very end of the Year with a number of corporate transactions underway, hopefully setting the tone for more mergers & acquisitions and corporate activity in European markets during 2018.

Credit Strategies

Capital Structure Arbitrage

Capital structure arbitrage posted a net flat contribution to the performance of the Master Fund. The very low volatility environment persisted during the Year, with subdued moves and no specific / idiosyncratic news in this sub-strategy. Overall, both credit and equity asset classes moved positively and with a high correlation. This backdrop has not favoured active trading around existing positions and did not offer new opportunities for the Master Fund.

Credit Long / Short

Credit long / short trading contributed positively this Year. Alongside other risky asset classes, the Year was characterised by low volatility and central bank activity supporting the market. Market technicals also remained supportive with steady inflows into the asset class and fluid primary markets. Market activity was mainly focused on primary issues while secondary markets experienced limited volatility and gradual performance over the Year. Despite this backdrop, idiosyncratic stories picked up towards the end of the Year (Astaldi, Steinhoff, Altice, as examples) which creates hope for new opportunities. Given market conditions, the Investment Manager remained cautious on credit as an asset class and continued to primarily position in specific high conviction opportunities as well as overweight financials' subordinated bonds vs corporate high yield bonds.

Credit Special Situations

Credit special situations was the second biggest contributor this Year with a positive outcome on all trades. One of these trades has been successfully closed out following the finalisation of a restructuring plan in the first half of the Year. On other positions key milestones were obtained for the implementation of a financial restructuring plan during the second part of the Year.

Trading

Trading contributed positively this Year, mainly driven by quantitative equity trading.

7.2. Detailed performance analysis of assets other than Manager Funds

On top of its investment in the Master Fund, BGHL has other investments. At the end of the Year, the net asset value of these investments represented 2.6% of the net asset value of BGHL of which, BGHL's remaining position in the GFI shares represented 1.2%. During the Year, BGHL sold forward these GFI shares in a transaction further described in note 3.2.

Boussard & Gavaudan Holding Limited

Investment Manager's Report and Financial Highlights

For the year ended 31 December 2017

Rasaland Investors plc ("RLI")

RLI is a Malta-based holding company structured as a private equity fund in terms of fees and organisation. RLI is managed by BK Partners. RLI is dedicated to investing in land, hotels and high-end resort developments in Mexico.

As of 31 December 2017:

- RLI held a 45.4% interest in the private company ACTUR (the other ACTUR shareholders being Mexican public institutions)
- ACTUR owns land development assets (Mandarina and Xala projects) and a minority interest (9.6%) in the publicly-traded company RLH Properties (ticker: RLHA:MM), such indirect stake in RLH Properties accounting for approximately 26.0% of RLI's NAV
- RLH Properties owned 100% of the Four Seasons Hotel in Mexico City, 51% of the Banyan Tree Mayakoba and Andaz Mayakoba hotels, 80% of the Rosewood Mayakoba and Fairmont Mayakoba hotels, 100% of the lots where the One&Only Mandarin and Rosewood Mandarin will be developed in Riviera Nayarit, and 51% of the El Camaleón Golf Course in Riviera Maya.

During the Year, RLH Properties:

- increased its stake in the Four Seasons hotel in Mexico City to 100%
- completed its acquisition of a majority interest in four hotels and a golf course in Mayakoba near Cancun (Fairmont, Rosewood, Banyan Tree and Andaz hotels and Camaleon PGA Golf Course) with an option to acquire 100%, and increased its stake on the Rosewood and Fairmont hotels in Mayakoba from 51% to 80%
- raised MX\$2.4B (US\$125.9 million approximatively) in a secondary equity offering, with the proceeds to be used to (i) increase its stake to 80% in the Fairmont and Rosewood hotels in Mayakoba, (ii) acquire the minority interest in the Four Seasons Mexico City hotel, and (iii) develop the Rosewood and One & Only Mandarin hotels, among other corporate purposes
- On 17 July 2017, BGHL completed the purchase of 9,075,135 ordinary shares of RLI from BK Capital Partners Limited for a price of \$0.255 per share. As of the end of the reporting Year, BGHL held 19,075,103 RLI shares representing approximately 10.1% of RLI's share capital

BGIM has a fairly strong indication that it is going to be at least another 10 years until RLI realises its assets, whereas BGHL's exit horizon is likely to be within a much shorter timeframe. A forced sale transaction in May 2017 suggests that BGHL will only be able to exit at a material discount to the net asset value of RLI if it wishes to realise value before the expected extended term. As a consequence, BGIM's valuation committee has amended its valuation methodology and fair value assessment. Since May 2017, given BGHL's target time horizon for exiting this investment and recent market transactions in the shares, the Investment Manager's valuation committee has applied a 50% illiquidity discount to the net asset value per share calculated by the administrator. Consequently, RLI contributed approximately -0.4% basis points to BGHL's performance during the Year.

GFI Informatique ("GFI")

GFI is a major player in value-added IT services and software in Europe. GFI is listed on the Paris Euronext, NYSE Euronext (Compartment B) - ISIN Code: FR0004038099. On 10 May 2017, Mannai Corporation ("Mannai") announced an agreement for the acquisition by Mannai of the remaining stakes held by Boussard & Gavaudan and Apax (<http://www.gfi.world/en/newspaper/communique/174-mannai-corporation-plans-to-acquire-an-additional-c-29-stake-in-2017>).

In accordance with this agreement, BGHL has sold forward two thirds of its position in July 2017 at a price of €8.00 per share, and the remaining third in July 2018 at a price of €8.50 per share.

The previous cross options agreed between BGHL and Mannai have been cancelled.

GFI contributed approximately 0.1% basis points to BGHL's performance during the Year. Following the forward sale to Mannai, BGHL has no price exposure to GFI.

8. Review of important events since the end of the Year

There have been no important events except for those disclosed in note 17 of the Financial Statements.

Boussard & Gavaudan Holding Limited
Investment Manager's Report and Financial Highlights
For the year ended 31 December 2017

9. Principal Risks and Uncertainties

The principal risks and uncertainties are listed and described in the Directors' report. The Board of Directors has put in place a reporting framework which highlights the following:

- the level of return generated relative to "market" returns, and the relative variability in those returns;
- the impact on NAV if sudden materially adverse movements occur in financial markets; and
- the value of assets (including assets held within the Master Fund on a "look through basis") which cannot be priced by reference to observable prices in a liquid market.

BGHL's main investment exposures, including the main risks to which the Master Fund is exposed, have been described in this report. The key market risks are equity price risk, interest rate risk, foreign currency risk, credit risk and liquidity risk. The diversified nature of the investments within the Master Fund mitigates the apparent concentration risk within BGHL.

"Brexit" and the fall of Sterling versus the Euro had no significant impact on BGHL's hedge. The exposure of the Sterling shares to the Euro is hedged with a Euro / Sterling forward forex which is rolled on a monthly basis so that the capital of those shareholders invested in the Sterling shares is protected. They remain exposed to an intra month currency risk on the profit and loss made in Euro terms during each month.

The Investment Manager aims to continue to perform in accordance with its long term objective of delivering consistent NAV appreciation. The equity at risk of the Master Fund is deployed into attractive investment opportunities that are identified. The limited amount of leverage does not expose BGHL to a significant refinancing or default risk.

In terms of headline risks to the fund in 2018 the following, non-exhaustive, list contains the most likely events that could have an adverse impact on performance: continued uncertainty surrounding the details of the UK exit from the EU, instability in currency prices, risk of general economic slowdown in Europe and consequent reduced level of corporate activity, idiosyncratic risks surrounding specific investments in single names, and central bank interest rate setting failing to maintain a stable environment with controlled inflation.

A continued environment of low volatility could also cause a potential drag on performance, while conversely there remains the risk of a significant and correlated sell-off in equities and government bonds which could have adverse systemic effects on the Master fund.

Risks remain exacerbated following the UK vote to leave the European Union and, while progress has been made negotiating the shape of the exit, considerable political, legal and regulatory uncertainty remains that may lead to a reduction in corporate activity and investment. Consequential risks are weaker economic growth, heightened volatility, an increase in the risk premium and potential capital outflows from the region.

In addition to Europe, political uncertainty in, and between, other regions remains. While there are strong signs of global growth, the dynamic geo-political environment threatens to destabilise these with shifting alliances and restructuring of trade deals leading to economic uncertainty.

These risks remained framed against a backdrop of elevated global risk-asset valuations and central bank action which has turned more hawkish with the potential of rising inflation.

Please refer to Section 7 of this Investment Manager's Report for a description of developments over the Year relating to the GFI investment; the Investment Manager is not aware of any material adverse developments since the events described in this section.

As regards RLI, the illiquid nature of the investment, the status of the Mexican real estate market and the political environment in Mexico are all factors which could potentially push down its carrying value, but the valuation of RLI at a significant discount, which the Investment Manager views as fair value, mitigates the downside risk on this investment.

Boussard & Gavaudan Investment Management LLP
Acting by its managing member,
Boussard & Gavaudan Partners Limited

19 April 2018

Boussard & Gavaudan Holding Limited

Directors' Report

For the year ended 31 December 2017

The Directors present their annual report and audited financial statements for the Year.

Principal Activities

During the Year, BGHL had invested substantially all of its net assets in BGF, a feeder fund fully invested in the Master Fund. The Master Fund implements diversified investment strategies, including volatility, equity and credit strategies. The overall investment objective of the Master Fund is to provide investors with consistent absolute returns primarily through investing and trading in financial instruments of companies incorporated in, or whose principal operations are in Europe.

In addition to its investment in BGF and as described in BGHL's offering memorandum and investment policy, BGHL enters into other investments, including private equity investments.

Performance of Investment Manager and Continued Appointment

The Investment Manager was appointed as Investment Manager and AIFM by BGHL, BGF and the Master Fund on 21 July 2014. The Investment Manager was registered on 5 November 2013 as a limited liability partnership or "LLP" in England and Wales for the purpose of complying with AIFMD Regulations, and the Investment Manager was authorised by the FCA on 11 July 2014 to perform the regulated activity of managing an AIF and remains so authorised.

The Board has reviewed the performance of the Investment Manager since the date of its appointment and is satisfied that the continued appointment of the Investment Manager on the terms agreed is in the interests of the Shareholders. Please refer to the Investment Manager's Report for a review of the performance of BGHL over the Year. Please also refer to note 8 to the financial statements for further details on the terms of the investment management agreement.

Results for the Year and State of Affairs at 31 December 2017

The Statement of Financial Position and the Statement of Comprehensive Income for the Year are set out in the audited financial statements.

Directors

The Directors as at 31 December 2017 and as at the date of this report were:

- Andrew Henton, Chairman;
- Nicolas Wirz; and
- Andrew Howat

Mr. Henton and Mr. Wirz were re-elected at the annual general meeting held in 2015 and Mr. Andrew Howat was appointed as a director effective 1 July, 2017 and elected by the Company's shareholders at the annual general meeting held on 27 July, 2017. Mr. Fish retired with immediate effect at that AGM. BGHL's articles of incorporation require that all Directors who held office at the two preceding annual general meetings shall retire and, if willing, offer themselves for re-election. None of the Directors is currently required to stand for re-election by rotation. Following Mr. Henton's appointment as Chairman of the Board, Mr. Howat was appointed as Chairman of the Audit Committee and replaced Mr. Henton.

Directors' interests in shares

As of 31 December 2017, Mr. Wirz had invested, directly or indirectly, in 16,168 ordinary Euro shares of BGHL.

Share buy-back programme and Liquidity Enhancement Agreement

BGHL's shares are dual listed on the London Stock Exchange and Euronext Amsterdam.

Since its listing, BGHL has operated a share buy back programme approved at each annual general meeting by its shareholders. This programme has been an important part of the Board's commitment to reducing the discount to the prevailing NAV at which BGHL's shares are trading, and to improve liquidity in the shares. Although the Board seeks to minimise its level, such discount is largely driven by market forces beyond BGHL's control. BGHL intends to retain the scope to use the share buy back programme on a discretionary basis so long as the discount remains greater than 10%. BGHL's share buy-back programme is financed by redemptions of BGF shares. BGF has monthly liquidity, which means that redemptions are payable once in every calendar month. BGHL does not know in advance the volumes and frequency of share buy-backs for any given month. As a result, every month BGHL

Boussard & Gavaudan Holding Limited

Directors' Report

For the year ended 31 December 2017

needs short-term financing, which it meets by issuing variable funding notes to the Master Fund. The terms of the variable funding notes are described in note 11. The timing of and ability to redeem BGF's shares may expose BGHL to liquidity risk if the variable funding notes are recalled by the Master Fund, as described in note 4 section Liquidity risk.

On 27 July 2017, the shareholders renewed BGHL's authority to make market purchases of its shares. Under such authority BGHL is allowed to purchase up to 8% of the shares of each class in issue (excluding treasury shares). At the time authority was granted, shares in issue (excluding treasury shares) were 2,308,972 Euro shares and 42,313 Sterling shares. Previously, BGHL was granted an exemption by The Panel on Takeovers and Mergers in the UK from making a mandatory offer for the whole of the issued and to be issued share capital of the Company in accordance with Rule 9 of The Takeover Code if such obligation arose purely as a result of such market purchases. However, because the percentage of the Company's issued share capital which the Company was authorised to repurchase was reduced to 8% at the recent annual general meeting, there is no reasonable expectation that an obligation to make an offer will be triggered by such market repurchases, so renewal of the exemption was not sought during the Year.

In order to increase the liquidity of BGHL's Euro Shares on Euronext Amsterdam following the "financial crisis" in 2008, BGHL entered into a liquidity agreement with Exane on 14 August 2008. Under this Liquidity Enhancement Agreement, in accordance with Dutch accepted market practices, Exane acted on behalf of, but independently from, BGHL to effect purchases of BGHL's Euro Shares on Euronext Amsterdam. BGHL limited the amount allocated to the execution of this contract to 2% of its market capitalisation per period. This arrangement was terminated on 16 June 2017 because it had not been used for a significant time and was no longer required. The Board will continue to monitor trading activity in the Company's shares and the prices at which they are traded and may enter into a similar such arrangement in the future if the Board in its absolute discretion considers it to be necessary or desirable in the best interests of the Company.

Any repurchases under the Share buy-back programme will be made at a discount to the prevailing NAV and will therefore be accretive to the NAV. They will therefore contribute to the different performance of BGHL's NAV relative to that of BGF.

During the Year no Euro or Sterling shares were repurchased. The table below shows the number of Euro shares repurchased in the 2016 financial year. No Sterling shares were repurchased in the 2017 financial year.

Repurchase of own shares for the Year ended:	31 Dec 2017	31 Dec 2016
Treasury Shares	-	660,881
Average Price Euro	-	16.06
Amount Euro	-	10,610,877

The discounts of the shares with respect to their NAVs were as follows

Discount to NAV	31 Dec 2017	31 Dec 2016
Euro Shares	(17.3%)	(19.1%)
Sterling Shares	(15.3%)	(18.6%)

Below is a graph showing the discount to their NAV at which BGHL's Euro shares have traded and the Euro share buy-back activity since BGHL's inception. BGHL did not repurchase any shares in the Year.



Boussard & Gavaudan Holding Limited

Directors' Report

For the year ended 31 December 2017

Governance

As a closed-ended investment company incorporated in Guernsey with a premium listing on the Official List of the UK Listing Authority, BGHL is required to include a statement in its Annual Report as to whether BGHL has complied throughout the accounting period with all relevant provisions set out in the Code or, if not, setting out those provisions with which it has not complied and the reasons for non-compliance.

The Board places a high degree of importance on ensuring that high standards of corporate governance are maintained and has adopted the Code, which sets out principles of good governance and a code of best practice for UK listed companies. The Code is available for download from the Financial Reporting Council's web-site www.frc.org.uk.

On 30 September 2011, the Guernsey Financial Services Commission Code published its Finance Sector Code of Corporate Governance (the "**GFSC Code**"), which came into effect on 1 January 2012. Companies which report in accordance with the Code are deemed to meet the requirements of the GFSC Code.

The Board has carried out a full review of the Code to ensure that the appropriate level of corporate governance is attained. The Board confirms that BGHL has complied with the provisions of the Code during the Year, with the following exceptions.

Firstly, no limit has been imposed on the overall length of service of Directors, although each Director stands for re-election every three years. Mr Wirz was appointed on 3 October 2006 and hence he has served for more than nine years. The Code states that a Director who has served for more than nine years would ordinarily no longer be considered independent, should be subject to annual re-election and that a smaller company should normally have at least two independent Directors. Mr Wirz has indicated his intention to retire at the next Annual General Meeting in August 2018 at which point a successor will be appointed. The Board will thereafter comprise members with different appointment dates, meaning that the right balance can be struck between maintaining independence and continuity.

Secondly, there is no chief executive position within BGHL, nor any management committee. Being a closed-ended investment company whose Directors are all independent non-executives, BGHL has no employees and therefore no requirement for a chief executive nor management committee with executive responsibilities.

Thirdly, none of the Directors has been formally appointed as the senior independent Director. Whilst Mr Wirz has served for more than nine years, he is considered to remain independent. All of the Directors derive only a minority of their total remuneration from BGHL and hence have no financial dependency on BGHL. There is also no nomination committee, with all putative Director's appointments being considered by the full Board.

Fourthly, BGHL does not have a formal diversity policy. This is a function of the fact that the company's remunerated officers are limited to the directors. The composition and effectiveness of the Board is internally assessed on an annual basis. The periodic rotation or retirement of directors is a trigger event which initiates a formal search and selection process. This prioritises professional experience relevant to the needs of the company over other more subjective factors which do not lend themselves to formal assessment and testing. Whilst BGHL does not therefore have any policy of positive discrimination in relation to age, gender or race, the company does recognise the value that different perspectives and outlooks can bring to quality of decision making. Accordingly, whilst remaining focussed on merit based appointments, the Board encourages and seeks to identify candidates who can also enhance the diversity of its composition.

The Board meets formally at least four times a year. In addition to these scheduled meetings, during the Year the Board has consulted the Investment Manager regularly. The Directors are satisfied that they have been kept fully informed of the investment performance, financial and operational controls, and other matters relevant to the business of BGHL. The Directors have, where necessary to the furtherance of their duties, taken independent professional advice at the expense of BGHL.

The attendance record of the Directors is set out below:

	Quarterly Board	Ad hoc Board	Audit Committee	AGM	Management Engagement Committee
Meetings Attended:	4	3	2	1	1
Christopher Fish	2	1	1	0	0
Nicolas Wirz	4	1	2	0	0
Andrew Henton	4	3	2	1	1
Andrew Howat	2	2	1	1	1

Boussard & Gavaudan Holding Limited

Directors' Report

For the year ended 31 December 2017

The focus at Board meetings is a review of investment performance, marketing and investor relations, risk management, general administration and compliance, peer group information and industry, regulatory and corporate governance issues. Board papers are circulated in advance, allowing the Directors the opportunity to add agenda items they consider appropriate for Board discussion. Each Director is required to inform the Board of any potential or actual conflicts of interest prior to Board discussions.

As required by B.3.2 of the Code, the letters of engagement of the Directors are available for inspection upon request of the Secretary at the BGHL's registered office. The Board evaluates its performance and the performance of individual Directors on an annual basis by reference to the guidelines set out in the Code and believes that the current mix of skills and experience of the Directors is appropriate to the requirements of BGHL. As required by B.4.2 of the Code, the Chairman reviews and agrees with each Director their training and development needs, if any.

In accordance with B.3.1 of the Code, the Board confirms that there have been no material changes to the Chairman's commitments required to be disclosed to the Board or to be explained in this annual report.

In accordance with A.1.3 of the Code, BGHL has purchased Directors' and officers' liability insurance and intends to renew such insurance cover on an annual basis.

Directors' Interests and Remuneration

Save as disclosed in these financial statements, BGHL is not aware of any potential conflicts of interest between any duty owed to BGHL by any of the Directors and their respective private interests. As advised to shareholders in July, the Directors' fees were reduced with effect from 1 July, 2017 and each Director is currently paid an annual fee of €20,000 other than the Chairman, who is entitled to receive €38,000 per annum, and the Chairman of the Audit Committee, who receives an additional fee of €7,500 per annum.

Due to the nature of their roles and in light of BGHL's stated investment objective and policy, no discretionary compensation payments are ordinarily made to the Directors. No Director has a contract for services and none of them is entitled to compensation in lieu of notice.

Shareholders are at each annual general meeting given the opportunity to vote on the Directors' remuneration.

Directors' Duties and Responsibilities

The Directors' responsibilities are as follows:

- Statutory obligations and public disclosure;
- Strategic matters and financial reporting;
- Oversight of management and advisors' matters;
- Risk assessment and management, including reporting, monitoring, governance and control; and
- Other matters having a material effect on BGHL.

Committees of the Board

The Board has not deemed it necessary to appoint a nomination or remuneration committee as, being comprised wholly of independent Directors, the whole Board considers these matters. If a new Director were to be appointed, the whole Board would be involved in the selection process and, as required by B.4.1 of the Code, full, formal and tailored induction would be provided by the Board with the support of the Secretary.

Management Engagement Committee

A Management Engagement Committee was established in 2015 to oversee the performance of service providers, including the Investment Manager. It has defined terms of reference and duties and its members comprised Andrew Henton and Andrew Howat, with Mr Howat acting as permanent Chairman since 5 February 2018.

Audit Committee

An Audit Committee, with defined terms of reference and duties, has been established and comprised the following members as of 31 December 2017: Andrew Henton, Nicolas Wirz and Andrew Howat, with Mr Howat acting as permanent Chairman of the Audit Committee.

Boussard & Gavaudan Holding Limited

Directors' Report

For the year ended 31 December 2017

A separate Report of the Audit Committee setting out its duties and how it has fulfilled them is included later in this annual report. BGHL considers that the Audit Committee's performance of its duties fulfils the requirements of C.3.2 of the Code.

Principal Risks and Uncertainties

BGHL's business model involves identifying and taking positions on assets whose market price does not reflect the Manager's assessment of intrinsic value. As market prices trend towards the Manager's assessment of intrinsic value, profits are generated. In adopting this strategy, BGHL is deliberately and consciously exposed to various types of market risk which are described in the report of the Investment Manager. Additional risks are described in the notes to the accompanying financial statements. The Report of the Audit Committee describes financial reporting risks and how these risks have been mitigated. The Board believes that these disclosures are accurate, complete and not misleading.

The most significant risk identified by the Directors continues to be that of the investment strategy pursued by the Master Fund no longer achieving its investment objectives, leading to non-achievement by BGHL of a long term appreciation in its asset value on a "per share" basis. This might be occasioned if the pricing relationships between and within different asset classes diverged materially from historical patterns, or the quality of investment analysis conducted within the Investment Manager was materially degraded. The next most significant risk is considered to be illiquid and / or non-traded investments not being realisable at their stated carrying value, thereby diluting NAV.

Brexit is not considered to pose a particular risk to BGHL. The hedging strategy adopted in relation to the Sterling share class is described in the report of the Investment Manager. BGIM is regulated to carry out investment management activities in both the UK and France, and has the necessary infrastructure to carry out such activity in both jurisdictions. In the event that political, regulatory or macro economic conditions changed such that it was beneficial for the investment manager to consolidate its activities in only one of these locations, the necessary changes could be implemented swiftly relying on procedures that are regularly tested as part of the business continuity plan.

The Investment Manager seeks to deliver risk adjusted returns which are attractive. The main information provided by the Investment Manager to the Board, and by which risk exposures are assessed, are as follows:

Relative performance analysis: NAV accretion or dilution is reported monthly, and broken down by attribution to each specific strategy pursued within the Master Fund. Individual and aggregated strategy performances are compared to relevant indices or benchmarks. This serves to highlight over and under performances, and also any divergence from historic trends.

Stress testing: The impact on NAV is modelled each month against a series of downside scenarios. These scenarios make allowance not just for market movements, but also for liquidity related events (for example "mid cap" stocks falling by a greater amount than the main index due to materially reduced trading volumes in smaller company stocks). Different scenarios are modelled both singly, and in combination so that "contagion" risks are considered. Portfolio construction is informed by the results of this modelling.

Pricing analysis: The Investment Manager shares with the Board of Directors analysis that is prepared by the administrator of the Master Fund. This highlights the percentage of NAV in the Master Fund which is based on prices that cannot be independently verified by reference to an independent or market source. The existence of instruments for which independent pricing is not available is deemed to be a risk factor, and any such instruments are subjected to additional ongoing scrutiny.

In addition to the various financial and market risks, the Board actively monitors operational and commercial risk. Key risks in this regard are the following:

Prevailing share price: BGHL's shares currently trade at a discount to NAV and have done so for several years.. However, this is a function of supply and demand for BGHL's shares in the market and cannot therefore be controlled by the Board. The key element of the programme by which the Board seeks to manage the level of discount is the share buy back programme. For so long as the prevailing share price is markedly less than NAV, it is value accretive to shareholders when BGHL buys back its own shares at that price. In considering other interventions that might influence the level of discount, the Board seeks to avoid significantly increasing the total expense ratio and to favour actions which are persistent in their effect, as opposed to short term and transient.

Boussard & Gavaudan Holding Limited

Directors' Report

For the year ended 31 December 2017

Scale of operations: The Board reviews the operational plans of the Investment Manager at least annually. In so doing it seeks assurances that adequate resources are available to maintain an effective and compliant operating infrastructure. Future business development plans, headcount, organisational structure and the experience of operational incidents (if any) are all taken into account.

Service providers: BGHL places reliance on the administrator, sub-administrator, depositary and sub-custodian of the Master Fund. To the extent that independent assurance statements or reports can be obtained in relation to these firms, the Board of Directors requests them. Oversight is also exercised via open market sources (credit ratings), direct enquiry of the Investment Manager and feedback from other independent advisers (including the auditor).

Cyber security: The threat posed by “hackers” to companies operating in the financial services sector, (the nature of whose activities involves the management of assets readily convertible into cash) is acknowledged by the Board of Directors. The measures in place to mitigate these risks (including those measures intended to identify and contain intrusions, should they occur) is an area of particular attention and forms part of the oversight regime directed at the Manager and key service providers.

The Business Risk Assessment is used to monitor risk in its wider sense. This document identifies and describes key risks under seven categories (investment, liquidity, credit, market, counterparty, operational and governance), identifying the relevant controls by which to mitigate the associated risks. Impact assessments (a function both of likelihood and severity of impact) are considered for every risk identified, and the document informs both resource allocation (including the allocation of operational responsibility) and decision making about changes or additions to the control environment.

Risk Management and Internal Control Systems

The Audit Committee has conducted a review of BGHL's system of internal controls and further information is given in the Report of the Audit Committee.

The Board is ultimately responsible for BGHL's system of internal controls and for reviewing its effectiveness. The Board has developed a framework that is designed to manage, rather than to eliminate the risk of failure to achieve BGHL's business objectives. The framework involves identifying sources of risk, the potential significance (financial and operational) of any risk impact(s), and the associated controls in place to identify, pre-empt and mitigate those potential impacts. This is documented in a Business Risk Assessment which is considered at least annually by the Board. The framework is discussed with the Investment Manager, and members of the Audit Committee conduct an on site review meeting with the Investment Manager to review the effectiveness of controls and any breaches / errors that have occurred since the last inspection visit. Any such control failures are also recorded on an exceptions basis and reported at quarterly Board meetings or in real time if sufficiently significant. No significant failings or weaknesses have been identified. These processes ensure an at least annual review of BGHL's system of internal controls, including financial, operational, compliance and risk management. The system can only provide reasonable and not absolute assurance against material misstatements.

The Board has delegated the management of BGHL's investment portfolio, the provision of custody services, the administration (including the independent calculation of BGHL's NAV), share registration, corporate secretarial functions and the production of the half-yearly and annual independently audited financial reports. The Board retains accountability for the functions it delegates. Formal contractual arrangements have been put in place between BGHL and the providers of these services.

Compliance reports are provided at each quarterly Board meeting by BGHL's Secretary. The Board considers that its internal control processes meet best practice as recommended in the Guidance on Risk Management, Internal Control and Related Financial and Business Reporting published by the UK's Financial Reporting Council as an adjunct to the UK Corporate Governance Code.

Long Term Viability

The principal risks facing BGHL are documented in the Business Risk Assessment and described above. The business model and investment strategy are described and evaluated in the Investment Manager's report. The Board's review of the effectiveness of BGHL's risk management and internal control systems is described in the Audit Committee's report.

Given the nature of its assets (redeemable units in the Master Fund, which are themselves backed by liquid, tradeable assets) it would take a general failure in the effective and ongoing operation of financial markets (cessation of market liquidity) to threaten BGHL's solvency. Such a market failure could prevent investments held by the Master Fund from being redeemed. This in turn would inhibit BGHL from being able to redeem its position in the Master Fund wholly or in part, and thereby leave it potentially unable to meet its trading obligations as they fall due. The fact that the operating expenses (excluding performance fees) of BGHL represent less than 2% of its prevailing NAV for the current reporting Year makes this risk remote.

Boussard & Gavaudan Holding Limited
Directors' Report
For the year ended 31 December 2017

The Board has conducted a robust assessment of the principle risks and uncertainties facing BGHL, and also assesses long term viability in accordance with C2.2 of the Code. The key risk to BGHL has been identified as a failure of the investment decision making process to generate NAV accretion that is in line with investor expectations, and which is attractive on a risk adjusted basis when compared with alternative managed investment opportunities.

BGHL's performance is measured on a monthly basis via both the NAV of its underlying investments and its share price. Key data inputs used by the Investment Manager when making investment decisions in the Master Fund (BGHL's principle investment) comprise company earnings (quarterly), macro factors (daily interest and currency exchange rates) and indicators of sentiment (yield curves and risk measures, such as the VIX index). Scenario stress tests are run on a monthly basis to measure potential "drawdowns" (ie reductions in NAV on a monthly basis) on the portfolio in the event of changes in the economic climate. These stress tests comprise severe but plausible scenarios and have been an integral part of the portfolio construction process for many years.

BGHL's performance is compared primarily to peer group funds on an annual basis, and performance fees payable to the Investment Manager are also calculated annually. The significant majority of investment positions taken by the Master Fund are in liquid assets that can be converted to cash readily in the market and great effort is made by the Investment Manager to minimise drawdowns and to maintain liquidity. This emphasis on short term position management is an important feature of the Master Fund's strategy. Given that BGHL's operating costs as a percentage of its realisable investment portfolio are low, and that it is a closed ended fund, the Directors consider there to be significant liquidity headroom available in all but the most extreme market failure scenarios.

Despite the emphasis on short term performance and resilience described above, not all investment positions are entered into with the expectation of them being unwound within twelve months. Moreover, the "repeatability" of the investment process is of fundamental importance. The Investment Manager has developed proprietary analytical tools and processes that it seeks to apply on a consistent basis over time when making investment decisions. In this way it seeks to generate positive risk adjusted returns using proprietary strategies that are sustainable for the medium to long term, such that performance is not predicated on the retention of "key men". Such algorithms and tools are necessarily a function of market behaviour and asset pricing correlations, and hence subject to change over time.

Whilst the turnover of positions within the Master Fund is thus relatively short term in duration, the timeframe over which it is necessary to identify and respond to "paradigm shifts" in economic markets is longer term in nature. Factors such as government or central bank policies (e.g. quantitative easing) or external events (including wars and regional instability) can cause significant changes in investor sentiment, which can in turn alter market assessments of intrinsic value and correlations between different asset types. For these reasons, the Board considers a three year time horizon as being the appropriate period over which to assess future prospects and viability.

Based on BGHL's performance to date and feedback from BGHL's major shareholders, the Board believes that the majority of shareholders intend to continue their investment in BGHL for the foreseeable future, subject to unforeseen future events.

On the basis of the relevant and rigorous assessment described above, the Board believes that BGHL will remain viable as a closed-ended investment company for at least the next three years.

Regulatory Compliance

BGHL keeps abreast of regulatory and statutory changes and responds as appropriate. The Board continues to take advice on AIFMD from external professional advisers and to implement necessary measures to ensure compliance with relevant requirements of the AIFMD Regulations. The Chief Compliance Officer within the Investment Manager is also a resource relied upon by the Board in this regard. Although the majority of the obligations associated with AIFMD are applicable to the AIFM, the Board is satisfied that BGHL as an AIF complies fully with its relevant obligations under the UK's AIFMD and the AIFMD Regulations 2013. Key Information Documents ("KIDs") have been produced in accordance with the Packaged Retail and Insurance-based Investment Products ("PRIIPs") regulation and are available at <https://www.bgholdingltd.com/priips.php>

Boussard & Gavaudan Holding Limited
Directors' Report
For the year ended 31 December 2017

Going Concern

The Board conducts a rigorous and proportionate assessment of BGHL's operational and financial risks with reference to cash flow requirements, debt positions and the liquidity of investments on a quarterly basis.

BGHL has also borrowed €70m from Natixis under the committed revolving loan facility agreement described in note 11 to the financial statements.

In addition to the management obligations associated with these debt positions, BGHL also incurs ongoing fees and expenses associated with its day to day operations.

The Directors regularly consider the financial solvency of BGHL and are required by the Companies Law to do so on every occasion that any distribution is to be declared, including, but not limited to, dividends, the redemption and conversion of shares, and repurchases by BGHL of its own shares. Under Guernsey law, there is no limit on the period of time for which the Directors are required to consider BGHL's future solvency. The Directors are confident that BGHL's assets exceed its liabilities and that BGHL has sufficient liquid assets to meet its debts as they fall due. In addition, should BGHL have insufficient cash to meet its expenses, BGHL expects that it would very rapidly be able to realise sufficient investments to meet such expenses. This is evidenced by a formal solvency statement.

After making enquiries, the Board has a reasonable expectation that BGHL has adequate resources to continue in operational existence for at least the next twelve months. Therefore, the financial statements have been prepared on a going concern basis.

Relations with Shareholders

BGHL considers the ongoing interests of investors and other stakeholders on the basis of open and regular dialogue with the Investment Manager. Additionally, shareholders are welcome to contact the Board of BGHL in writing via the Secretary, should they wish to have a dialogue and/or provide any feedback.

Furthermore, at a minimum, the Chairman of the Board and the Chairman of the Audit Committee attend BGHL's annual general meeting. As recommended by E.2.1 of the Code, a separate resolution is proposed on each substantially separate issue at each general meeting of shareholders, including a vote on BGHL's annual financial report at the annual general meeting, and forms of proxy issued by BGHL for use at each general meeting provide for three way voting – for, against or vote withheld. Notices of annual general meetings are always sent at least 20 working days before the meeting and in accordance with the notice periods set out in the Companies Law.

After each general meeting, the results of the meeting are announced as recommended by E.2.2 of the Code and the announcement of results is also made available on the BGHL's website. As a matter of best practice, all resolutions are voted upon on a poll. Finally, if required, BGHL can also make available representatives of the Investment Manager to shareholders.

While BGHL reports formally to its shareholders twice a year, it also maintains a website which contains comprehensive information (www.bgholdingltd.com). This includes historic communications, investment philosophy, risk management policies, Investment Manager's reports, statistical information and corporate governance guidelines.

Statement of Directors' Responsibilities

The Directors are responsible for the preparation of financial statements in accordance with applicable Guernsey law and generally accepted accounting principles. Guernsey law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of BGHL as at the end of the Year and profit or loss for that Year.

The Directors are also responsible for ensuring that the annual report includes information required by the rules of the UK Listing Authority. The Directors ensure that BGHL complies with the provisions of the Listing Rules and the Disclosure and Transparency Rules of the UK Listing Authority which, with regard to corporate governance, require BGHL to disclose how it has applied the principles, and complied with the provisions, of the Code.

In preparing those financial statements, the Directors should:

- Select suitable accounting policies and then apply them on a consistent basis;
- Make judgements and estimates that are reasonable;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is not appropriate to presume that BGHL will continue in business.

Boussard & Gavaudan Holding Limited
Directors' Report
For the year ended 31 December 2017

The Directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of BGHL and to enable them to ensure that the financial statements comply with the Companies Law. They are also responsible for the system of internal controls for safeguarding the assets of BGHL and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Shareholders holding more than 3% of the shares in issue need to disclose their holdings to the AFM, the Dutch regulatory authority. The AFM discloses this information on its web site. The information can be found under the section "Register substantial holdings and gross short positions". Shareholders may use the following link to access the information directly:

<https://www.afm.nl/en/professionals/registers/alle-huidige-registers.aspx?type=%7b1331D46F-3FB6-4A36-B903-9584972675AF%7d&q=boussard>

The Directors consider the BGHL Annual Report and audited financial statements, taken as a whole:

- is fair, balanced and understandable; and
- provides the information necessary for shareholders to assess the BGHL's performance, business model and strategy.

Audit Confirmation

So far as each of the Directors is aware, there is no relevant audit information of which BGHL's auditor is unaware and each Director has taken all reasonable steps he ought to have taken as a Director to make himself aware of any relevant information and to establish that BGHL's auditor is aware of that information.

By order of the Board



Andrew Henton
Chairman



Andrew Howat
Director

19 April 2018

Boussard & Gavaudan Holding Limited
Report of the Audit Committee
For the year ended 31 December 2017

Role and responsibility

This is the report of the Audit Committee (herein the “**Committee**”) which has been prepared with reference to the Code and describes the work of the Committee in discharging its responsibilities.

BGHL established the Committee in compliance with the FCA’s Disclosure and Transparency Rule 7.1 and the Code. The Committee meets formally at least twice each year and on an ad hoc basis when required and reports to the Board. It has formally delegated duties and responsibilities with written terms of reference which are reviewed and reapproved annually. Those terms of reference are published on BGHL’s website at <http://www.bgholdingltd.com>

The Committee is mandated by the Board to investigate any activity within its terms of reference and to consult externally with legal or other independent professional advisors, as required, to ensure that the Committee adequately discharges its duties and responsibilities, which include:

- a) considering the appointment of the external auditor, its letter of engagement and the terms thereof, the audit fee, and any questions of resignation or dismissal of the external auditor;
- b) reviewing from time to time the cost effectiveness of the audit and the independence and objectivity of the external auditor;
- c) developing and implementing policy on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm; and report to the Board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken;
- d) reviewing BGHL’s half-yearly and annual financial reports, not excepting the full Board’s responsibility over the reports, focusing particularly on:
 - Any changes in accounting policies and practice;
 - Major judgmental areas;
 - Significant adjustments arising from the audit;
 - The going concern assumption;
 - Compliance with accounting standards (and in particular accounting standards adopted in the financial year for the first time);
 - Compliance with applicable legal and regulatory requirements (including inter alia, those of the FCA, the London Stock Exchange, the Guernsey Financial Services Commission, the Companies Law, NYSE Euronext, and the Netherlands Authority for the Financial Markets);
 - A risk management review; and
 - Assessing the effectiveness of internal controls.
- e) discussing any problems and reservations arising from the final audit, and any other matters which the auditor may wish to discuss (in the absence of BGHL’s agents where necessary);
- f) reviewing the external auditor’s Report to the Audit Committee and determining whether any changes have to be implemented as a result;
- g) reviewing, on behalf of the Board, BGHL’s system of internal control (including financial, operational, compliance and risk management) and making recommendations to the Board;
- h) considering the major findings of internal investigations and management’s response;
- i) reviewing BGHL’s operating, financial and accounting policies and practices;
- j) considering any other matters specifically delegated to the Committee by the Board from time to time; and
- k) confirming to the Board as to whether the Annual Report and audited financial statements taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess BGHL’s performance, business model and strategy.

Boussard & Gavaudan Holding Limited

Report of the Audit Committee

For the year ended 31 December 2017

The Committee may review any matter that it considers appropriate notwithstanding that it is not specifically mentioned in the above list of duties.

Composition

The Committee comprised the following members as of 31 December 2017: Andrew Henton, Nicolas Wirz and Andrew Howat, with Mr Howat acting as permanent Chairman of the Committee. All members of the committee have relevant competence to the sector in which BGHL operates in addition to relevant financial experience as required by C.3.1 of the Code.

Only independent non-executive Directors serve on the Committee and the members do not have any links with BGHL's external auditor. They are also independent of the management teams of the Investment Manager, administrator and all other service providers. In addition, it meets the external auditor at least twice a year. The membership of the Committee and its terms of reference are kept under review.

Oversight of controls and risk management

The Board conducts an annual Business Risk Assessment in conjunction with the Investment Manager. The intention of this exercise is to identify and articulate the material risks that might affect BGHL and its trading prospects, the likelihood of them occurring and their assessed impact. As part of this process the explicit controls intended to mitigate either or both of the risk of occurrence, or the impact of an occurrence, are also articulated. In this way a residual net impact assessment is derived.

In support of this exercise, the Committee visits the Investment Manager annually to review and inspect operations. The Committee meets senior staff members responsible for the internal control and oversight functions, who report as to the proper conduct of the business in accordance with the regulatory environment in which both BGHL and the Investment Manager operate.

The oversight programme in 2017 reviewed inter alia (i) changes that had taken place within the Investment Manager's operation; (ii) IT systems and controls, including cyber security arrangements; (iii) regulatory compliance; (iv) investor relations; (v) the valuation of unquoted investments; and (vi) the risk register, complaints, errors and breaches logs and business continuity arrangements. Performance was assessed as satisfactory with no unacceptable or unanticipated risk exposures. The results of the oversight visit are documented.

As part of the oversight programme, both the Investment Manager and the Administrator report formally to the Committee at least annually on their systems of internal controls. In accordance with the provisions of C.2.1 of the Code, the Committee has conducted a review of those systems of internal controls and is satisfied that they are sufficient to withstand the risks to which BGHL is subject.

As BGHL is a closed-ended investment company, all of whose Directors are non-executive, and as all executive functions have been delegated to professional third party advisors, the Committee does not consider it necessary for BGHL to have its own internal audit function. Whilst no reliance can be placed on them, reviews conducted on the Investment Manager's operations by independent custodians, and on site due diligence visits by prospective investors and their professional advisers, provide a degree of additional comfort supporting the "third line of defence".

Whilst BGHL does not have any staff, the Committee considers that the arrangements by which staff of the Investment Manager and the Administrator may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters are of great importance. The Committee reviews such arrangements annually and, as required by C.3.5 of the Code, is satisfied that arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow-up action.

Boussard & Gavaudan Holding Limited
Report of the Audit Committee
For the year ended 31 December 2017

Significant issues considered regarding the Annual Financial Report

In discharging its responsibilities, the Audit Committee has specifically considered the following significant issues relating to the financial statements:

Significant issue	How the issue was addressed
Valuation of BGHL's investments	The Board reviews portfolio valuations on a regular basis throughout the Year, and at quarterly meetings with the Investment Manager seeks assurance that the pricing basis is appropriate and in line with relevant accounting standards. BGHL's net asset value is calculated on a daily basis by the Sub-Administrator. Rasaland is the sole remaining unlisted and level 3 asset in the BGHL portfolio. This position is not immediately realisable and requires valuation based on third party assessments and judgements. Consideration was given as to whether the selected basis of valuation was reasonable and fair. Historically, the valuation used has been based on calculations produced by the management of that company. A key input is land valuations produced independently of management by a third party. Consistent application of the valuation mechanic used by RLI management is verified by reporting accountants, although this verification does not of itself opine on the resultant valuation. It was originally anticipated that BGHL would exit the RLI position in around 2017 / 2018, but a full realisation of value is now projected to be as many as a further ten years away. A 50% provision was made against the reported valuation in 2017 to reflect the fact that BGHL's exit horizon is considerably shorter than that of the majority investors. The Audit Committee concurred that a provision reflecting illiquidity was appropriate given BGHL's intention to trade out of the position well before RLI management deliver a liquidity event for investors. The quantum of the provision reflects the differential between the respective time horizons of BGHL and RLI management for value realisation. This is considered to have implications for the manner in which fair value should be assessed, and greater emphasis has been placed on realisable value than intrinsic value. So far as the former is concerned, the most recent relevant transaction was a sale at a 75% discount to the valuation derived by RLI management. The vendor in this transaction was considered to be a "forced seller" however, and hence the sale price is not considered to have been representative of Fair Value at the time of the transaction. The 50% discount reflected in these accounts is justified by the fact that BGHL is not such a forced seller and, whilst the objective remains to exit in the short to medium term, there is no pressure to achieve this result at any cost. The fact that new money has been raised within the RLI structure lends credence to management's investment plan and suggests there is no immediate threat to solvency and going concern. The mark down, whilst less than the 75% discount associated with a recent transaction, is thus considered both prudent and fair. The auditors have highlighted the subjectivity associated with the level of illiquidity discount applied to the RLI position. An alternative valuation basis, discounting land values only, might result in an overall discount of "only" 30% and a net carrying value €5m greater than that presented in the accounts. The Audit Committee recognises the judgemental element to the provision, and has consciously favoured prudence in the absence of pricing certainty. We deem the subjective unadjusted difference (€5m) as not material to the financial statements. The Audit Committee concluded that the NAV for the Master Fund remained the appropriate basis of valuation. Residual shares in GFI held at the balance sheet date have been sold forward. The shares are reported at their prevailing fair value, with the forward sale element disclosed separately as a forward contract. The cash proceeds realised on eventual sale will be the combination of both carrying elements, reflecting that contracted sale price.

Boussard & Gavaudan Holding Limited

Report of the Audit Committee

For the year ended 31 December 2017

Completeness and accuracy of the disclosures in the financial statements	The Audit Committee concluded that all appropriate and required disclosures have been incorporated in the financial statements, and drew comfort from the fact that multiple layers of oversight exist to achieve this objective. Specifically, the sub-administrator, administrator, Investment Manager and external auditor have all performed their own checks for completeness. The Audit Committee continues to give particular attention to the extent of disclosures about the underlying portfolio of the Master Fund. Risk measures, sensitivities and performance are driven by the make up of that portfolio and hence additional disclosures about it are appropriate to permit a full understanding of the accounts. However, BGHL does not have direct influence over the Master Fund and the Committee remains concerned to ensure that the correct balance gets struck between disclosing the drivers of performance, without inviting users of the financial statements to conflate BGHL with the Master Fund.
Presentation of financial statements	The Audit Committee considered the complexity of the financial statements in their entirety, and the descriptive narrative supporting the financial disclosures. It was recognised that the sophistication of the investment strategies pursued by BGHL do not lend themselves to description in “plain English” and that the use of technical terminology was not always consistent with the goals of ensuring transparency and maximising ease of understanding. On balance the Audit Committee concluded that the benefits of accurate - but detailed - descriptive narrative outweighed the possible benefit of simplified summaries. The nature of the shareholder base (predominantly sophisticated professional investors) was an important factor in reaching this conclusion.

Going concern

The Audit Committee reviewed the assumptions upon which it is assumed that BGHL can continue to operate on a going concern basis. In so doing, it assessed outstanding financial obligations and calls on BGHL’s resources, investment performance and the meeting of shareholders’ expectations.

Auditor and audit tenure

BGHL’s auditor has acted in this role since 2006, but there was a partner rotation in 2014. The Committee, in conjunction with the Board, is committed to reviewing this appointment on a regular basis to ensure that BGHL is receiving an optimal level of service. The appointment of the auditor is reviewed annually, and the Committee is satisfied that sufficient safeguards are put in place by the auditor to mitigate risks associated with long association such as regular partner rotation. There are no contractual obligations which restrict BGHL’s choice of auditor.

The Committee does not award any non-audit work other than the review of its interim financial statements for the half year ended 30 June. The full Board would have to approve any other non-audit work. Where non-audit services are provided by the auditor, these engagements are pre-approved by the Committee to ensure that the auditor’s independence and objectivity is not breached and a recommendation is made to the Board. Whilst interim reviews of financial information are considered to be a non-audit service, the Committee did not consider that this role undermined auditor independence. No other non-audit services were provided in 2017.

The Committee considered the experience and tenure of the audit partner and staff and the nature and level of services provided. The Committee received confirmation from the auditor that it had complied with the relevant UK professional and regulatory requirements on independence. Given that the auditor has been in office for more than ten years the Board expects to put the audit out to tender during 2019.

Boussard & Gavaudan Holding Limited
Report of the Audit Committee
For the year ended 31 December 2017

Assessment of the external audit process

The Committee considers the nature, scope and results of the auditor's work and monitors the independence of the external auditor. Formal reports are received from the auditor on an annual basis relating to the extent of their work. The work of the auditor in respect of any significant audit issues and consideration of the adequacy of that work is discussed.

The Chairman of the Committee liaises with the Investment Manager, the Administrator and the Sub-Administrator to discuss the extent of audit work completed to ensure all matters of risk are covered, while the Committee assesses the quality of the draft financial statements prepared by the Sub-Administrator.

The Committee has an active involvement and oversight of the preparation of both half yearly and annual financial statements. Ultimate responsibility for reviewing and approving the annual financial report remains with the Board.

Conclusion in respect of the Annual Report and audited financial statements

The production of BGHL's Annual Report and audited financial statements is a comprehensive process requiring input from a number of different parties. One of the key governance requirements is that BGHL's Annual Report and audited financial statements be fair, balanced and understandable. The Board has requested that the Committee advise on whether it considers that the annual financial report fulfil these requirements.

As a result of the work performed, the Committee recommended that the Board should conclude that the Annual Report and audited financial statements for the Year, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess BGHL's performance, business model and strategy and has reported on these findings to the Board. The Board's conclusions in this respect are set out in the Directors' Report above.


Andrew Howat
Chairman of Audit Committee
19 April 2018

Boussard & Gavaudan Holding Limited

Alternative Investment Fund Managers Directive Report

For the year ended 31 December 2017

Background

The AIFMD came into force on 22 July 2013, although there was a transitional period for compliance by existing AIFMs and AIFs until 21 July 2014 under the UK's Alternative Investment Fund Managers Regulations, 2013 (the "AIFMD Regulations"). The objective of the AIFMD is to introduce a common regulatory regime for funds marketed in or into the EU which are not regulated under the UCITS regime, with a view to increased investor protection and to enable European regulators to obtain increased information in relation to funds being marketed in or into the EU to assist their monitoring and control of systemic risk issues.

BGHL is not marketed in the EU and therefore does not fulfill the definition of an AIF. However, the Board has chosen to voluntarily adopt the requirements of AIFMD and AIFMD regulations for the Year.

The Investment Manager is an EU-based AIFM. Although the Investment Manager is within the scope of AIFMD, BGHL is a non-EU AIF not currently marketed in the EU, so the depositary rules in Article 21 of the AIFMD and the transparency requirements of Articles 22 (annual report) and 23 (Disclosure to investors) of the AIFMD do not apply to BGHL. However, on the advice of the Investment Manager the Board wishes to provide the BGHL shareholders with the information below.

1. Material changes in the disclosures to investors

During the Year, there were no material changes to the information required to be made available to investors before they invest in BGHL under Article 23 (Disclosure to investors) of the AIFMD.

2. Presentational changes to the income and expenditure account

Note 13 to financial statements details the realised and change in unrealised gain /loss at asset type level as per the AIFMD requirements.

3. Risk management policy note

The current risk profile of BGHL, the main features of the risk management systems employed by Investment Manager to manage those risks, the measures to assess the sensitivity of BGHL's portfolio to the most relevant risks are set out in the Investment Manager's Report and in note 4 to the financial statements.

4. Leverage and borrowing

BGHL is entitled to employ leverage in accordance with its investment policy and as described in the section entitled "Gearing" reproduced in the Investment Manager's Report. The investment policy does not restrict the types and sources of leverage.

During the reporting Year, BGHL employed leverage through borrowings and derivatives instruments. BGHL's borrowings are described in note 11 to the financial statements. Derivatives are used by BGHL for the purpose of hedging the exposure on assets denominated in currencies other than the Euro.

Collateral and asset re-use

The investment policy does not restrict collateral and asset "re-use" arrangements. BGHL has granted a security interest to Natixis, as described in note 11 to the financial statements but has not granted any right of "re-use" of its assets.

Leverage limits and usage

BGHL is subject to the following leverage limits:

- 200% of the Net Asset Value as described in the "Gearing" section of the investment policy.
- 200% of the Net Asset Value as per the AIFMD's "commitment method",
- 200% of the Net Asset Value as per the AIFMD's "gross method".

Boussard & Gavaudan Holding Limited
Alternative Investment Fund Managers Directive Report
For the year ended 31 December 2017

5. Liquidity arrangements

BGHL is a closed-ended AIF with the ability to employ leverage, which has two implications on its liquidity management:

- BGHL has no redemption-related liquidity management requirements.
- The Investment Manager monitors the liquidity risk and ensures that the liquidity profile of BGHL's investments complies with BGHL's underlying obligations. BGHL's liquidity risk, obligations and liquidity sources are described in note 4c (liquidity risk).

Within the meaning of AIFMD:

- There were no "new arrangements for managing the liquidity" of BGHL during the reporting Year.
- BGHL has no "assets subject to special arrangements arising from their illiquid nature".

6. Disclosures on Securities Financing Transactions and Total Return Swaps

BGHL, being managed by an EU-based AIFM, is subject to the European Regulation (EU) 2015/2365 on transparency of securities financing transactions and of reuse.

BGHL does not use securities financing transactions nor total return swaps.

7. AIFM Remuneration Policy

Remuneration reporting requirements under the AIFMD Regulations are effective once a first full year period has been completed. Given that BGHL decided to voluntarily comply with the AIFMD Regulations with effect from 21 July 2014, these requirements apply to BGHL.

The Investment Manager (the "AIFM") Remuneration Policy is designed to support a pay for performance philosophy and reward eligible colleagues for both team and individual performance against specific goals in line with the needs of the business. All employees share in the responsibility for financial success and the growth of the business. The Remuneration Policy links individual objectives directly to the goals of the business. A participant's actual incentive pay-out will be based on both funding results and business distribution approach. Incentive funding takes into consideration financial performance of a participant's business as well as the Investment Manager overall financial performance. The Investment Manager has a pay for performance philosophy and expects differentiated rewards based on individual performance and contributions. Therefore, distribution of the funded incentive pool is intended to deliver differentiated incentives to the highest performers. Management discretion may be used in determining the funding and the final pay-out. An incentive pay-out is not an entitlement or guarantee, it is designed to enlist and encourage the right actions/behaviours, and reward based on results. All staff receive fixed remuneration in the form of basic pay to ensure that the fixed and variable components are appropriately balanced. The element of basic pay is sufficiently high to allow the operation of a fully flexible policy on variable remuneration including allowing no variable remuneration component being paid. The remuneration policy includes the following features: deferral over 3 years, awards in instruments, at least 50% in shares, retention of the shares for 6 months, and potential application of malus and clawback provisions.

Boussard & Gavaudan Holding Limited
Alternative Investment Fund Managers Directive Report
For the year ended 31 December 2017

Total remuneration paid to staff of the AIFM during the financial period ending 31 March 2017:

Fixed remuneration*: €8,796,742

Variable remuneration*: €15,327,213

Number of staff: 74

Aggregate remuneration of senior management*: €8,187,322

Aggregate remuneration of employees whose actions have a material impact on the risk profile of the AIFs managed by the AIFM*: €12,284,382

*Remuneration figures reflect an approximation of the portion of remuneration reasonably attributable to the AIFs.

Due to a change in the year end date of the investment manager, the numbers cover the period from 30 November 2015 to 31 March 2017.

By order of the Board



Andrew Henton
Chairman



Andrew Howat
Director

19 April 2018

Boussard & Gavaudan Holding Limited
Management Report
For the year ended 31 December 2017

A description of important events which have occurred during the Year, their impact on the performance of BGHL as shown in the financial statements and a description of the principal risks and uncertainties facing BGHL, together with an indication of important events that have occurred since the end of the Year and BGHL's likely future development is given in the Chairman's Statement, the report of the Investment Manager, the Directors' report and the notes to the financial statements. They are considered to be incorporated here by reference.

There were no material related party transactions which took place in the Year, other than those disclosed in the report of the Investment Manager and at note 6 to the financial statements.

The Directors confirm that to the best of their knowledge:

- (a) The financial statements, prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of BGHL as at and for the Year and,
- (b) This management report (including the information incorporated by reference) includes a fair review of the development and performance of BGHL and its position at the Year end, together with a description of the principal risks and uncertainties that BGHL faces.

By order of the Board



Andrew Henton
Chairman



Andrew Howat
Director

19 April 2018

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BOUSSARD & GAVAUDAN HOLDING LIMITED

Opinion

We have audited the financial statements of Boussard & Gavaudan Holding Limited (the 'Company') for the year ended 31 December 2017 which comprise the Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes 1 to 18, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the European Union.

In our opinion, the financial statements:

- ▶ give a true and fair view of the state of the Company's affairs as at 31 December 2017 and of its profit for the year then ended;
- ▶ have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- ▶ have been properly prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Section 262 of the Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- ▶ the disclosures in the annual report set out on pages 19 - 21 that describe the principal risks and explain how they are being managed or mitigated;
- ▶ the directors' confirmation set out on page 21 in the annual report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- ▶ the directors' statement set out on pages 22 - 23 in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements
- ▶ whether the directors' statement in relation to going concern required under the Listing Rules is materially inconsistent with our knowledge obtained in the audit; or

- ▶ the directors' explanation set out on pages 20 - 21 in the annual report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Overview of our audit approach

Key audit matters	• Valuation of investments
Materiality	• Overall materiality of €6.9 million which represents 1% of net asset value.

Key audit matters

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

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Misstatement of valuation of Level 3 investment (2017: €8.2 million , 2016: €9.5 million) <i>Refer to the Audit Committee Report (page 26); Accounting policies (page 43); and Note 3 of the Financial Statements (page 47)</i> There is a risk that the fair value of the investment may be misstated due to a high level of judgement in valuation of the Level 3 investment due to an illiquidity discount applied and other unobservable inputs.	▶ We have updated our understanding of the Company's valuation methodology (including the controls surrounding the valuation process) and accounting policies for its Level 3 investment; ▶ We have obtained analysis of the Level 3 investment held by BGHL and the method used to value the investment; ▶ We have obtained valuation papers from the Investment Manager describing the investment held and valuation method used; ▶ We have agreed the valuation inputs to supporting documentation and tested the arithmetical accuracy of the Company's calculation for its unquoted investment;	We have identified a judgmental audit difference in the application of the illiquidity discount of 50% on the Level 3 investment by management. Our best estimate of an appropriate illiquidity discount is 30% on the value of land only, which results in an understatement in the investment in Rasaland Investors plc of €5 million Other than the above matter we have nothing to report.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
	▶ We have challenged the appropriateness of the valuation techniques applied to the unquoted investment and obtained evidence to corroborate the inputs into the valuation model and the illiquidity discount applied; ▶ We have used information obtained during the last audit to identify whether management has identified appropriate indicators of impairment and verified that appropriate adjustments were made in accordance with the entity's accounting policies and applicable financial reporting framework; ▶ We have held a number of discussions with the EY Valuation & Business Modelling ("VBM") Group in Mexico regarding recent market transaction data to corroborate the level of discount applied; and ▶ We have agreed the additional purchase to the agreement and traced the amount paid to the bank statements, agreeing the purchase value to the purchase agreement.	
Fair value of Level 1 and Level 2 investments are not properly determined (2017: €758.5 million 2016: €725.2 million) Refer to the Audit Committee Report (page 26) Accounting policies in Note 2 (page 43) and Note 3 of the Financial Statements. 98.9% of the fair value of investments relate to the Company's holding in the BG Fund and other quoted equity investments. The remainder relates to the unquoted investments.	▶ We have updated our understanding of BGHL's valuation methodology (including the controls surrounding the valuation process) and accounting policies for its investments; ▶ We have obtained an analysis of the Level 1 and Level 2 investments held by BGHL and the methods used to value these investments; ▶ For holdings in BG Fund, we have confirmed the Net Asset Value ("NAV") at the reporting date with the independent administrator of BG Fund;	No significant findings were reported to the audit committee in respect of the valuation of Level 1 and Level 2 investments.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
The valuation of the investments is the principal driver of the Company's net asset value and total comprehensive income. Incorrect valuation could have a significant impact on the net asset value of the Company.	▶ We have recalculated the fair value of the investment in BG Fund based on the number of units held and NAV at the reporting date confirmed by administrator; ▶ We have observed liquidity of the company's level 2 investments around the year end date by obtaining the issues/redemptions schedule from the independent administrators; and ▶ We have recalculated the fair value of other level 1 equity investments based on the number of units and the price per unit at the reporting date as confirmed by market prices. We have corroborated that these were actively traded.	

Changes from prior year

In the prior year, our auditor's report included a key audit matter in relation to measurement of management and performance fees. In the current year we have reassessed whether management and performance fees should be classified as a key audit matter given that they do not have a great effect on the overall audit strategy, the allocation of resources in the audit or in directing the efforts of the engagement team. Based on this assessment we have concluded that it is appropriate to remove the measurement of management and performance fees as a key audit matter.

In addition, given the change in valuation methodology and fair value assessment of the level 3 investment, we have individually assessed the risk of misstatement for the level 3 investment, and level 1 and level 2 investments, separately.

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the Company. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the Company and effectiveness of controls, including controls and changes in the business environment when assessing the level of work to be performed. All audit work was performed directly by the audit engagement team.

Our application of materiality

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

Materiality

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

We determined materiality for the Company to be €6.9 million (2016: €6.5 million), which is 1% (2016: 1%) of Net Asset Value. We believe that Net Asset Value provides us with an appropriate basis for audit materiality as this is a key published performance measure and is a key metric used by management in assessing and reporting on the overall performance of the Company.

During the course of our audit, we reassessed initial materiality and noted no matters leading us to amend materiality levels from those originally determined at the audit planning stage.

Performance materiality

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

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgement was that performance materiality was 75% (2016: 75%) of our planning materiality, namely €5.2 million (2016: €4.9 million). We have set performance materiality at this percentage due to the investment strategy remaining consistent with our previous experience and limited identification of audit findings in previous periods.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of €0.3 million (2016: €0.3 million), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- ▶ **Fair, balanced and understandable set out on page 23** – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- ▶ **Audit committee reporting set out on pages 24 - 28** – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or

- ▶ **Directors' statement of compliance with the UK Corporate Governance Code set out on page 17** – the parts of the directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

- ▶ proper accounting records have not been kept by the Company, or proper returns adequate for our audit have not been received from branches not visited by us; or
- ▶ the financial statements are not in agreement with the Company's accounting records and returns; or
- ▶ we have not received all the information and explanations we require for our audit.

Responsibilities of directors

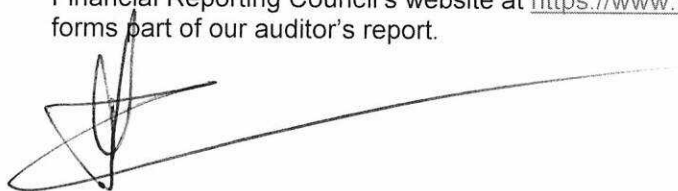
As explained more fully in the directors' responsibilities statement, set out on page 22 - 23, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.



*David Robert John Moore, ACA
for and on behalf of Ernst & Young LLP
Guernsey, Channel Islands
19 April 2018*

Notes:

1. The maintenance and integrity of the **Boussard & Gavaudan Holding Limited** web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
2. Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Boussard & Gavaudan Holding Limited
Statement of Financial Position
As at 31 December 2017

		31 Dec 2017	31 Dec 2016
	Note	€	€
Assets			
Investments at fair value through profit or loss			
Cost € 453,071,015 (2016: € 461,898,700)	3	766,691,700	734,637,786
Unrealised gain on forward derivatives contracts and foreign exchange forward contracts	3	1,550,118	-
Due from brokers	15	3,096,979	2,393,004
Dividend receivable		195,474	-
Total assets		771,534,271	737,030,790
Equity and liabilities			
Liabilities			
Loans payable	11,16	70,000,000	70,000,000
Unrealised loss on foreign exchange forward contracts	3,16	119,269	820,806
Due to brokers	15	708	-
Provision for transaction fees		-	1,478,300
Performance fees payable	8	9,575,000	10,961,356
Management fees payable	8	2,639,593	2,451,854
Other liabilities		99,248	39,184
Interest payable	11	99,361	112,677
Total liabilities		82,533,179	85,864,177
Equity			
Share capital		511,878,078	511,878,078
Treasury shares		-	(2,393,250)
Retained earnings		177,123,014	141,681,785
Total equity		689,001,092	651,166,613
Total equity and liabilities		771,534,271	737,030,790
Net asset value per share:			
Class A EURO shares outstanding 28,758,219 (2016: 28,862,115)		€ 23.4457	€22.1449
Class A GBP shares outstanding 632,590 (2016: 528,912)		£20.7084	£19.4401

The financial statements on pages 39 to 58 were approved by the Board of Directors on 19 April 2018 and signed on its behalf by:



Andrew Henton
Chairman



Andrew Howat
Director

Boussard & Gavaudan Holding Limited
Statement of Comprehensive Income
For the year ended 31 December 2017

	Note	31 Dec 2017 €	31 Dec 2016 €
Income			
Net realised gain on financial assets and liabilities at fair value through profit or loss	13	15,741,064	40,902,933
Net change in unrealised gain on financial instruments at fair value through profit or loss	13	43,133,254	21,500,199
Net gain on financials assets at fair value through profit or loss		58,874,318	62,403,132
Other realised and unrealised foreign currency gain		12,275	2,800
Dividend income		770,311	402,386
Total income		59,656,904	62,808,318
Interest expense		1,188,658	1,067,533
Interest expense on cash equivalent		6,564	9,235
Performance fees	8	9,575,000	10,961,356
Management fees	8	10,379,312	9,654,496
Administrative fees	7	105,164	109,088
Directors fees	6	95,051	96,771
Transaction fees		-	1,478,300
Professional fees		4,753	97,721
Audit fees		64,036	70,533
Trading Expenses		8,155	-
Other expenses		164,639	152,840
Total expenses		21,591,332	23,697,873
Net profit before tax		38,065,572	39,110,445
Taxation			
Withholding tax		(231,093)	-
Net Profit and total comprehensive income		37,834,479	39,110,445
Basic and diluted earnings per share			
Class A EURO €37,536,943 Profit / 28,853,457 shares (2016: €40,018,163 Profit / 28,894,526 shares)		€ 1.3010	€1.3850
Class A GBP £213,162 Profit / 537,552 shares, (2016: £(804,168) Loss / 497,791 shares)		£0.3965	£(1.6155)

There is no statement of Other Comprehensive Income presented as there was no other comprehensive income during the Year.

All activities are of a continuing nature.

The accompanying notes on pages 43 to 58 form an integral part of these financial statements

Boussard & Gavaudan Holding Limited
Statement of Changes in Equity
For the year ended 31 December 2017

2017	Share Capital €	Distributable Reserve €	Treasury Shares €	Retained Earnings €	Total Equity €
Balance as at 1 January 2017	511,878,078	-	(2,393,250)	141,681,785	651,166,613
Total comprehensive income	-	-	-	37,834,479	37,834,479
Treasury Shares acquired	-	-	-	-	-
Treasury Shares cancelled	-	(2,393,250)	2,393,250	-	-
Transferred from retained earnings	-	2,393,250	-	(2,393,250)	-
Balance as at 31 December 2017	511,878,078	-	-	177,123,014	689,001,092
2016	Share Capital	Distributable Reserve	Treasury Shares	Retained Earnings	Total Equity
Balance as at 1 January 2016	511,878,144	-	(10,513,775)	121,302,676	622,667,045
Total comprehensive income	-	-	-	39,110,445	39,110,445
Treasury Shares acquired	-	-	(10,610,877)	-	(10,610,877)
Treasury Shares cancelled	(66)	(18,731,336)	18,731,402	-	-
Transferred from retained earnings	-	18,731,336	-	(18,731,336)	-
Balance as at 31 December 2016	511,878,078	-	(2,393,250)	141,681,785	651,166,613

The accompanying notes on pages 43 to 58 form an integral part of these financial statements

Boussard & Gavaudan Holding Limited
Statement of Cash Flows
For the year ended 31 December 2017

		31 Dec 2017	31 Dec 2016
	Note	€	€
<u>Cash flows from operating activities</u>			
Net Profit and total comprehensive income		37,834,479	39,110,445
<u>Adjustments to reconcile net profit to net cash used in operating activities:</u>			
Unrealised gain on financial instruments at fair value through profit and loss	13	(43,133,254)	(21,500,199)
Realised gain on financial instruments at fair value through profit and loss	13	(15,741,064)	(40,902,933)
Increase in due from brokers		(703,975)	(729,335)
(Decrease)/increase in interest payable		(13,316)	94
Increase/(decrease) in due to brokers		708	(114,503)
Decrease in performance fee payable		(1,386,356)	(11,109,663)
Increase in management fee payable		187,739	95,449
(Decrease)/increase in provision for transaction fees		(1,478,300)	1,478,300
Increase in dividend receivable		(195,474)	-
Increase/(decrease) in other liabilities		60,064	(29,967)
Net cash used in operating activities		(24,568,749)	(33,702,312)
<u>Cash flows from investing activities</u>			
Purchase of investments at fair value through profit or loss		(15,331,390)	(54,747,402)
Sales of investments at fair value through profit or loss		40,345,729	100,654,110
Net cash provided by investing activities		25,014,339	45,906,708
<u>Cash flows from financing activities</u>			
Treasury shares acquired		-	(10,610,877)
Net settlements of foreign exchange forward derivative contracts		(445,590)	(2,093,519)
Repayment of other loan payable	11	-	(28,100,000)
Proceeds from other loan payable	11	-	28,600,000
Net cash used in financing activities		(445,590)	(12,204,396)
Net movement in cash and cash equivalents		-	-
Cash and cash equivalents at 01 January		-	-
Cash and cash equivalents at 31 December		-	-
<u>Supplementary information</u>			
Interest received		-	-
Interest paid		(1,208,538)	(1,076,674)
Dividend received		574,837	402,386

The accompanying notes on pages 43 to 58 form an integral part of these financial statements

Boussard & Gavaudan Holding Limited

Notes to the Financial Statements

For the year ended 31 December 2017

1. General information

1.1 BGHL

BGHL is a limited liability closed-ended investment company incorporated in Guernsey on 3 October 2006 with registration number 45582.

BGHL was admitted to the Eurolist Market operated by Euronext Amsterdam on 3 November 2006. As a result of listing and trading of the shares on Euronext Amsterdam, BGHL is subject to Dutch securities regulations and to supervision by the relevant Dutch authorities. BGHL is registered with the Dutch Authority for the Financial Markets as a collective investment scheme.

On 28 July 2008, BGHL's shares were also admitted to the Official List of the UK Listing Authority and to trading on the London Stock Exchange Plc's main market for listed securities. As a result of admission to the Official List of the UK Listing Authority, BGHL is subject to the UK Listing Authority's Listing, Prospectus, Disclosure and Transparency Rules, save where Dutch securities regulations take precedence. BGHL's share issue costs were borne by the Investment Manager.

At the time of this dual listing, BGHL created a class of shares denominated in Sterling (the "**Sterling Shares**") through the conversion of existing Euro shares into new Sterling shares at the prevailing NAV per Euro share as at 30 June 2008. From that date, shareholders have been able to convert their existing holding of shares in BGHL from one class into another class. Conversions, from one class to another, are effected once a year on the last business day of November, in compliance with the procedure published on BGHL's website.

1.2 The Investment Manager

Boussard & Gavaudan Investment Management LLP is the Investment Manager of BGHL. The Investment Manager is an English limited liability partnership. The Investment Manager is authorised by the United Kingdom's Financial Conduct Authority to perform the activity of managing alternative investment funds.

The Investment Manager also manages BGF and the Master Fund.

The Administrator arranges for the monthly publication of the NAV of BGHL as at the end of the previous month and the Investment Manager provides daily estimates.

As of 31 December 2017 and 31 December 2016 neither of BGHL and BGF had any employees or owned any facilities.

2. Accounting policies

Basis of preparation and statement of compliance

The financial statements have been prepared on a historical cost basis except for financial assets and liabilities held at fair value through profit or loss that have been measured at fair value.

The financial statements are prepared in accordance with IFRS and with legislation and rules pertaining to Amsterdam Euronext and London Stock Exchange listed companies, as well as in accordance with the Companies Law.

The accounting policies have been applied consistently by BGHL and are consistent with those used in the previous year.

Boussard & Gavaudan Holding Limited

Notes to the Financial Statements

For the year ended 31 December 2017

New standards, amendments and interpretations issued but not effective for the financial Year beginning 1 January 2017 and not early adopted by BGHL

IFRS 9, 'Financial Instruments', effective for annual periods beginning on or after 1 January 2018 (endorsed by European Union), specifies how an entity should classify and measure financial assets and liabilities, including some hybrid contracts. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. The standard improves and simplifies the approach for classification and measurement of financial assets compared with the requirements of IAS 39. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged. The standard applies a consistent approach to classifying financial assets and replaces the numerous categories of financial assets in IAS 39, each of which had its own classification criteria. BGHL has assessed the impact of the standard and conclude there will be no material impact on its financial position or performance after adoption of the standard and it is expected that BGHL will continue to classify its financial assets and financial liabilities as being at fair value through profit or loss. The majority of BGHL financial assets are equity instruments and derivatives which provide cash flows that do not represent payments of principal and interest on the principal outstanding and will therefore continue to be classified as fair value through profit or loss under IFRS 9. BGHL has not elected to use the fair value through other comprehensive income for any of these equity instruments. BGHL will retrospectively apply IFRS 9 from 1 January 2018 in entirety.

There are no other standards, interpretations or amendments to existing standards that are not yet effective that would be expected to have a significant or material impact on BGHL.

New standards, amendments and interpretations effective for the financial Year beginning 1 January 2017 and adopted by BGHL

Disclosure Initiative (Amendments to IAS 7 'Statement of Cash Flows') requires entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). BGHL has provided the information for both current and comparative period in note 16.

Significant accounting judgements, estimates and assumptions

The preparation of BGHL's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts recognised in the financial statements and disclosure of contingent liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that could require material adjustment to the carrying amount of the asset or liability affected in future periods.

Judgements

In the process of applying BGHL's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

Fair Value

When the fair value of financial assets cannot be derived from active markets, their fair value is determined using valuation techniques that may include the use of valuation models. BGHL applies judgement when selecting the method of valuation.

For a description of methods and assumptions used in assessing fair value of financial assets, please refer to Note 3.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below. BGHL based its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of BGHL. Such changes are reflected in the assumptions when they occur.

Boussard & Gavaudan Holding Limited

Notes to the Financial Statements

For the year ended 31 December 2017

Fair Value

The inputs to the valuation models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. The estimates include considerations of liquidity and model inputs related to items such as credit risk (both own and counterparty's), correlation and volatility.

Changes in assumptions about these factors could affect the reported fair value of financial instruments in the statement of financial position and the level where the instruments are disclosed in the fair value hierarchy.

The models are tested for validity by calibration against prices from any observable current market transactions in the same instrument (without modification or repackaging) when available. To assess the significance of a particular input to the entire measurement, BGHL performs sensitivity analysis or stress testing techniques.

BGHL may invest in private equity funds, which are not quoted in an active market and which may be subject to restrictions on redemptions such as lock up periods, redemption gates and side pockets.

The Investment Manager considers the valuation techniques and inputs used in valuing these investments as part of its due diligence prior to investing, to ensure they are reasonable and appropriate and therefore the NAV of these funds may be used as an input into measuring their fair value. In measuring this fair value, the NAV of the funds is adjusted, as necessary, to reflect restrictions on redemptions, future commitments, and other specific factors of the fund and fund manager. In measuring fair value, consideration is also paid to any transactions in the shares of the fund.

When assessing the fair value of the RLI position, BGHL made an estimation of the level of discount to the valuation reported by RLI reflecting the value currently realisable by BGHL.

For a description of estimates and assumptions used in assessing fair value of financial assets, please refer to Note 3. Management believes that the estimates utilised in preparing its financial statements and management judgements applied are reasonable. However, actual results could differ from these estimates.

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which BGHL operates ('the functional currency'). The functional currency is Euro, which reflects BGHL's primary activity of investing in Euro denominated securities. BGHL has adopted the Euro as its presentation currency. 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 translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

Financial assets and liabilities at fair value through profit or loss

Financial assets are designated by management at fair value through profit or loss at inception as the group of assets is managed and its performance is evaluated on a fair value basis in accordance with BGHL's investment strategy and information about the investments are provided to the board of Directors on that basis.

Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes equity security held for the purpose of selling in the short term.

Investments are initially recognised at fair value excluding attributable purchase costs. Listed securities are subsequently valued by using quoted prices, whereas non-listed equities are determined by using the NAV determined by independent administrator as its basis or by using valuation models. The valuation methodology is discussed in note 3.

Changes in the fair value of investments are recorded in the Statement of Comprehensive Income in net unrealised gain/loss on financial assets at fair value through profit or loss.

Transfers between levels of the fair value hierarchy, are deemed to have occurred at the end of the reporting Year.

Boussard & Gavaudan Holding Limited

Notes to the Financial Statements

For the year ended 31 December 2017

Recognition/derecognition of financial assets and liabilities at fair value

Purchases and sales of financial assets and liabilities at fair value are recognised on the trade date - the date on which BGHL commits to purchase or sell the investment. Financial assets and liabilities are derecognised when the rights to receive cash flows from the investments have expired or BGHL has transferred substantially all risks and rewards of ownership.

Loans payable

Loans payable are carried at amortised cost.

Forward contracts

A forward contract is a contract which obliges one party to the contract to buy, and the other party to sell, the asset that is the subject of the contract for a fixed price at a future date. Forward contracts are recorded at fair value with all changes in fair value recognised in the Statement of Comprehensive Income.

A forward currency contract involves an obligation to purchase or sell a specific currency at a future date, at a price set at the time the contract is made. Forward foreign exchange contracts are valued by reference to the forward price at which a new forward contract of the same size and maturity could be undertaken at the valuation date. The unrealised gain or loss on open forward currency contracts is calculated as the difference between the contract rate and this forward price, and is recognised in the Statement of Comprehensive Income.

Due from and due to brokers

Amounts due from and to brokers represent deposits held with brokers, receivables for securities sold and payables for securities purchased that have been contracted for but not yet settled or delivered on the statement of financial position date respectively, and cash pledged as collateral on derivative contracts.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term investments in an active market with original maturities of three months or less and bank overdrafts.

Taxation

Current income tax assets and liabilities for the current Year are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where BGHL directly and through the Master Fund, operates and generates taxable income.

BGHL invests in foreign countries which may levy withholding tax at source on revenues derived by non residents. Where such tax is withheld at source by the broker or another party BGHL records the revenue on a gross basis in Statement of Comprehensive Income (the revenue is grossed up and offset against an expense representing the tax withheld at source).

Income and expenses

Income is recognised in the Statement of Comprehensive Income as it occurs on an accrual basis.

Expenses are accounted for as they occur on an accrual basis. Expenses are charged to the Statement of Comprehensive Income.

Interest income and expense

Interest income, arising on due from brokers and interest expense on due to broker and short term loans are recognised in the Statement of Comprehensive Income within interest income and interest expense using the effective interest method.

Dividend income

Dividend income is recognised on ex-dividend date.

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Investment entity

BGHL has unrelated investors and holds multiple investments. Ownership interests in BGHL are in the form of equity shares which are exposed to variable returns from changes in the fair value of BGHL's assets and liabilities. BGHL has been deemed to meet the definition of an investment entity per IFRS 10 as the following conditions exist:

- (a) BGHL has obtained funds for the purpose of providing investors with investment management services.
- (b) BGHL's business purpose, which was communicated directly to investors, is investing solely for returns from capital appreciation and investment income, through investments.
- (c) The performance of investments is measured and evaluated on a fair value basis.

BGHL's exit strategy with respect to its investment in BGF is that BGHL may redeem its shares in BGF on a monthly basis and does not have any special or preferential rights in BGF. Redemptions and subscriptions in BGF are made in order to manage BGHL's exposure in accordance with BGHL's investment policy.

Basic and diluted earnings per share, and NAV per share

Basic earnings per share are calculated by dividing the net income by the weighted average number of registered shares in issue, during the Year. There is no difference between the basic and diluted earnings per share.

NAV per share is calculated by dividing the net assets at the Statement of Financial Position date by the number of shares outstanding at the Statement of Financial Position date.

Treasury shares

When BGHL purchases its own equity instruments (treasury shares), they are deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of BGHL's own equity instruments.

Provision

Provisions are recognised when BGHL has a present obligation (either legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount.

3. Fair value of financial instruments

The following tables analyses BGHL's net assets between the three levels of the fair value hierarchy:

31 December 2017	Level 1	Level 2	Level 3	Total Fair Value	Total Cost
Financial assets at fair value €:					
BG Fund	-	748,733,435	-	748,733,435	433,612,377
Private equity investments	-	-	8,184,572	8,184,572	8,381,786
Listed equity investments	9,773,693	-	-	9,773,693	11,076,852
Sub-Total €	9,773,693	748,733,435	8,184,572	766,691,700	453,071,015
Derivatives					
Forward contracts	-	1,303,159	-	1,303,159	-
Forward foreign exchange contracts	-	246,959	-	246,959	-
Total €	9,773,693	750,283,553	8,184,572	768,241,818	453,071,015
Financial liabilities at fair value €:					
Derivatives					
Forward foreign exchange contracts	-	(119,269)	-	(119,269)	-
Total €	9,773,693	750,164,284	8,184,572	768,122,549	453,071,015

31 December 2016	Level 1	Level 2	Level 3	Total Fair Value	Total Cost
Financial assets at fair value €:					
BG Fund	-	693,732,060	-	693,732,060	432,029,473
Private equity investments	-	-	9,471,461	9,471,461	6,350,396
Money market fund	163,148	-	-	163,148	163,149
Listed equity investments	31,271,117	-	-	31,271,117	23,355,682
Total €	31,434,265	693,732,060	9,471,461	734,637,786	461,898,700
Financial liabilities at fair value €:					
Derivatives					
Forward foreign exchange contracts	-	(820,806)	-	(820,806)	-
Total €	31,434,265	692,911,254	9,471,461	733,816,980	461,898,700

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Other short term operating assets and liabilities are excluded from the table due to their nature.

In accordance with IFRS, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e. the “exit price”) in an orderly transaction between market participants. The above tables analyse BGHL’s investment into the three levels of fair value hierarchy in accordance with IFRS 13 as described below:

Level 1 – quoted prices in active markets for identical investments that BGHL has the ability to access.

Level 2 – valuations based on other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment spreads, credit risk, etc.) or quoted prices from inactive exchanges. Forward contracts are valued primarily based on market observable inputs such as a share price or forward foreign currency curves at the balance sheet date.

Level 3 – valuations based on significant unobservable inputs (including BGHL’s own assumptions in determining the fair value of investments)

3.1 Level 3 investments

Financial assets €	2017	2016
Opening Balance	9,471,461	51,129,899
Purchases	2,031,390	-
Sales	-	(43,219,068)
Unrealised loss	(3,318,279)	(21,294,413)
Realised gain	-	22,855,043
Closing Balance	8,184,572	9,471,461

The above table presents the movements in Level 3 investments. There were no transfers between levels for the Year.

Rasaland Investors Plc (“RLI”)

RLI is classified as a Level 3 asset for valuation purposes since its fair value uses significant unobservable inputs. RLI is administered by Francis J. Vassallo & Associates, a Maltese company. RLI management value the net assets of the company using a documented valuation procedure. The key significant unobservable input used in this process is land values in Mexico sourced from independent professional advisers, Cushman & Wakefield. These “area based” land values are applied without adjustment to individual properties, the existence and ownership of which is also independently verified by law firm Baker & Mackenzie. Consistent and accurate application of the agreed valuation methodology is verified by PricewaterhouseCoopers on an annual basis. The administrator, Francis J. Vassallo & Associates, only performs an annual valuation each 31 December. The value of RLI had remained almost unchanged, slightly above cost, since BGHL made its investment in June 2008.

In accordance with BGHL’s valuation policy, this investment is treated as a private equity fund which should be valued at fair value but, in order to reflect the uncertainty in the valuation, the investment was carried at cost (\$1.00) as long as the NAV per share remained between \$1.00 and \$1.25. This was the case as at 31 December 2016.

However, during the Year, BGIM has received a fairly strong indication that it is going to be at least another 10 years until RLI realises its assets, whereas BGHL’s exit horizon is likely to be within a much shorter timeframe. A forced sale transaction in May 2017 brings evidence that BGHL will only be able to exit at a material discount to the net asset value of RLI if it wishes to exit before the expected extended term. As a consequence, BGIM’s valuation committee has amended its valuation methodology and fair value assessment. Since May 2017, given BGHL’s time horizon to exit this investment and past transactions, the Investment Manager’s valuation committee has applied a 50% illiquidity discount to the net asset value per share calculated by the administrator.

On 17 July 2017, BGHL completed the purchase of 9,075,135 ordinary shares of RLI from BK Capital Partners Limited for a price of \$0.255 per share. This transaction was not considered to be orderly due to an underlying forced seller, and therefore the price paid per share is not representative of fair value at the Year end. As of the date of this report, BGHL now holds 19,075,103 shares which is approximately 10.1% of the share capital.

Change in unrealised loss on RLI investment for the Year amounted to €3,318,278 (2016: gain €264,658) attributable to the marking down of this investment by a 50% discount to the latest year-end net asset value per share partially offset by the purchase of additional shares at a greater discount:

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RLI	31 December 2017	31 December 2016	Variation %
NAV per share (USD)	1.0092	1.0308	(2.14)%
Discounted price	0.5154	-	-
Carrying value (USD)	0.5154	1.0000	(48.5)%

Source: Francis J. Vassallo & Associates

The valuation produced by BGHL is derived from the net asset value, which is driven by land and hotel asset values and there is a direct correlation between those values and the net asset value of RLI. In addition, the valuation is sensitive to change in the illiquidity discount. As of 31 December 2017, a 25% increase or decrease in the NAV per share or Carrying value would result as below:

	Quantity	Type	25% increase				25% decrease			
			Price	Asset Value €	Price +25%	Asset Value €	Gain €	Price -25%	Asset Value €	Loss €
31-Dec-17	19,075,103	NAV per share \$	1.0092	16,025,659	1.26	20,032,074	4,006,415	0.76	12,019,244	(4,006,415)
		Carrying value \$	0.5154	8,184,572	0.64	10,230,715	2,046,143	0.39	6,138,429	(2,046,143)
31-Dec-16	9,999,968	NAV per share \$	1.0308	9,763,181	1.29	12,203,977	2,440,795	0.77	7,547,916	(2,215,266)
		Carrying value \$	1.0000	9,471,461	1.25	11,839,326	2,367,865	0.75	7,103,595	(2,367,865)

3.2 Level 2 investments

The significant majority of BGHL's gross assets are invested in the Master Fund. Notwithstanding the significance of BGHL as a material investor in the Umbrella Fund, BGHL does not enjoy any special or particular rights in relation to the management of the Master Fund because of the voting rights attached to its investment. Specifically, it receives no information from the Umbrella Fund that is not communicated simultaneously to other investors, has no right to appoint a Director or attend board meetings, and has no influence on investment and operational decisions. Therefore, BGHL has no control over the Umbrella Fund nor, in the opinion of the Directors, could it exercise significant influence as described in IAS 28.

BGHL's investment in BGF is classified as Level 2 in the fair value hierarchy because the only inputs to valuation are number of shares and the quoted observable market price of those shares. The quoted price is published on the Irish Stock Exchange. BGHL classifies the interest in BGF as Level 2 because there is not a continuous active market in BGF's shares. The market is active only once a month when investors can transact in BGF shares at the published price which is calculated by the administrator of BGF based on its NAV.

The underlying investments of BGF, which are principally held by the Master Fund, are predominantly classified as Level 1 and Level 2 in the fair value hierarchy. The proportion of Level 3 investments of the Master Fund is disclosed in the table below including the proportion of the investments which are fair valued by the Investment Manager using a variety of techniques including discounted cash flows and public/private company comparables.

Master Fund % AUM (*)	31 Dec 2017	31 Dec 2016	Variation %
Level 3	1.41%	3.99%	(2.58)%
of which Investment Manager's Valuation	0.18%	0.30%	(0.12)%

Source: Administrator, SS&C Financial Services LLC

(*) Profit & Loss of the FX to hedge investors is included in the AUM of the Master Fund.

Instruments are valued in the risk management system which is fed by real time market data in order to price the portfolio. Some instruments such as, but not limited to, derivatives are priced by using in-house developed models.

The system calculates profits and losses as well as net asset values. Inputs are used in applying the various valuation techniques and broadly based on the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, spot and volatility prices, interest rate, credit and foreign exchange levels, default probabilities, liquidity factors as well as other data.

BGHL does not have access to the detail of the underlying valuations nor to the sensitivities and strategies of the Umbrella Fund, BGF and the Master Fund other than as explained in the Investment Manager's Report. BGHL does not have the ability nor the responsibility to direct or to implement the Master Fund's investment objective and policy. As a consequence BGHL does not consider that it is appropriate to seek to disclose in the notes of the financial statement all quantitative information relating to the underlying investments held by the Master Fund in its financial statements. General information about the Master Fund's exposure can be found in the Investment Manager's Report.

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Umbrella Fund

BGHL's holding of voting shares in the Umbrella Fund is disclosed in the table below:

BGHL's holdings	31 Dec 2017	31 Dec 2016
Voting shares - Umbrella Fund	26.07%	34.71%

The investment in the Umbrella Fund is measured at fair value through profit or loss.

Investment by BGHL into BGF in €	31 Dec 2017	31 Dec 2016
Subscriptions	13,300,000	36,600,000
Redemptions	(19,950,000)	(57,270,000)
Change in holding	(6,650,000)	(20,670,000)

As at 31 December 2017 there were no capital commitment obligations and no amounts due to BGF for unsettled purchases.

Exposure to GFI

During the Year BGHL entered into an agreement under which two thirds of the shares were sold on 10 July 2017 at a price of €8.00 per share for an amount of €20,232,688, the remaining third will be sold at a price of €8.50 per share for an amount of €11,076,851 during July 2018. There is no remaining market exposure to GFI, rather credit risk related to the receivable amount.

4. Financial instruments and associated risks

BGHL's objective in managing risk is the creation and protection of shareholder value. Risk is inherent in BGHL's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. The process of risk management is critical to BGHL's continuing profitability. BGHL is exposed to market risk (which includes currency risk, interest rate risk and price risk), credit risk and liquidity risk arising from the financial instruments it holds.

Risk management structure

The Investment Manager is responsible for identifying and controlling risks. The Board of Directors supervises the Investment Manager and is ultimately responsible for the overall risk management of BGHL.

Risk measurement and reporting system

Monitoring and controlling risks is primarily set up to be performed based on limits established by the Board of Directors. These limits reflect the business strategy including the risk that BGHL is willing to accept and the market environment of BGHL. In addition, BGHL monitors and measures the overall risk in relation to the aggregate risk exposure across all risks type and activities.

BGHL is substantially invested in the Master Fund, which represents over time between 80% and 110% of its Net Asset Value. Prima facie, this creates a concentration risk. This concentration risk is addressed by the fact that the Master Fund has wide discretion to invest across different asset classes and to pursue different strategies, and therefore has the benefit of diversification inherently embedded within it. However, the considerable discretion to allocate assets within the Master Fund is of itself a risk since it is theoretically possible for that vehicle to take highly concentrated positions. This risk is managed by the scenario analysis that is performed as part of the stress testing processes. These tests are intended to identify concentration risk which may exist within the Master Fund. The tests are described in the Directors' report.

BGHL has investment guidelines that set out its overall business strategies, its tolerance for risk and its general risk management philosophy. The Master Fund's maximum level of leverage in accordance with the gross and commitment methods as required under AIFMD is expressed as a percentage of NAV, are 700% under the commitment method and 2000% under the gross method.

Further commentary on risks and the management of risk is contained within the Investment Manager's report.

(a) Market Risk

BGHL is exposed to market risk directly from the investments it makes and indirectly as a result of the types of investments that the Master Fund makes. Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market variables.

Market risk consists of equity price risks, foreign currency risks and interest rate risks and is discussed in below sections.

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Price risk

Price risk is the risk of changes in the fair values of equities or equity-linked financial instruments as the result of changes in the levels of equity indices and the value of individual shares. Price risk exposure arises from BGHL's investments in equity securities. BGHL takes significant equity price risk from the investments it makes. At 31 December 2017, should the price of BGF and investments other than BGF have increased/decreased by 10% with all other variables remaining constant, the effect on profit and loss for the Year and on net assets would result in an increase/decrease of approximately €76,669,170 (2016: €73,463,779).

The above impact includes BGHL's indirect exposure to the Master Fund's price risk.

Interest rate risk

BGHL is exposed to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its Statement of Financial Position and Statement of Cash Flows. Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair value of financial instruments. Volatility in interest rates could make it more difficult or expensive for BGHL to obtain debt financing, and could negatively cause the prices of long or short positions to move in directions not initially anticipated and could decrease the returns that BGHL's investments generate.

BGHL has exposure to short-term interest rate risk and more specifically to an increase in short term rates under the borrowing arrangements described in note 11. A 1% increase/decrease in short term rates would increase/decrease BGHL's cost of borrowing, and accordingly have a negative/ positive effect on, the profit and loss for the Year as follows:

In Euro	31 Dec 2017	31 Dec 2016
Short Term Financing	70,000,000	70,000,000
Cost of 1% interest rate increase to profit/equity	700,000	700,000
Cost of 1% interest rate decrease to profit/equity	(700,000)	(700,000)

BGHL is also indirectly exposed to interest rate risk through its exposure in the Master Fund.

Foreign currency risks

Foreign currency risk is the risk the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

Currency hedge of the Sterling Shares

BGHL uses forward foreign exchange contracts with maturities of less than three months to hedge the sterling share class exposure in order to provide Sterling shareholders with Sterling equivalent of the Euro performance.

Portfolio currency hedge

BGHL's investments in currencies other than the Euro are hedged by the Investment Manager using forward currency contracts which are commitments either to purchase or sell a designated currency at a specified future date for a specific price and may settle in cash or another financial asset. Forward currency contracts are individually traded over-the-counter contracts which result in credit exposure to the counterparty. Forward currency contracts result in exposure to market risk based on changes in market prices relative to contracted amounts. Market risks arise due to the possible movement in foreign currency exchange rates. BGHL uses forward foreign exchange contracts with maturities up to three months to hedge its private equity investments which are denominated in foreign currencies.

Notional amounts are the underlying reference amounts to foreign currencies upon which the fair value of the forward contracts held by BGHL are based. While notional amounts do not represent the current fair value and are not necessarily indicative of the future cash flows of BGHL's forward contracts, the underlying price changes in relation to the variables specified by the notional amounts affect the fair value of these derivative financial instruments.

Forward foreign exchange contracts settle on a net basis and the net amount at 31 December 2017 was receivable €127,690 (2016: payable €820,806). The table below summarises BGHL's exposure to foreign currency risks:

Portfolio Currency Exposure - Amounts in €	31 Dec 2017		31 Dec 2016	
	GBP	USD	GBP	USD
Investments at fair value through profit or loss	-	8,184,572	-	9,471,461
Due from brokers	1,476	15,663	15,398	114
Foreign exchange forward derivatives contracts	14,798,227	(8,185,810)	11,920,061	(9,470,318)
Net FX exposure of the portfolio	14,799,703	14,425	11,935,459	1,257
Net assets effect -5% change in currency	(739,985)	(721)	(596,773)	(63)

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Sterling Share Currency Exposure - Amounts in €	31 Dec 2017		31 Dec 2016	
	GBP	USD	GBP	USD
Foreign exchange forward derivatives contracts - hedge	14,798,227	-	11,920,061	-
Value of sterling shares	(14,745,036)	-	(12,017,056)	-
Net FX exposure	53,191	-	(96,995)	-
Sterling Share Net Assets effect -5% change in currency	(2,660)	-	4,850	-

At 31 December 2017, BGHL had contracted to buy and sell the foreign exchange amounts:

Purchase Currency	Unit	Sale Currency	Unit	Settlement Date	Unrealised gain/(loss) (€)
GBP	13,150,000	EUR	(14,917,496)	4 January 2018	(119,269)
EUR	8,431,451	USD	(9,850,000)	5 February 2018	246,959
Total					127,690

At 31 December 2016, BGHL had contracted to buy and sell the foreign exchange amounts:

Purchase Currency	Unit	Sale Currency	Unit	Settlement Date	Unrealised gain/(loss) (€)
GBP	10,200,000	EUR	(12,141,019)	5 January 2017	(220,958)
EUR	8,870,124	USD	(10,000,000)	5 January 2017	(599,848)
Total					(820,806)

BGHL is also indirectly exposed to foreign exchange risk through its exposure in the Master Fund.

(b) Credit risk

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with BGHL.

Amounts appearing in the Statement of Financial Position as due from and due to brokers reflect gross maximum exposures which contribute to credit risk and which are detailed by main categories in the following table.

31 December 2017	Due from Brokers	Due to Brokers	Gross amount due
	€	€	€
Unsettled trades	-	(708)	(708)
Cash held with custodians	686,979	-	686,979
Cash Collateral	2,410,000	-	2,410,000
Gain/(loss) on forward contract	1,550,118	(119,269)	1,430,849
Total €	4,647,097	(119,977)	4,527,120

31 December 2016	Due from Brokers	Due to Brokers	Gross amount due
	€	€	€
Unsettled trades	-	-	-
Cash held with custodians	433,004	-	433,004
Cash Collateral	1,960,000	-	1,960,000
Loss on forward contract	-	(820,806)	(820,806)
Total €	2,393,004	(820,806)	1,572,198

Unsettled trades

BGHL is exposed to the credit risk of the counterparties, brokers, dealers and exchanges with which it deals, whether BGHL engages in exchange-traded or off-exchange transactions. BGHL's principal trading activities are primarily with brokers and other financial institutions located in Europe. At the end of the Year, substantially all the investments in securities owned and securities sold, not yet purchased, due from brokers and due to brokers, are positions with and amounts due to or from these brokers. BGHL may be subject to the risk of loss of assets placed on deposit with a broker in the event of the broker's bankruptcy, the bankruptcy of any clearing broker through which the broker executes and clears transactions, or the bankruptcy of an exchange clearing house. BGHL's exposure to brokers/dealers is with reputable broker/dealers.

Amounts receivable or payable for securities transactions that have not settled at the Year end are reflected under the line unsettled trade. The nominal amount is the maximum exposure. Most of the transactions settle on a delivery versus payment basis. The risk on unsettled trades is the difference between the contractual price and the replacement price of the transaction if the counterparty were to default. Dividends receivable from brokers are at

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risk for their full nominal amount. All securities transactions of BGHL are cleared by major securities firms pursuant to customer agreements.

Cash held with custodian

BNP Paribas Securities Services SA ("BPSS") was appointed by BGHL to act as custodian, and is responsible for the safe custody of those assets held by BGHL through BPSS. BPSS is a wholly-owned subsidiary of BNP Paribas SA. The Custodian is entitled to receive a fee from BGHL based on an agreed percentage per annum of the assets held in custody. BPSS is a large financial institution having investment grade ratings from the major rating agencies.

Off balance sheet risk in relation to over-the-counter derivatives

Participants on over-the counter markets are not subject to credit valuation and regulatory oversight as are members of "exchange-based" markets. BGHL may invest in over-the-counter transactions in these markets, and may take a credit risk with regard to parties with which it trades and may bear the risk of settlement default. These risks may differ materially from those involved in exchange-traded transactions described above.

Transactions entered into directly between two counterparties generally do not benefit from these protections, which in turn may subject BGHL to the risk that a counterparty does not settle a transaction in accordance with agreed terms and conditions because of a dispute over the terms of the contract or because of a credit or liquidity problem. Counterparty risk is increased for contracts with longer maturities when events may intervene to prevent settlement. The ability of BGHL to transact business with any one or any number of counterparties, the lack of any independent evaluation of the counterparties or their financial capabilities, and the absence of a regulated market to facilitate settlement, may increase the potential for losses to BGHL. BGHL's exposure to counterparty risk associated with counterparty non-performance on over-the-counter derivatives is generally limited to the fair value of over the counter contracts reported as assets which are not covered by an equivalent collateral amount and to the independent amounts requested by counterparties to cover the risk of a derivative contract. Counterparty risk exposure is monitored daily. The risk management system gives real time marked to market position, collateral and risk exposure. All of BGHL's exposures to counterparties are with reputable financial institutions which are at least single A investment grade rated from the major rating agencies.

There are no assets and liabilities held at Year end, other than FX forwards which are subject to offsetting.

As noted in note 3.1, there is no remaining market exposure to GFI, rather a credit risk related to the receivable amount due to BGHL. In the very unlikely event of a default by Mannai before July 2018, the forward sale would be void and BGHL would be exposed back to GFI with a recourse against Mannai for the difference between the sale price and the market price, if the difference is a loss.

BGHL is also indirectly exposed to credit risk through its exposure in the Master Fund.

(c) Liquidity risk

Liquidity risk is the risk that BGHL will encounter difficulty in realising assets or otherwise raising funds to meet financial commitments.

BGHL's financial commitments are represented from time to time by:

- interest, fees and other expenses payable
- amounts payable for the share buy-backs
- the short term financing described in note 11
- amounts due under forward foreign exchange contracts

BGHL manages its ability to fulfill these commitments by combining:

- the unencumbered cash held for working capital purposes
- the issuance of short term notes for the share buy back described in note 11
- redemptions in BGF

BGHL retains an amount of cash with its custodian which is used as working capital in order to manage day to day expenses such as fees and expenses payable.

BGHL invests into BGF by subscribing redeemable participating shares. BGHL may redeem its shares in BGF on a monthly basis with a 60-day notification and does not have any special or preferential rights in BGF.

The Investment Manager of the Master Fund monitors the liquidity adequacy between assets and liabilities on an ongoing basis. As part of this monitoring, attention is paid to the liquidity and the maturity of the assets in the portfolio.

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Compared to last year end, there was no material change in the contractual undiscounted cash outflows for financial liabilities. However, as noted in note 3.1, a 50% liquidity discount to net asset value per share has been applied to the latest RLI NAV received by the Investment Manager representing a liquidity risk associated with the asset.

All financial liabilities of BGHL at 31 December 2017 are shown on an undiscounted basis in the following maturity table.

In EURO	At 31 December 2017			
	< 1 month	1 to 6 months	6 months to 1 year	> 1 year
Bank loan	-	-	(70,000,000)	-
Forwards	(119,269)	-	-	-
Due to brokers	(708)	-	-	-
Performance fees payable	-	(9,575,000)	-	-
Management fee payable	-	(2,639,593)	-	-
Other payables	(99,248)	-	-	-
Interest payable	-	-	(99,361)	-
Total financial liabilities	(219,225)	(12,214,593)	(70,099,361)	-

In EURO	At 31 December 2016			
	< 1 month	1 to 6 months	6 months to 1 year	> 1 year
Bank loan	-	-	-	(70,000,000)
Provision for Transaction fee	-	-	-	(1,478,300)
Forwards	(820,806)	-	-	-
Performance fees payable	-	(10,961,356)	-	-
Management fee payable	-	(2,451,854)	-	-
Other payables	(39,184)	-	-	-
Interest payable	-	-	(112,677)	-
Total financial liabilities	(859,990)	(13,413,210)	(112,677)	(71,478,300)

5. Capital management

BGHL is not subject to any externally imposed capital requirements. When managing the capital of BGHL as detailed below, the Investment Manager seeks to provide consistent absolute returns in accordance with BGHL's investment objectives and policies, for example those related to gearing. BGHL operated a share buy-back programme designed to reduce its capital, which has had the favourable effect of increasing the NAV per Share since the Shares were repurchased at a discount to their NAV. Transactions under the programme are disclosed in note 10.

Over the Year the indebtedness of BGHL, comprised of short-term commitments, has changed as follows:

Fair value in €	31 Dec 2017	31 Dec 2016
External Debt	70,000,000	70,000,000
Equity	689,001,092	651,166,613
Ratio = External Debt / Equity	10.16%	10.75%

6. Related Party transactions

The relationship between BGHL and the Investment Manager and the fees earned are disclosed in note 8. Each Director is entitled to an annual fee of €20,000 (2016: €23,000) for an annualised total of €40,000 (2016: €46,000); the Chairman is entitled to receive €38,000 (2016: €41,500) per annum and the Chairman of the audit committee is entitled to receive an additional fee of €7,500 (2016: €7,500) per annum.

The issued share capital of BGHL is owned by numerous parties and therefore in the opinion of the Directors, there is no ultimate and immediate controlling party as no BGHL investors hold more than 50% of total shares in issue.

7. Administration fees

JTC Fund Solutions (Guernsey) Limited, the Administrator, is entitled to an annual fee. In addition, the Administrator outsources the accounting to SS&C Financial Services LLC for an annual service fee payable monthly.

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8. Management fees and Performance fees

Under the Investment Management Agreement, the Investment Manager has been given responsibility for the day-to-day discretionary management of BGHL's assets in accordance with BGHL's investment objective and policy, subject to the overall supervision of the Directors. The Investment Management Agreement is terminable by either party giving to the other not less than twelve months notice in writing, except in certain circumstances where, inter alia, the Investment Manager ceases to have all necessary regulatory permissions, becomes insolvent or is in material breach of the Investment Management Agreement, in which case the Investment Management Agreement may be terminated forthwith. If the Investment Management Agreement is terminated before 31 December in any period, the performance fee in respect of the then current Calculation Period is calculated and paid as though the date of termination were the end of the relevant Calculation Period.

The Investment Manager receives a management fee, accrued monthly and payable quarterly, calculated at the annual rate of 1.5 percent of the NAV.

The Investment Manager is also entitled to receive a performance fee. The Performance Fee is calculated in respect of each Calculation Period. The Performance Fee is deemed to accrue on a monthly basis as at each Valuation Day. For each Calculation Period, the Performance Fee is equal to 20 percent of the appreciation in the NAV per share during that Calculation Period above the previous high NAV per Share of the relevant class (the "Base NAV per Share"). The Base NAV per Share is the highest NAV per Share achieved as at the end of any previous Calculation Period (if any).

For the Year the Management fees and the Performance fees were as follows:

	31 Dec 2017		31 Dec 2016	
	Expense during the year €	Payable at the end of the year €	Expense during the year €	Payable at the end of the year €
Management Fees	10,379,312	2,639,593	9,654,496	2,451,854
Performance Fees	9,575,000	9,575,000	10,961,356	10,961,356

9. Total Expense Ratio

Total expense ratios are as below. Performance fees are not taken into account in the total expense ratio.

Year ended	AUM € year Average	Management Fees	Administration & Depositary Fees	Other Fees	Total Expense Ratio
31 December 2017	686,904,231	1.5%	0.02%	0.05%	1.57%
31 December 2016	639,093,200	1.5%	0.02%	0.07%	1.59%

10. Share Capital and Treasury Shares

Authorised share Capital

The authorised share capital of BGHL is €1,010,000 divided into 5,100,000,000 ordinary shares of €0.0001 each and 5,000,000,000 C Shares of €0.0001 each.

Allotted, issued and fully paid

The share capital detail as of 31 December 2017 is as follows:

Class A Shares	Euro Shares				Sterling Shares
Share balances	Issued and fully paid	Treasury Shares	Outstanding Shares	% Treasury Shares (*)	Issued and fully paid
At 1 January 2016	30,387,568	(829,415)	29,558,153	2.7%	494,962
Repurchase of own shares	-	(660,881)	(660,881)	-	-
Share Cancelled	(1,167,454)	1,167,454	-	-	-
Share Conversions	(35,157)	-	(35,157)	-	33,950
At 31 December 2016	29,184,957	(322,842)	28,862,115	1.1%	528,912
Share Cancelled	(322,842)	322,842	-	-	-
Share Conversions	(103,896)	-	(103,896)	-	103,678
At 31 December 2017	28,758,219	-	28,758,219	0.0%	632,590

(*) Under the Companies Law and the listing rules of EuroNext Amsterdam and the UK Listing Authority, BGHL is only allowed to acquire its own shares with the prior approval of its members in general meeting and that authority is limited to a maximum of 14.99% of its issued share capital on the date that the members' resolution is passed. As explained in the Directors' Report, authority to repurchase 8% of the issued share capital was sought and granted at the annual general meeting held on 27 July 2017. All shares held in treasury are cancelled after each month end and BGHL seeks renewal of its authority to repurchase its own shares at each annual general meeting.

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Voting

The shareholders are entitled to receive notice of and to attend and vote at general meetings of BGHL and each holder of shares being present in person or by proxy or corporate representative at a meeting shall upon a show of hands have one vote and upon a poll each such holder present in person or by proxy or by corporate representative shall have one vote in respect of each share held by him.

Without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares, any share in BGHL may be issued with such preferred, deferred or other special rights or restrictions whether as to dividend, voting, return of capital or otherwise as BGHL at any time by ordinary resolution may determine and subject to and in default of such determination as the Board may determine. Subject to the provisions of the Companies Law, the terms and rights attaching to any class of shares, the Articles and any guidelines established from time to time by the Directors, BGHL may from time to time, purchase or enter into a contract, under which it will or may purchase any of its own shares.

If at any time the share capital is divided into further classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue) may whether or not BGHL is being wound up, be varied with the consent in writing of the holders of three-fourths of the issued shares of that class or with the sanction of a special resolution of the holders of the shares of that class. On a winding-up, the shareholders are entitled to the surplus assets remaining after payment of all the creditors of BGHL.

11. Loans payable

	31 Dec 2017	31 Dec 2016
	€	€
Beginning cost	(70,000,000)	(69,500,000)
Repayments	-	28,100,000
Drawdown	-	(28,600,000)
Ending Cost	(70,000,000)	(70,000,000)
Accrued interest	(99,361)	(112,677)
Loans payable at fair value	(70,099,361)	(70,112,677)

The above carrying values are a reasonable approximation of their fair values.

Over the year, BGHL has borrowed money in Euro at a variable rate plus a spread rate of 1.825%.

Bank Facility

On 22 November 2013, BGHL and Natixis SA entered into a facility agreement under which Natixis made available to BGHL a committed credit facility (the "Facility").

On 17 November 2016, the Facility's maturity was extended by two years to 22 November 2018. BGHL has the right to prepay and cancel the Facility at any time.

At the end of the Year, the Facility was utilised in full and all the proceeds were used to invest in BGF.

The total amount due under the Facility was as follows:

Bank Facility – Natixis in €	31 Dec 2017	31 Dec 2016
Principal	70,000,000	70,000,000
Accrued Interest	(99,361)	112,677

In order to secure its obligations under the Facility, BGHL granted to Natixis a first priority security interest over the following number of BGF's Euro B Class Shares.

Security Interest	31 Dec 2017	31 Dec 2016	Variation %
BGF – Euro B Class – Shares	2,800,000	2,800,000	-
BGF – Euro B Class – Price	186.770635	171.205955	9.1%
Value in Euro	€522,957,778	€479,376,673	9.1%

Variable Funding Notes

In compliance with its investment policy, BGF agreed, from 2 November 2010, to subscribe for such interest-bearing variable funding notes issued by BGHL up to a principal amount of €25 million (the "VFN"). Every month BGHL finances its share buy-back activity by issuing VFN to BGF. Although the stated maturity of the VFN is 18 months from their issue date, BGHL has the option to redeem at any time the notes at par on 2 business days' notice, which it does every month by applying the proceeds of BGF shares redemptions.

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The terms of the VFN have been approved by the Board of BGHL. BGHL pays interest at an annual rate equal to a 1.5 percent spread over the 1 month Euribor. In addition, BGF may at any time, on a 90 calendar days notice, require BGHL to repay all VFN at par.

The Board of BGHL agreed to renew the VFN in 2016 for a period of three years ending 1 November 2019. The total amount due under the VFN was as follows:

Variable Funding Note In Eur	31 Dec 2017	31 Dec 2016
Principal	-	-
Accrued Interest	-	-

12. Segment information

For management purposes, BGHL is engaged in one main operating segment, which invests in financial instruments. All of BGHL's activities are interrelated, and each activity is dependent on the others. Accordingly, all significant operating decisions are based upon analysis of BGHL as one segment. The financial results from this segment are equivalent to the financial statements of BGHL as a whole.

The following table analyses BGHL's total income per geographical location. The basis for attributing the total income is the place of incorporation of the instrument's counterparty.

In EURO	31 Dec 2017	31 Dec 2016
Ireland	61,651,378	63,905,729
France	682,956	704,505
United Kingdom	505,074	(2,066,567)
Rest of the world	(3,182,504)	264,651
Total	59,656,904	62,808,318

The following table analyses BGHL's operating income per investment type.

In EURO	31 Dec 2017	31 Dec 2016
Equity securities	59,141,723	63,578,918
Debt instruments	-	1,295,966
Derivative financial instruments	502,906	(2,069,366)
Foreign exchange gains on financial instruments not at fair value through profit or loss	12,313	2,800
Total	59,656,904	62,808,318

13. Net realised and change in unrealised gain and loss on financial assets and liabilities:

Realised gain on financial assets and liabilities at fair value through profit or loss	31 Dec 2017	31 Dec 2016
	€	€
Realised gain		
Equity securities	16,186,654	20,141,414
Debt securities	-	22,855,038
Realised loss		
Derivatives - Foreign Exchange Forward	(445,590)	(2,093,519)
Net realised gain	15,741,064	40,902,933

Change in unrealised gain or loss on financial assets and liabilities at fair value through profit or loss	31 Dec 2017	31 Dec 2016
	€	€
Change in unrealised gain		
Equity securities	53,418,474	44,030,801
Derivatives - Forward	2,251,655	24,153
Change in unrealised loss		
Equity securities	(12,536,875)	(995,683)
Debt securities	-	(21,559,072)
Net change in unrealised gain	43,133,254	21,500,199

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14. Taxation

BGHL has been granted exemption under the Income Tax (Exempt Bodies) (Guernsey) Ordinance, 1989 from Guernsey Income Tax, and is charged the annual fee of £1,200 (2016: £1,200). As a result, no provision for income tax has been made in the financial statements.

BGHL invests in foreign countries which may levy withholding tax at source on revenues derived by non residents. Where such tax is withheld at source by the broker or another party BGHL records the revenue on a gross basis in Statement of Comprehensive Income (the revenue is grossed up and offset against an expense representing the tax withheld at source).

15. Due from brokers and due to brokers

Amount due from brokers include €2,410,000 (2016: €1,960,000) of cash pledged as collateral on forward foreign exchange contracts.

16. Changes in liabilities arising from financing activities

	Current loans payable and interest payable	Foreign exchange forward derivatives contracts
Balance at 1 January 2017	70,000,000	820,806
Cash flows		(445,590)
Changes in fair value	-	(502,906)
Balance at 31 December 2017	70,000,000	(127,690)

	Current loans payable and interest payable	Foreign exchange forward derivatives contracts
Balance at 1 January 2016	69,500,000	844,958
Cash flows	500,000	(2,093,519)
Changes in fair value	-	2,069,367
Balance at 31 December 2016	70,000,000	820,806

The 'Changes in fair values' row above includes realised loss on foreign exchange forward derivatives contracts and unrealised gain on foreign exchange forward derivatives contracts under financial liabilities.

17. Post balance sheet events

There were no material post balance sheet events since the year-end.

18. Approval of financial statements

The financial statements were approved and authorized for issue by the Board on 19 April 2018, at which date these financial statements were considered final.