Blackstone / GSO Loan Financing Limited

Annual Report and Audited Financial Statements for the Year Ended 31 December 2017

Table of Contents

SUMMARY OF KEY FINANCIAL INFORMATION

Net Asset Value

	Year ended 31 December 2017	Year ended 31 December 2016
Net Asset Value ("NAV") [(1)]	€379,540,321	€332,338,320
NAV per Euro share[(1)]	€0.9378	€1.0238
Euro share price as at 31 December (last price)[(2)]	€0.9850	€1.0125
Premium / (discount) on Euro share	5.03%	(1.10%)
NAV total return per Euro share for the year[(3)]	1.38%	13.28%
NAV total return per Euro share from inception[(3)]	23.28%	21.58%
GBP equivalent of NAV per Euro share[(4)]	£0.8329	-
GBP share price as at 31 December (last price) [(2)]	£0.8750	-
Premium on GBP share price	5.05%	-
Euro shares in issue at 31 December [(5)]	404,700,446	324,600,700
Market capitalisation	€398,629,939	€328,658,209

Dividend History

Whilst not forming part of the investment objective or policy of Blackstone / GSO Loan Financing Limited (the "Company"), dividends will be payable in respect of each calendar quarter, two months after the end of such quarter. During the year, the Company continued to target a dividend of €0.025 a quarter, equating to a 10% annualised return (based on a placing price of €1.00 per Euro share).

Dividends for the Year Ended 31 December 2017

Period in Respect of	Date Declared	Ex-dividend Date	Payment Date	Amount per Euro Share
				€
1 Jan 2017 to 31 Mar 2017	24 Apr 2017	4 May 2017	26 May 2017	0.0250
1 Apr 2017 to 30 Jun 2017	20 Jul 2017	27 Jul 2017	18 Aug 2017	0.0250
1 Jul 2017 to 30 Sep 2017	19 Oct 2017	26 Oct 2017	24 Nov 2017	0.0250
1 Oct 2017 to 31 Dec 2017	18 Jan 2018	25 Jan 2018	23 Feb 2018	0.0250

Dividends for the Year Ended 31 December 2016

Period in Respect of	Date Declared	Ex-dividend Date	Payment Date	Amount per Euro Share
				€
1 Jan 2016 to 31 Mar 2016	20 Apr 2016	28 Apr 2016	20 May 2016	0.0200
1 Apr 2016 to 30 Jun 2016	21 Jul 2016	28 Jul 2016	19 Aug 2016	0.0200
1 Jul 2016 to 30 Sep 2016	20 Oct 2016	27 Oct 2016	18 Nov 2016	0.0250
1 Oct 2016 to 31 Dec 2016	20 Jan 2017	2 Feb 2017	24 Feb 2017	0.0250

(1) Please refer to Note 15 for reconciliation of NAV to published NAV.
(2) Bloomberg closing price at period end.
(3) Assumes dividends are reinvested at the NAV.
(4) The Sterling quote was introduced on 28 June 2017.
(5) Excluding 6,719,000 Euro shares held as Treasury shares as at 31 December 2016. No Euro shares were held as Treasury shares as at 31 December 2017.

Year Highs and Lows

	2017 High	2017 Low	2016 High	2016 Low
	€	€	€	€
NAV per Euro share	1.0252	0.9378	1.0238	0.9799
Euro share price (last price)[2]	1.0550	0.9800	1.0200	0.8450
GBP share price (last price)[2]	0.9450	0.8650	-	-

Schedule of Investments

As at 31 December 2017

	Nominal Holdings	Market Value	% of Net Asset Value
		€	
Investment in Blackstone / GSO Loan Financing (Luxembourg) S.à.r.l ("Lux Subsidiary"):			
Cash Settlement Warrants ("CSWs")	337,374,822	374,802,845	98.75
Shares (2,000,000 Class A and 1 Class B)	2,000,001	2,334,533	0.62
Other Net Assets		2,402,943	0.63
Net Assets Attributable to Shareholders		**379,540,321**	**100.00**

Schedule of Significant Transactions

Date of transaction	Transaction type	Amount	Reason
		€	
CSWs held by the Company			
20 Feb 2017	Redemption	8,397,706	To fund dividend
8 Mar 2017	Purchase	(71,380,746)	To fund additional investment
3 Apr 2017	Purchase	(8,771,408)	To fund additional investment
22 May 2017	Redemption	10,668,064	To fund dividend
14 Aug 2017	Redemption	11,350,345	To fund dividend
9 Nov 2017	Redemption	11,804,370	To fund dividend
6 Dec 2017	Purchase	(72,277)	To fund additional investment
Profit Participating Notes ("PPNs") issued by Blackstone / GSO Corporate Funding Designated Activity Company ("BGCF") and held by the Lux Subsidiary			
5 Feb 2017	Purchase	(5,909,627)	Reinvestment of investment income at Lux Subsidiary only*
9 Mar 2017	Purchase	(71,380,746)	To fund additional investment
4 Apr 2017	Purchase	(8,771,408)	To fund additional investment
5 May 2017	Purchase	(803,605)	Reinvestment of investment income at Lux Subsidiary only*

(*) No CSWs were issued as part of this transaction.

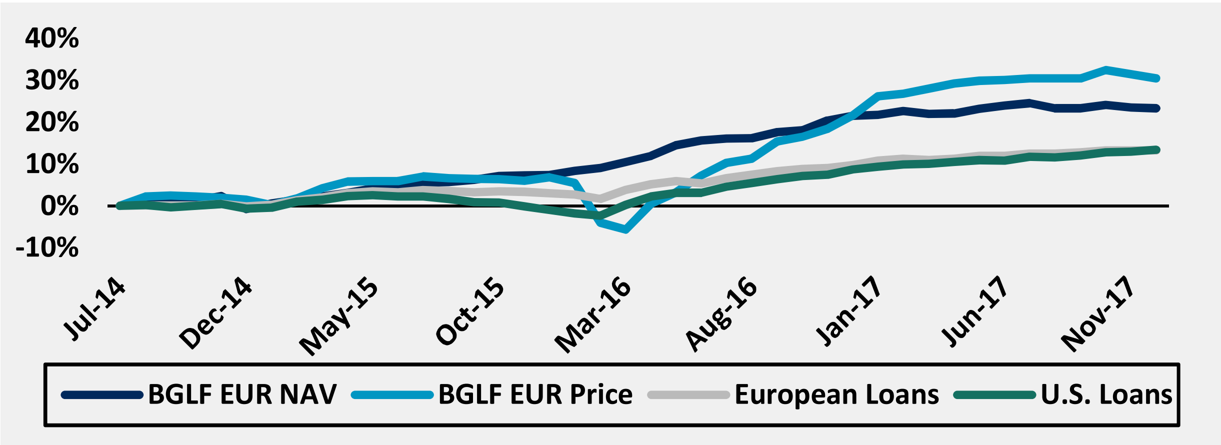
CHAIR'S STATEMENT

Dear Shareholders,

Company Returns and Net Asset Value

The Board considers NAV total return per Euro share to be the key measure of performance rather than earnings per share as defined per International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU"). The Company delivered a NAV total return per Euro share of 1.38% in 2017 (2016: 13.28%) and 6.28% (2016: 8.34%) net annualized since inception. This included total net portfolio income of 12.18% (2016: 14.06%) and net portfolio movements of (10.80%) (2016: (0.78%)). The Company finished the year with a NAV per Euro share at €0.9378 and dividends paid totaling €0.10 per share and earnings per Euro share of €0.0147 (2016: €0.1237).

Performance was somewhat subdued in 2017 chiefly driven by market conditions and in particular asset spread compression. However, the underlying quality of the portfolio was maintained. Cash flows have supported the dividend policy such that the Board believes the current level of dividends to be sustainable.



The Company paid four dividends in respect of the year ended 31 December 2017, equating to a 10.0% annualised return (based on a placing price of €1.00). (Details of all dividend payments can be found within the Summary of Key Financial Information section at the front of this Annual Report.)

Market Overview

2017 was a year of steady global economic growth. The October IMF World Economic Outlook projected a total global growth rate of 3.6% in 2017, supported by steady growth rates of 2.3% and 3.1% in Europe and the U.S., respectively. The laggard of the larger European economies continues to be the UK, growing at a weaker rate of 1.5% in the midst of Brexit. These growth forecasts were supported by positive macroeconomic data in Europe at the end of 2017. Increases in the European manufacturing, retail and services PMI data were reported and the Eurozone unemployment rate fell to 8.8% further supporting the narrative of a continued broad based recovery in Europe. Macroeconomic data in the U.S. was similarly positive at the end of the year, and labour trends continued to suggest full employment. Nonfarm payrolls rose through the end of the year, the labour force participation rate remained stable, and, while jobless claims saw a slight uptick in December, they have subsequently fallen to the lowest level in almost 45 years.[6]

(6) Source: Reuters, as of 18 January 2018.

In contrast to this steady fundamental backdrop, geopolitical tensions continued to surface in Europe and the U.S. in 2017. Throughout the year, Brexit continued to grab headlines, while Germany struggled to form a coalition after its federal election in September. Similarly, in Spain, Catalonia held a regional election in December but failed to resolve the independence impasse. The U.S. experienced significant policy uncertainty with respect to U.S. tax reform, trade, and the federal budget. While these political disruptions provided bouts of limited market volatility, the equity markets delivered generous performance over the year.

In the European loan market, healthy demand from strong CLO issuance created a technical environment in 2017 defined by significant spread compression that proved to be a headwind to performance in the speculative-grade markets. European loans returned 3.30% and European high yield gained 6.28% in 2017. Similarly, in the U.S., strong demand for loans resulted in heavy refinancing and repricing activity, which pressured loan spreads, capped price performance, and held back total returns despite the benefit of rising LIBOR. In 2017, U.S. loans and high yield gained 4.25% and 7.03%, respectively. Consequently, if market conditions remain as they are, the Portfolio Adviser expects that it would continue to refinance to reinstate arbitrage to those CLOs that have suffered from asset spread compression and this would feed positively into MTM valuations, all other things being equal.

Discount Management

The Euro shares finished the year at a premium to NAV of 5.03%. As a Board, we regularly weigh the balance between maintaining liquidity of the Euro shares, the stability of any discount or premium and the desire of Shareholders to see the Euro shares trade as closely as possible to their intrinsic value. Given the positive trading performance of the Euro shares throughout 2017, no action was needed by the Board.

Placing Programme 2016 – 2017

On 31 March 2016, the Company published a prospectus in connection with a 12-month placing programme. In response to demand from investors, the Company announced, on 21 February 2017, its intention to issue new Euro shares in the Company. The placing occurred through the Company's joint brokers, Fidante Partners Europe Limited and Nplus1 Singer Advisory LLP (together the "Joint Brokers"), and a total of 73,380,746 Euro shares were issued. In addition, 6,719,000 Euro shares were sold out of treasury and were admitted to The International Stock Exchange ("TISE") (formerly the Channel Islands Securities Exchange) on 31 March 2017. All Euro shares were admitted to trading on TISE and to trading on the Specialist Fund Segment of the London Stock Exchange by 31 March 2017. Following admission, the Company had a total of 404,700,446 Euro shares in issue.

The Board continues to monitor ongoing demand for the Company's shares and will look to issue further Euro shares when circumstances permit.

Migration to the Premium Segment of the Main Market of the London Stock Exchange and listing on the Official List of the UK Listing Authority and Delisting from The International Stock Exchange ("TISE")

On 28 June 2017, the Company announced it had received confirmation from the UK Listing Authority that it was eligible for a premium listing on the Official List. Accordingly, the Company made applications to the UK Listing Authority and the LSE for listing on the Official List and a transfer to trading from the Specialist Fund Segment to the Premium Segment of the Main Market of the London Stock Exchange, which took effect from 8 am on 29 June 2017. Following the migration to the Premium Segment, the Company's dual listing of its ordinary shares on the TISE was cancelled on 22 September 2017.

Dividend payment in Euros and Pound Sterling

With effect from 19 October 2017, the Board offered Shareholders the option of electing to receive their dividends in Pound Sterling by submitting a Dividend Currency Election form. The first period that Shareholders could elect to receive their dividends in Pound Sterling was the period from 1 July 2017 to 30 September 2017.

Tap Issuance Programme

In accordance with the general authority granted at the annual general meeting of the Company held on 21 June 2017, the Company currently has flexibility to raise additional equity capital in an efficient and cost-effective manner by issuing, on a non-pre-emptive basis, up to 40,470,044 new Euro Shares. In the event of market demand, the Directors may utilize this authority through a non-pre-emptive tap issuance programme of up to 40,470,044 Euro Shares (the "Tap Issuance Programme") and to invest the net proceeds of each issue of new Shares pursuant to the Tap Issuance Programme (each issue being a "Tap Issue") in accordance with the Company's investment policy. No new Euro Shares issued pursuant to the Tap Issuance Programme will be issued at a price which (after costs and expenses) represents a discount to the Net Asset Value per existing Euro Share.

Any such Tap Issue would take place through the Company's Joint Brokers.

The Board

Good governance remains at the heart of our work as a Board and is taken very seriously. We believe that the Company maintains high standards of corporate governance. The Board was very active during the year convening a total of 21 Board meetings and 26 Committee meetings. In addition, as can be seen from the corporate activity during the year, the Board and its advisers have worked hard to ensure the continued success and growth of the Company in order to allow it to be in the best position to take advantage of all appropriate opportunities.

The work of the Board is assisted by the Audit Committee, Management Engagement Committee, the Remuneration and Nomination Committee, the Risk Committee and the NAV Review Committee. The joint work of the Risk and Audit committees has given valuable support to the longer-term viability considerations of the Board as described in the Executive Summary on page 21.

Philip Austin and Joanna Dentskevich, who had both been Directors since our IPO in 2014, stepped down as Directors of the Company with effect from September and October 2017 respectively. On behalf of the Board, I would like to thank Philip and Joanna for their contribution and wish them every success in their future endeavours.

The Board appointed Steven Wilderspin as Director in August 2017. Steven has long standing board and financial experience. We have furthermore appointed Heather MacCallum in September 2017. Heather has extensive financial experience as a former partner of KPMG. Further details on Steven and Heather can be found in the Directors' Biographies on page 23. On behalf of the Board, I would like to welcome Steven and Heather and look forward to working with them to ensure the continued success and growth of the Company.

As a result of changes to the Board of Directors, there have been changes to the membership of the committees during 2017. Further details can be found in the Corporate Governance Report on pages 28 and 29.

The Board works closely with its Portfolio Adviser in monitoring BGCF to achieve a high standard of governance. In July 2017, members of the Board visited the Portfolio Adviser in Dublin to meet key people and to discuss various aspects of operational risk and controls, the CLO market and the appropriate strategy in current and future market conditions and also met with the BGCF board. In January 2018, Heather and Steven, along with Gary, visited the Portfolio Adviser as part of their induction process.

Shareholder Communications

During 2017, in conjunction with our Portfolio Adviser and Brokers, we have continued our programme of engagement with current and prospective Shareholders. I sincerely hope that you found the monthly factsheets and other information valuable. We are always pleased to have contact with Shareholders and we welcome any opportunity to meet with you and obtain your feedback.

Prospects and Opportunities in 2018

As we enter 2018, we believe that CLO issuance will remain healthy in Europe and the U.S. with current projected issuance at €25 billion and $140 billion, respectively. The repeal of risk retention rules in the U.S. is expected to be finalised in Q2 2018 and will likely spur a further uptick in CLO refinancings as well as new issuance. This continued demand led to further spread compression in loans in Q1 2018. However, return forecasts remain healthy, in part due to the continued rise of LIBOR in the U.S.

Additionally, the defensive nature of floating loans has proven them to be resilient in times of rising rates. We believe loans are well positioned to outperform their high yield and investment grade counterparts in periods of market volatility as we have seen in early 2018. Projected 2018 default rates for both loans and high yield bonds are expected to remain low, based on Moody's European speculative grade default baseline forecast of 1.09%.

The Board believes that loans globally still offer attractive risk adjusted yields, and is pleased that the Company is well positioned to be exposed to loans and CLOs through its investment in BGCF. Over the last three years, loans have experienced lower volatility in returns compared to high yield bonds, and have stronger downside protection. [7]

The Board wishes to express its thanks for the support of the Company's Shareholders.

Charlotte Valeur
Chair

25 April 2018

(7) Source: Credit Suisse: Leveraged Loan Index, Western European Leveraged Loan Index (hedged to EUR), High Yield Index, Western European High Yield Index (hedged to EUR), data as of 31 December 2017.

PORTFOLIO ADVISOR'S REVIEW

We are pleased to present our review of 2017 and outlook for 2018.

During the year, the Company delivered a NAV total return per Euro share of 1.38%.

Bank Loan Market Overview [8,9]

In 2017, European bank loans returned 3.30% and U.S. bank loans returned 4.25%. The relatively muted full year performance of loans for 2017 was primarily driven by heavy refinancing and repricing activity which led to spread compression in both Europe and in the U.S. Despite the benefit of rising LIBOR in the U.S. this spread compression capped price performance, which held back total returns. We believe that spread compression should stabilise in 2018, and that fresh new issue supply from increased M&A and LBO activity, along with potential market volatility, could provide periodic attractive buying opportunities.

European institutional loan volume in 2017 totalled €153.7 billion; however, net new issuance (new money and refinancings) totalled only €80 billion due to heaving repricing and reset activity of €73.7 billion (+161% year-over-year). New money issuance totalled €56.5 billion in 2017, up 55% on 2016, as supressed interest rates, low defaults, and a hunt for yield attracted investors to loans during 2017.[10] U.S. institutional loan issuance totalled $974 billion, but similarly net new loan supply in 2017 totalled only $230 billion. Along with heavy refinancing and repricing activity, U.S. high yield M&A deal volume lagged in 2017 (-36% year-over-year), as equity valuations remained elevated and companies were cautious to engage in significant deals amid high U.S. policy uncertainty. This further contributed to the year's supply-demand imbalance and to the underperformance of the loan asset class.

CLO Market Overview [11]

CLO issuance in 2017 was strong globally. European CLO new issuance reached a post-crisis high in 2017 with €20.9 billion of total new issuance from 51 CLOs, significantly surpassing 2016's issuance of €16.8 billion from 41 CLOs. In the U.S., CLO new issuance recorded the second highest level at $118.1 billion from 212 CLOs, well ahead of the 2016 issuance of $72.3 billion from 156 CLOs.

In addition to new issuance, 2017 saw record volumes of CLO refinancing and reset activity. €24.8 billion of European CLOs and $167.0 billion of U.S. CLOs were refinanced or reset throughout 2017, allowing CLO managers to offset asset spread compression by lowering the liability cost of CLOs. For comparison, total refinancing and reset volume in 2016 was €1.1 billion in Europe and $39.5 billion in the U.S.

Demand for CLO issuance in 2017 was fuelled by an improved CLO arbitrage despite loan spread compression. CLOs continue to represent over half of the loan primary market institutional investor base. Projections for 2018 CLO issuance consensus is €25 billion in Europe and $140 billion in the U.S., further projecting heightened demand for loans.

Credit fundamentals of CLO portfolios remain strong with asset spread tightening the main focus. As of year-end 2017, Weighted Average Spread ("WAS") tests in both European and U.S. CLOs fell by 50bp and 30bp, respectively, since the end of 2016. Exposure to CCC-rated and distressed assets remains low due to the continued low default environment in the loan market. Weighted Average Rating Factor ("WARF") test results remain generally flat, providing CLO investors additional comfort on collateral quality.

(8) Source: S&P LCD, data as of 31 December 2017.
(9) Source: Credit Suisse: Leveraged Loan Index, Western European Leveraged Loan Index (hedged to EUR), High Yield Index, Western European High Yield Index (hedged to EUR), data as of 31 December 2017.
(10) Source: Bloomberg "Leveraged Finance Chart Book Europe 4Q/2017".
(11) Sources: S&P/LCD, Wells Fargo, data as of 31 December 2017.

Portfolio Update

Throughout 2017, BGCF originated €2.3 billion of loans and invested €72.3 million in three European CLOs and $232.7 million in six U.S. CLOs, through Blackstone / GSO US Corporate Funding, Ltd., the U.S. Majority Owned Affiliate ("U.S. MOA"). BGCF also invested a total of €225.6 million ($255.6 million) in five U.S. CLO warehouses during the year.

BGCF continues to refinance existing CLO investments soon after expiration of their respective non-call periods. During 2017, five CLOs were refinanced, reducing their average cost of debt by an average of approximately 0.4%, and, as of the end of December, there remains one CLO within the portfolio (Dorchester Park CLO) that was eligible to be refinanced but has yet to be refinanced.

All the investments made have been consistent with BGCF's strategy of principal preservation and minimising credit-related losses, while generating stable returns through income and capital appreciation.

	Closing Date	Currency	Deal Size	BGCF/U.S. MOA Position *(% of Tranche)*	Distributions Through Last Payment Date[(12)] Ann.	Cum.
Phoenix Park	Jul 14	EUR	€413m	51.4%	17.9%	58.3%
Sorrento Park	Oct 14	EUR	€517m	51.8%	18.8%	57.9%
Castle Park	Dec 14	EUR	€415m	100.0%	18.3%	51.7%
Dorchester Park	Feb 15	USD	$509m	60.9%	18.4%	48.6%
Dartry Park	Mar 15	EUR	€411m	51.1%	16.3%	42.6%
Orwell Park	Jun 15	EUR	€415m	51.0%	17.2%	40.8%
Tymon Park	Dec 15	EUR	€414m	51.0%	16.3%	30.0%
Elm Park	May 16	EUR	€558m	56.1%	13.9%	19.3%
Griffith Park	Sep 16	EUR	€454m	59.5%	12.6%	13.9%
Clarinda Park	Nov 16	EUR	€415m	51.2%	12.5%	12.5%
Grippen Park	Mar 17	USD	$611m	60.0%	10.5%	6.3%
Palmerston Park	Apr 17	EUR	€415m	62.2%	18.6%	9.7%
Thayer Park	May 17	USD	$514m	54.6%	28.0%	12.1%
Catskill Park	May 17	USD	$1,028m	60.0%	26.1%	11.1%
Clontarf Park	Jul 17	EUR	€414m	66.9%	n/a	n/a
Dewolf Park	Aug 17	USD	$614m	60.0%	n/a	n/a
Gilbert Park	Oct 17	USD	$1,022m	59.0%	n/a	n/a
Willow Park	Nov 17	EUR	€412m	60.9%	n/a	n/a
Long Point Park	Dec 17	USD	$611m	59.0%	n/a	n/a

As at 31 December 2017, the portfolio was invested in line with BGCF's investment policy diversified across 95 issuers held through the direct loan portfolio, 623 issuers through the CLO portfolio, and across 21 countries and 29 different industries. No individual borrower represented more than 2% of the overall portfolio.

(12) Source: Intex. Distributions presented based on cost.

Key Portfolio Statistics [13]

	Total	BGCF Direct Loan Portfolio	BGCF Indirect Loans
Number of Issuers	628	95	623
Senior Secured Loans / Notes	99.0%	99.8%	98.9%
Floating Rate	98.1%	91.2%	98.5%
Weighted Average Spread (including impact of floors)	3.7%	3.7%	3.7%
Weighted Average Loan mark to market ("MTM")	99.4%	99.7%	99.3%

Top 10 Holdings

Asset	% of Portfolio
Numericable Finance	1.63
Ziggo Finance BV	1.20
Ineos	1.13
Avantor	1.10
Paysafe	1.03
Euro Garages	0.99
Xella International	0.98
Stars Group	0.90
Eircom	0.87
Wind Tre	0.86

Top 5 Industries

Industries	% of Portfolio
Healthcare and Pharma	14.66
Banking, Finance, Insurance and Real Estate	8.64
High Tech	8.38
Hotel, Gaming and Leisure	7.74
Service Business	7.43

Top 5 Countries

Countries	% of Portfolio
U.S.	42.45
France	11.01
UK	9.68
Luxembourg	8.70
Netherlands	8.26

Regulatory Update

On 9 February 2018, the U.S. Court of Appeals for the D.C. Circuit ruled in favour of the Loan Syndications and Trading Association ("LSTA") in its lawsuit against the U.S. Securities and Exchange Commission ("SEC") and the Federal Reserve, determining that U.S. CLO managers are not subject to the risk retention rules per the Dodd-Frank Act as it applies to "open market CLOs" (CLOs of broadly syndicated loans). There was a period of 45-

(13) As at 31 December 2017.

days during which the U.S. government agencies were able to appeal the ruling. As there was no appeal, the ruling became effective early April 2018. This ruling does not impact the risk retention rules for European CLO managers.

There is no intended change to the investment activity in U.S. CLOs by the U.S. MOA in the near-term as a result of the ruling. We will continue to evaluate the implications of this change in U.S. regulations on the long-term investment strategy of the Company, considering the potential impact of the ruling on investment performance and capital deployment, among other factors.

Outlook

In Europe, we believe that the supply and demand imbalance will continue to drive technical performance factors in the European loan market. Additionally, with the ECB tapering its quantitative easing programme in 2018, an uptick in rates in Europe looks increasingly likely and the strong fundamental macroeconomic environment is expected to continue into 2018. We believe that floating rate assets, including higher quality European loans and floating rate notes, are attractive relative to other longer-duration fixed income assets given the potential rising rate environment and subdued default forecasts.

In the U.S., we believe that a great deal of value will be predicated on inflation trends, term premiums and the continuation of a low default environment during the coming year. We remain encouraged by the benefits of recent U.S. tax reform as it is expected that for 75% of high yield issuers the lower corporate tax rate and the ability to depreciate additional capital expenditure will outweigh companies' inability to fully deduct interest expense. Accordingly, we expect that the fundamentals of the majority of double-B and single-B rated U.S. issuers could improve, while highly levered CCC-rated issuers may face headwinds given the reduction in interest deductibility. The confluence of these events is likely to create greater performance and pricing dispersion resulting in opportunities to outperform through careful credit selection.

Risk Management

Given the natural asymmetry of fixed income, our experienced credit team focuses on truncating downside risk and avoiding principal impairment and believes that the best way to control and mitigate risk is by remaining disciplined in market cycles and by making careful credit decisions while maintaining adequate diversification.

BGCF's portfolio of loans and CLO income notes is managed so as to minimise default risk and credit related losses, which is achieved through in-depth fundamental credit analysis and diversifying the portfolio so as to avoid the risk of any one issuer or industry adversely impacting overall returns. As outlined in the portfolio update section, BGCF is broadly diversified across issuers, industries, and countries.

BGCF's base currency is denominated in Euro, though investments are also made and realised in other currencies. Changes in rates of exchange may have an adverse effect on the value, price, or income of the investments of BGCF. BGCF may utilise different financial instruments to seek to hedge against declines in the value of its positions as a result of changes in currency exchange rates.

Through the construction of solid credit portfolios and our emphasis on risk management, capital preservation, and fundamental credit research, we believe the Company's investment strategy will continue to be successful.

Blackstone / GSO Debt Funds Management Europe Limited

25 April 2018

EXECUTIVE SUMMARY

Principal Activities

The Company was incorporated on 30 April 2014 as a closed-ended investment company limited by shares under the laws of Jersey and is authorised as a listed fund under the Collective Investment Funds (Jersey) Law 1988. The Company continues to be registered and domiciled in Jersey and the Company's Euro shares are quoted on the Premium Segment of the Main Market of the London Stock Exchange ("LSE").

The Company's share capital consists of an unlimited number of shares. As at 31 December 2017, the Company's issued share capital consisted of 404,700,446 Euro shares.

The Company has a wholly owned Luxemburg subsidiary, Blackstone / GSO Loan Financing (Luxembourg) S.à r.l., which has an issued share capital of 2,000,000 Class A shares and 1 Class B share held by the Company as at 31 December 2017. Additionally, the Company held 337,374,822 Class B Cash Settlement Warrants (the "CSWs") issued by the Lux Subsidiary. The Lux Subsidiary invests in PPNs issued by BGCF, a risk retention company.

Significant Events during the Year

Placing under Placing Programme

On 21 February 2017, the Company announced its intention to issue new Euro shares in the Company in response to current demand from investors, by way of a placing of new Euro shares, as detailed in the Company's Prospectus dated 31 March 2016.

On 3 March 2017, the Company announced that the placing had closed; raising €72.8 million (before costs and expenses) through the issue of 71,380,746 Euro shares of no par value at a price of €1.02 per share. The placing price represented a premium of approximately 2% to the unaudited NAV per share as at 31 January 2017, adjusted for the dividend declared on 20 January 2017 for the period from 1 October 2016 to 31 December 2016.

On 8 March 2017 and on 14 March 2017, the Company announced that it had issued, in aggregate, 2,000,000 new Euro shares of no par value. These shares were issued at a placing price of €1.03 per share raising €2.06 million, in aggregate, (before costs and expenses) to satisfy continued investor demand. The placing price represented a premium of approximately 3% to the unaudited NAV as at 31 January 2017, adjusted for the dividend declared on 20 January 2017 for the period from 1 October 2016 to 31 December 2016.

On 29 March 2017, the Company announced the sale of 6,719,000 Euro shares out of treasury at a price of €1.0304 per share. The sale raised gross proceeds of €6,923,258 and settlement took place on 31 March 2017.

Additional Investment

In March and April 2017, following the share issuances as mentioned above, the Company further invested in the Lux Subsidiary through the purchase of an additional 71,380,746 CSWs at a cost of €71,380,746 and an additional 8,771,408 CSWs at a cost of €8,771,408. The Lux Subsidiary simultaneously made additional investments in PPNs issued by BGCF for a total amount of €80,152,154.

In December 2017, the Company further invested in the Lux Subsidiary through the purchase of an additional 72,277 CSWs at a cost of €72,277.

Directorate Change

On 22 June 2017, the Company announced that Philip Austin MBE, a non-executive Director, had given notice that with effect from 30 September 2017 that he would be stepping down as a Director.

On 20 July 2017, the Company announced that Joanna Dentskevich, a non-executive Director, had given notice that with effect from 31 October 2017 that she would be stepping down as a Director.

On 11 August 2017, the Company announced that Steven Wilderspin was appointed as non-executive Director with effect from 11 August 2017.

On 7 September 2017, the Company announced that Heather MacCallum was appointed as non-executive Director with effect from 7 September 2017.

Migration to the Premium Segment of the Main Market of the London Stock Exchange and listing on the Official List of the UK Listing Authority

On 28 June 2017, the Company announced it had received confirmation from the UK Listing Authority that it was eligible for a premium listing on the Official List. Accordingly, the Company made applications to the UK Listing Authority and the LSE for listing on the Official List and a transfer to trading from the Specialist Fund Segment to the Premium Segment of the Main Market of the London Stock Exchange in respect of 404,700,446 ordinary shares of no par value. This took effect from 8am on 29 June 2017.

In addition, the Board has taken steps to facilitate the Company's eligibility for inclusion in the FTSE UK Index Series which, it is expected, should help raise the Company's profile in the market. In particular, the Company has introduced an additional market quote for the shares on the LSE denominated in Sterling which satisfies one of the criteria for inclusion in the Index. The Sterling quote appears alongside the Company's existing Euro market quote and there are no changes to the legal form or nature of the Company's shares nor to the reporting currency of the Company's financial statements (which remains in Euros).

Delisting from The International Stock Exchange ("TISE")

On 21 August 2017, the Company announced that it had applied to The International Stock Exchange Authority Limited to cancel its dual listing on the TISE. This application was made following the migration of the Shares from the Specialist Fund Segment to the Premium Segment of the Main Market of the London Stock Exchange and associated listing on the Official List of the UK Listing Authority on 29 June 2017, as a result of which the TISE listing was no longer required for the Company's shares to be considered "excluded securities", and therefore not subject to the marketing restrictions under the NMPI rules.

The cancellation of the TISE listing took effect on 22 September 2017.

Dividend payment in Euros and Pound Sterling

With effect from 19 October 2017, the Board offered Shareholders the option of electing to receive their dividends in Pound Sterling by submitting a Dividend Currency Election form. The first period that Shareholders could elect to receive their dividends in Pound Sterling was the period from 1 July 2017 to 30 September 2017.

A detailed review of the business of the Company is included in the Portfolio Adviser's Review.

Investment Objective

The Company's investment objective is to provide Shareholders with stable and growing income returns, and to grow the capital value of the investment portfolio by exposure predominantly to floating rate senior secured loans directly and indirectly through CLO Securities and investments in Loan Warehouses. The Company seeks to achieve its investment objective through exposure (directly or indirectly) to one or more risk retention companies or entities established from time to time ("Risk Retention Companies").

A Risk Retention Company is a company or entity to which the Company has a direct or indirect exposure for the purpose of achieving its investment objective, which is established to, among other things, directly or indirectly, purchase, hold and/or provide funding for the purchase and retention of CLO Securities issued by U.S. or European CLO Issuers (which it may manage), loans and interests in Loan Warehouses (including, and for the avoidance of doubt, BGCF and U.S. MOA).

Investment Policy

Overview

The Company's investment policy is to invest (directly or indirectly, through one or more Risk Retention Companies) predominantly in a diverse portfolio of senior secured loans (including broadly syndicated, middle market or other loans) (such investments being made by the Risk Retention Companies directly or through investments in Loan Warehouses) and in CLO Securities, and generate attractive risk-adjusted returns from such portfolios. The Company intends to pursue its investment policy by investing (through one or more wholly owned subsidiaries) in profit participating instruments (or similar securities) issued by one or more Risk Retention Companies.

The Risk Retention Companies will use the proceeds from the issue of the profit participating instruments (or similar securities) together with the proceeds from other funding or financing arrangements it has in place currently or may have in the future to invest predominantly in: (i) senior secured loans, CLO Securities and Loan Warehouses; or (ii) other Risk Retention Companies which, themselves, invest predominantly in senior secured loans, CLO Securities and Loan Warehouses. The Risk Retention Companies may invest predominantly in European or U.S. senior secured loans, CLO Securities, Loan Warehouses and other assets in accordance with the investment policy of the Risk Retention Companies. Investments in Loan Warehouses, which are generally expected to be subordinated to senior financing provided by third-party banks ("First Loss"), will typically be in the form of an obligation to purchase preference shares or a subordinated loan. There is no limit on the maximum U.S. or European exposure. The Risk Retention Companies are not expected to invest substantially directly in senior secured loans domiciled outside North America or Western Europe.

Investment Limits and Risk Diversification

The Company's investment strategy is to implement its investment policy by investing, through the Risk Retention Companies, in a portfolio of predominantly senior secured loans, or in Loan Warehouses containing predominantly senior secured loans and, in connection with such strategy, to own debt and equity tranches of CLOs and be the risk retention provider in each.

The Risk Retention Companies may periodically securitise a portion of the loans into CLOs which may be managed either by such Risk Retention Company itself, by Blackstone / GSO Debt Funds Management Europe Limited ("DFME") or GSO / Blackstone Debt Funds Management LLC ("DFM") (or one of their affiliates), in their capacity as the CLO Manager. The Risk Retention Companies will retain exposures of each CLO, which may be held as:

- CLO Income Notes equal to: (i) between 51% and 100% of the CLO Income Notes issued by each such CLO in the case of European CLOs; or (ii) CLO Income Notes representing at least 5% of the credit risk relating to the assets collateralising the CLO in the case of U.S. CLOs (each of (i) and (ii), (the "horizontal strip"); or

- Not less than 5% of the principal amount of each of the tranches of CLO Securities in each such CLO (the "vertical strip").

In the case of deals structured to be compliant with the U.S. risk retention rules, the retention by a Risk Retention Company may be structured as a combination of horizontal strip and vertical strip.

To the extent attributable to the Company, the value of the CLO Income Notes, otherwise known as CLO equity, retained by Risk Retention Companies in any CLO will not exceed 25% of the NAV of the Company at the time of investment.

Investments in CLO Income Notes and loan warehouses are highly leveraged. Gains and losses relating to underlying senior secured loans will generally be magnified.

Further, to the extent attributable to the Company, the aggregate value of investments made by Risk Retention Companies in vertical strips of CLOs (net of any directly attributable financing) will not exceed 15% of the NAV of the Company at the time of investment. This limitation shall apply to Risk Retention Companies in aggregate and not to Risk Retention Companies individually.

Loan Warehouses may eventually be securitised into CLOs managed either by a Risk Retention Company itself or by DFME or DFM (or one of their affiliates), in their capacity as the CLO Manager. To the extent attributable to the Company, the aggregate value of investments made by Risk Retention Companies in any single externally financed warehouse (net of any directly attributable financing) shall not exceed 20% of the NAV of the Company at the time of investment, and in all externally financed warehouses taken together (net of any directly attributable financing) shall not exceed 30% of the NAV of the Company at the time of investment. These limitations shall apply to Risk Retention Companies in aggregate and not to Risk Retention Companies individually.

The following limits (the "Eligibility Criteria") apply to senior secured loans (and, to the extent applicable, other corporate debt instruments) directly held by any Risk Retention Company (and not through CLO Securities or Loan Warehouses):

Maximum Exposure	**% of a Risk Retention Company's Gross Asset Value**
Per obligor	5
Per industry sector	15 (with the exception of one industry, which may be up to 20%)
To obligors with a rating lower than B-/B3/B-	7.5
To second lien loans, unsecured loans, mezzanine loans and high yield bonds	10

For the purposes of these Eligibility Criteria, "gross asset value" shall mean gross assets including any investments in CLO Securities and any undrawn commitment amount of any gearing under any debt facility. Further, for the avoidance of doubt, the "maximum exposures" set out in the Eligibility Criteria shall apply on a trade date basis.

Each of these Eligibility Criteria will be measured at the close of each Business Day on which a new investment is made, and there will be no requirement to sell down in the event the limits are breached at any subsequent point (for instance, as a result of movement in the gross asset value, or the sale or downgrading of any assets held by a Risk Retention Company).

In addition, each CLO in which a Risk Retention Company holds CLO Securities and each Loan Warehouse in which a Risk Retention Company invests will have its own eligibility criteria and portfolio limits. These limits are designed to ensure that: (i) the portfolio of assets within the CLO meets a prescribed level of diversity and quality as set by the relevant rating agencies rating securities issued by such CLO, or (ii) in the case of a Loan Warehouse, that the warehoused assets will eventually be eligible for a rated CLO. The CLO Manager will seek to identify and actively manage assets which meet those criteria and limits within each CLO or Loan Warehouse. The eligibility criteria and portfolio limits within a CLO or Loan Warehouse may include the following:

- A limit on the weighted average life of the portfolio;
- A limit on the weighted average rating of the portfolio;
- A limit on the maximum amount of portfolio assets with a rating lower than B-/B3/B-; and
- A limit on the minimum diversity of the portfolio.

CLOs in which a Risk Retention Company may hold CLO Securities or Loan Warehouses in which a Risk Retention Company may invest are also expected to have certain other criteria and limits, which may include:

- A limit on the minimum weighted average of the prescribed rating agency recovery rate;
- A limit on the minimum amount of senior secured assets;
- A limit on the maximum aggregate exposure to second lien loans, high yield bonds, mezzanine loans and unsecured loans;
- A limit on the maximum portfolio exposure to covenant-lite loans;
- An exclusion of project finance loans;
- An exclusion of structured finance securities;

- An exclusion on investing in the debt of companies domiciled in countries with a local currency sub investment grade rating; and
- An exclusion of leases.

This is not an exhaustive list of the eligibility criteria and portfolio limits within a typical CLO or Loan Warehouse and the inclusion or exclusion of such limits and their absolute levels is subject to change depending on market conditions. Any such limits applied shall be measured at the time of investment in each CLO or Loan Warehouse.

Company Borrowing Limit

The Company will not utilise borrowings for investment purposes. However, the Directors are permitted to borrow up to 10% of the NAV for day-to-day administration and cash management purposes. For the avoidance of doubt, this limit only applies to the Company and not the Risk Retention Companies.

The Company may use hedging or derivatives (both long and short) for the purposes of efficient portfolio management. It is intended that up to 100% (as appropriate) of the Company's currency exposure to non-Euro assets will be hedged, subject to suitable hedging contracts being available at appropriate times and on acceptable terms.

Changes to Investment Policy

Any material change to the investment policy of the Company would be made only with the approval of Shareholders.

It is intended that the investment policy of each substantial Risk Retention Company will mirror the Company's investment policy, subject to such additional restrictions as may be adopted by a substantial Risk Retention Company from time to time. The Company will receive periodic reports from each substantial Risk Retention Company in relation to the implementation of such substantial Risk Retention Company's investment policy to enable the Company to have oversight of its activities. If a substantial Risk Retention Company proposes to make any changes (material or otherwise) to its investment policy, the Directors will seek Shareholder approval of any changes which are either material in their own right or, when viewed as a whole together with previous non-material changes, constitute a material change from the published investment policy of the Company. If Shareholders do not approve the change in investment policy of the Company such that it is once again materially consistent with that of such substantial Risk Retention Company, the Directors will redeem the Company's investment in such substantial Risk Retention Company (either directly or, if the Company's investment in a subsidiary is invested by such subsidiary in such substantial Risk Retention Company (either directly or through one or more other Risk Retention Companies), by redeeming the securities held by the Company in such subsidiary and procuring that the subsidiary redeems its investment in such substantial Risk Retention Company (either directly or through one or more other Risk Retention Companies)), as soon as reasonably practicable but at all times subject to the relevant legal, regulatory and contractual obligations. The Board consider BGCF to be a substantial Risk Retention Company.

Investment Strategy

Whether the senior secured loans or other assets are held by BGCF directly or via CLO Securities, it is BGCF's intention that, in both cases, the portfolios will be actively managed (by BGCF or the CLO Manager, as the case may be) to minimise default risk and potential loss through comprehensive credit analysis performed by BGCF (including via the service support provided to it under the Portfolio Service Support Agreement) or the CLO Manager (as applicable).

Whilst the intention is to pursue an active, non-benchmark total return strategy, the Company is cognisant of the positioning of the loan portfolios against relevant indices. Accordingly, BGCF will track the returns and volatility of such indices, while seeking to outperform them on a consistent basis. In-depth, fundamental credit research dictates name selection and sector over-weights/under-weights relative to the benchmark, backstopped by constant portfolio monitoring and risk oversight. BGCF will typically look to diversify its portfolios to avoid the risk that any one obligor or industry will adversely impact overall returns. BGCF also places an emphasis on loan portfolio liquidity to ensure that if its credit outlook changes, it is free to respond quickly and effectively to reduce or mitigate risk in its portfolio. The Company believes this investment strategy will be successful in the future as a result of its emphasis on risk management, capital preservation and fundamental credit research. The Directors believe the best way to control and mitigate risk is by remaining disciplined in market cycles, by making careful credit decisions and maintaining adequate diversification.

Principal Risks and Uncertainties

Each Director is aware of the risk inherent in the Company's business and understands the importance of identifying, evaluating and monitoring these risks. The Board has adopted procedures and controls to enable it to manage these risks within acceptable limits and to meet all of its legal and regulatory obligations.

The Board considers the process for identifying, evaluating and managing any significant risks faced by the Company on an ongoing basis and these risks are reported and discussed at Board meetings. It ensures that effective controls are in place to mitigate these risks and that a satisfactory compliance regime exists to ensure all applicable local and international laws and regulations are upheld.

The Directors have carried out a robust assessment of the principal risks facing the Company, an overview of which, along with the applicable mitigants put in place, is set out below:

Principal risk	Mitigant
Investment	
A key risk to the Company is an economic downturn along with continued political uncertainty which could negatively impact global credit markets and the risk reward characteristics for CLO structuring which could result in a reduced number of suitable investment opportunities and/or lower shareholder demand.	Market conditions, events and political uncertainty pose a risk to capital for any asset class which by their nature (and outside efficient portfolio management by the Portfolio Adviser) may not have any mitigating factors. The Board receives regular updates from the Portfolio Adviser on the developments and overall health of the loan and CLO market. The Board takes comfort that a sufficient number of CLOs have been established by BGCF, the income from which should enable the Company (through its investment in the Lux Subsidiary) to cover its running costs and dividend policy for the foreseeable future.
Investment	
The Company holds investments comprising Class A and Class B shares and CSWs in the Lux Subsidiary which in turn holds PPNs in BGCF, a risk retention company. BGCF has also issued PPNs to third-party investors whose redemption requests could impact the level of cash available for distributions by BGCF, which could restrict the Company's ability to meet return targets and settle its obligations in full as they fall due.	Third-party investors in BGCF invest via limited liquidity funds that have restricted rights of redemption, severe penalties for redemption outside of BGCF's minimum five year 'lock-in' investment period and restricted timing of settlement of redemption proceeds. These measures ensure remaining investors will not be negatively impacted by redemptions. Third-party capital in BGCF is invested via drawdown funds whereby commitments are deployed only when investment opportunities present in the market. The drawdown nature of third-party capital mitigates the risk to the Company's return on investment. In addition, the Company's right to a return on investment ranks pari-passu to that of other investors.

Regulatory, legal, tax and compliance	
The Company, the Lux subsidiary and the risk retention companies to which the Lux Subsidiary is exposed, are subject to laws and regulations across multiple jurisdictions. This poses a risk to the Company in that the introduction of new laws and regulations, or changes to existing laws and regulations, may negatively impact or invalidate its structure, investment policy, tax efficiency or attractiveness to investors.	The Board retains the services and receives regular updates from its Portfolio Adviser and other legal, accounting and tax specialists on any potential changes to or reinterpretation of existing laws and regulations to ensure their accurate implementation. Furthermore, the Board and Portfolio Adviser believe that if a change or unfavourable interpretation of retention rules were to occur, the current investment structure has sufficient flexibility to allow proposals to be put to Shareholders such that it could continue to allow investment in senior secured loans whilst retaining compliance with applicable rules and regulations.
Operational	
The Company has no employees, systems or premises and is reliant on its Portfolio Adviser and service providers for the delivery of its investment objective and strategy. Failure in delivery could be as a result of a number of factors including, but not limited to, poor investment decisions, poor due diligence on initial investment, loss of key portfolio managers and other operational risks including cyber security breaches and conflicts of interest. There is a risk that failure in one, or a combination, of these areas could materially impact the ability of the Company to produce required minimum returns or maintain its reputation in the market place.	The day-to-day operations and functions of the Company have been delegated to third-party service providers who are subject to oversight of the Board. All the service providers of the Company are selected based on their expertise and ability to carry out their respective functions. Annual monitoring of the service providers is carried out by the Management Engagement Committee through completion of an in-depth due diligence questionnaire, attestations and ratings, covering all areas of service and ability to carry out the role including, but not limited to, internal controls processes and systems, key man risk, conflict of interest procedures and cyber security. Through reporting to the Board at the quarterly board meetings and an active compliance monitoring programme, any non-compliance by a service provider to their policies is provided. In addition, through the monthly NAV Review Committee, the Portfolio Adviser updates the Board on the performance of the underlying investments, market conditions and any other relevant issues. Their adherence to the investment guidelines is monitored by the Company's Depositary. The Portfolio Adviser has a widely experienced team with sufficient coverage of staff should any key personnel depart. The Portfolio Adviser is also part of a larger international group that specialises in alternative assets with a strong track record.

Key Performance Indicators

The Directors consider the key performance indicators for the Company to be:

- Net asset value, NAV per Euro share and NAV total return per Euro share

  Each month the NAV Review Committee reviews and compares the performance of the portfolio and the subsequent total net assets of the Company, NAV per Euro share and NAV total return per Euro share.

  The Company is targeting a mid-teen total return over the medium term which is intended to be delivered through a combination of dividend payments and capital appreciation.

  The NAV total return per Euro share has increased by 23.28% from inception.

- Quarterly dividends

  The Company targeted and paid a dividend in respect of the period from 1 January 2017 to 31 December 2017 equating to a 10% annualised return (based on a placing price of €1.00 per share).

- The premium/discount at which the Company's Euro shares trade

  The Board monitors the Euro and GBP share price of the Company's Euro shares and the prevailing premium or discount.

Further information on the above key performance indicators can be found on page 3 under Summary of Key Financial Information.

Future Developments

It is the Board's intention that the Company will pursue its investment objective and investment policy as detailed on pages 14 to 18. Further comments on the outlook for the Company for the coming financial year and the main trends and factors likely to affects its future development, performance and position are contained within the Chair's Statement and the Portfolio Adviser's Review.

Management Arrangements

The Company is a self-managed company. DFME acts as Portfolio Adviser to the Company and, pursuant to the Advisory Agreement, provides advice and assistance to the Company in connection with its investment in the CSWs. BNP Paribas Securities Services S.C.A. acts as Administrator, Company Secretary, Custodian and Depositary to the Company.

The Board and Employees

The Board currently comprises two male and two female Directors. The Company has no employees and therefore there is nothing further to report in respect of gender representation within the Company.

Full details of the Company's policy on Board Diversity can be found in the Corporate Governance Report on page 29.

Environmental, Employee, Social, Community and Human Rights Matters

The Company is a closed ended investment company with no employees, and therefore its environmental impact is minimal. The Board notes that the companies in which BGCF invests (either directly or indirectly) may have a social, employee, community and human rights impact of which the Board has no visibility or control.

Going Concern

The Directors have considered the Company's investment objective, risk management and capital management policies, its assets and the expected income from its investments. The Directors are of the opinion that the Company is able to meet its liabilities and ongoing expenses as they fall due and they have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, these financial statements have been prepared on a going concern basis and the Directors believe it is appropriate to continue to adopt this basis for a period of at least 12 months from the date of approval of these financial statements.

Viability Statement

At least once a year the Directors carry out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency and liquidity. The Directors also assess the Company's policies and procedures for monitoring, managing and mitigating its exposure to these risks. In assessing viability the Directors have considered the principal risks of the Company as detailed on pages 18 and 19 along with market conditions, the Company's current position, investment objective and strategy and the performance of the Portfolio Adviser.

As explained on pages 14 to 18, the Company's underlying investment exposure is to the investment portfolio of BGCF. BGCF's portfolio comprises the following categories of investments: (i) CLO Debt and CLO Income Notes securitised by BGCF, (ii) a portfolio of predominantly senior secured loans and (iii) preference shares. The CLO investments in the portfolio have a non-call period of approximately two years from their origination date and cannot be redeemed until these expire. The Directors have considered each of the principal risks of the Company that could materially affect the cash flows derived from these investments and hence how these could impact the cash flows received by BGLF from BGCF.

In conjunction with the Portfolio Adviser, the Directors have considered the impact that extreme market scenarios could have on BGCF and where appropriate has analysed the effect on the Company's net cash flows. These market scenarios were modelled using inputs based on actual conditions observed or experienced by the Portfolio Adviser during the global financial crisis and included assumptions on prepayment rates, default rates and reinvestment spreads and prices that would be impacted by severe but plausible scenarios. The Directors are satisfied that the outcomes under these modelled extreme market scenarios would allow the Company to generate sufficient cash flow and ensure that the Company would be able to meet its liabilities.

The Directors have assessed the prospects of the Company over the five-year period to 25 April 2023, which the Directors have determined constitutes an appropriate period to provide its viability statement. The Directors believe that financial forecasts to support its investment strategy can be subject to changes dependent upon investment performance, deployment of capital and regulatory, legal and tax developments for which the impact beyond a five year term is difficult to assess. In addition, the extent to which macroeconomic, political, social, technological and regulatory changes beyond a five-year term may have a plausible impact on the Company are difficult to envisage.

The Directors also considered the other principal risks concerning other unfavourable market events, including political risks and that of Brexit, or regulatory, legal, tax and other compliance risks and the failure of service providers, especially that of the Portfolio Adviser. Whilst each of these risks are a principal risk and could have an impact on the long-term sustainability of the Company, the Directors concluded that each was sufficiently mitigated and would therefore not impact the viability of the Company over a five-year period.

On the basis of this assessment of the principal risks facing the Company and the modelled extreme market scenarios used to assess the Company's prospects, and in the absence of any unforeseen circumstances, the Directors confirm that they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the five-year period of their assessment. However, it is worth noting that there is no intention for the life of the Company to be limited to this five-year period.

Directors' Biographies

All the Directors are non-executive, independent and resident in Jersey. The Directors appointed to the Board as at the date of this Annual Report and Audited Financial Statements are:

Charlotte Valeur

Position: Chair of the Board

Date of appointment: 13 June 2014

Charlotte Valeur has more than 30 years of experience in financial markets and is the managing director of GFG Ltd, a governance consultancy company.

She currently serves as a non-executive director on the boards of listed and unlisted companies including non-executive director of JP Morgan Convertible Bond Income Fund, a LSE-listed investment company; non-executive director of Phoenix Spree Deutschland Ltd, a LSE-listed company; non-executive director of Laing O'Rourke, a construction company; and a non-executive director of NTR Plc, a renewable energy company. She previously served as chair of the boards of Kennedy Wilson Europe Real Estate Plc and DW Catalyst Ltd and as a non-executive director of 3i Infrastructure plc.

Ms Valeur was the founding partner of Brook Street Partners in 2003 and the Global Governance Group in 2009. Prior to this, Ms Valeur worked in London as a director in capital markets at Warburg, BNP Paribas, Société Générale and Commerzbank, beginning her career in Copenhagen with Nordea A/S. She is a member of the Institute of Directors and is regulated by the Jersey Financial Services Commission.

With significant experience in international corporate finance, Ms Valeur has a high level of technical knowledge of capital markets, especially debt / fixed income. Her non-executive board roles at a number of companies and her work as a governance consultant have provided her with an excellent understanding and experience of boardroom dynamics and corporate governance.

Gary Clark, ACA

Position: Chair of the Remuneration and Nomination Committee and NAV Review Committee; Senior Independent Director

Date of appointment: 13 June 2014

Gary Clark acts as an independent non-executive director for a number of investment managers including Emirates NBD, Aberdeen Standard Life and ICG. Until 1 March 2011 he was a managing director at State Street and their head of Hedge Fund Services in the Channel Islands. Mr Clark, a Chartered Accountant, served as chairman of the Jersey Funds Association from 2004 to 2007 and was managing director at AIB Fund Administrators Limited when it was acquired by Mourant in 2006. This business was sold to State Street in 2010. Prior to this Mr Clark was managing director of the futures broker, GNI (Channel Islands) Limited in Jersey.

A specialist in alternative investment funds, Mr Clark was one of several practitioners involved in a number of significant changes to the regulatory regime for funds in Jersey, including the introduction of both Jersey's Expert Funds Guide and Jersey's Unregulated Funds regime.

Directors' Biographies

Heather MacCallum, CA

Position: Chair of the Audit Committee

Date of appointment: 7 September 2017

Heather MacCallum was a partner of KPMG Channel Islands Limited from 2001, retiring from the partnership on 30 September 2016. She was with KPMG's financial services practice for 20 years, predominantly providing audit and advisory services to the investment management sector.

Ms MacCallum currently serves as a non-executive director on the board of Jersey Water where she is chair of the audit committee and on the board of Kedge Capital Fund Management Limited, an asset management business.

She is a member of the Institute of Directors and the Institute of Chartered Accountants of Scotland (ICAS). She is also a past president of the Jersey Society of Chartered and Certified Accountants.

Steven Wilderspin, FCA, IMC

Position: Chair of the Risk Committee

Date of appointment: 11 August 2017

Steven Wilderspin, a qualified Chartered Accountant, has been the Principal of Wilderspin Independent Governance, which provides independent directorship services, since April 2007. He has served on a number of private equity, property and hedge fund boards as well as commercial companies.

In December 2017 Mr Wilderspin stepped down from the board of 3i Infrastructure plc where he was chairman of the audit and risk committee after ten years' service.

From 2001 until 2007, Mr Wilderspin was a director of fund administrator Maples Finance Jersey Limited where he was responsible for fund and securitisation structures. Before that, from 1997, Mr Wilderspin was Head of Accounting at Perpetual Fund Management (Jersey) Limited.

Directors' Report

The Directors present the Annual Report and Audited Financial Statements for the Company for the year ended 31 December 2017.

Directors

The Directors of the Company on the date the financial statements were approved are detailed on pages 22 and 23. With the exception of Heather MacCallum and Steven Wilderspin, all directors were directors of the Company throughout the year ended 31 December 2017. Heather MacCallum and Steven Wilderspin were appointed to the Board on 7 September 2017 and 11 August 2017 respectively. Joanna Dentskevich and Philip Austin MBE retired as directors on 31 October 2017 and 30 September 2017 respectively.

Share Capital

The Company's share capital consists of an unlimited number of shares. As at 31 December 2017, the Company's issued share capital consisted of 404,700,446 Euro shares (31 December 2016: 324,600,700 Euro shares excluding 6,719,100 Treasury shares).

Share Repurchase Programme

At the 2017 AGM, held on 21 June 2017, the Directors were granted authority to repurchase 60,664,597 Euro shares (being equal to 14.99% of the aggregate number of Euro shares in issue at the date of the AGM) for cancellation or to be held as treasury shares.

This authority, which has not been used, will expire at the upcoming AGM. The Directors intend to seek annual renewal of this authority from Shareholders.

Authority to Allot

At the 2017 AGM, held on 21 June 2017, the Directors were granted authority to allot, grant options over or otherwise dispose of up to 40,470,044 Euro shares (being equal to 10.00% of the aggregate number of Euro shares in issue at the date of the AGM).

Shareholders' Interests

As at 31 December 2017, the Company had been notified in accordance with Chapter 5 of the Disclosure Guidance and Transparency Rules (which covers the acquisition and disposal of major shareholdings and voting rights), of the following Shareholders that had an interest of greater than 5% in the Company's issued share capital:

	Percentage of Voting Rights
BlackRock Inc	16.58%
Old Mutual Plc	15.47%
Blackstone Treasury Asia Pte Ltd	12.35%
FIL Limited	5.74%
CCLA Investment Management Ltd	6.86%

Between 31 December 2017 and 25 April 2018, the following notifications were received:

	Percentage of Voting Rights
FIL Limited	7.86%

Statement of Disclosure of Information to the Auditor

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware and that they have taken the steps that they ought to have taken as Directors to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Greenhouse Gas Emissions

Please refer to the paragraph titled "Environmental, Employee, Social, Community and Human Rights Matters" within the Strategic Report on page 20.

Charlotte Valeur
Chair

25 April 2018

Corporate Governance Report

Statement of Compliance with Corporate Governance

The Company, having a Premium Listing on the Official List of the UK Listing Authority ("UKLA"), is subject to Listing Rule 9.8.6 which requires companies to report against the UK Corporate Governance Code (the "UK Code").

Having considered the principles and recommendations of the Association of Investment Companies' ("AIC") Code of Corporate Governance for Jersey-domiciled member companies as published by the Association of Investment Companies in July 2016 (the "AIC Code") by reference to the AIC Corporate Governance Guide for Investment Companies (the "AIC Guide"), the Board believes the AIC Code addresses all of the principles set out in the UK Code as well as additional principles and recommendations on issues that are of specific relevance to the Company and will provide better information to Shareholders.

The Board can therefore confirm that during the year ended 31 December 2017, the Company has complied with the recommendations of the AIC Code and the relevant provisions of the UK Code as detailed below.

For the reasons set out in the AIC Guide and given the size and nature of operations of the Company, in that it is a self-managed investment company with no executive employees and that the providers of outsourced services have their own internal audit functions, the Board considers the below provisions of the UK Code not to be relevant and therefore has not reported further on them:

- The role of the Chief Executive;
- Executive directors' remuneration; and
- The need for an internal audit function.

The Company will provide details in the future if it considers them to be relevant.

Copies of the AIC Code, the AIC Guide and the UK Code can be found on the respective organisations' websites - aic.co.uk and frc.org.uk.

The Board

The Board consists of four non-executive directors, the biographies of whom can be found on pages 22 to 23.

The Board meets at least four times a year and is in regular contact with the Portfolio Adviser, the Administrator and the Company Secretary. Furthermore, the Board is supplied with information in a timely manner from the Portfolio Adviser, the Company Secretary and other advisers in a form and of a quality appropriate for it to be able to discharge its duties.

Duties and Responsibilities

The Board has overall responsibility for maximising the Company's success by directing and supervising the affairs of the business and meeting the appropriate interests of Shareholders and relevant stakeholders, while enhancing the value of the Company and also ensuring the protection of investors. A summary of the Board's responsibilities is as follows:

- Statutory obligations and public disclosure;
- Strategic matters and financial reporting;
- Risk assessment and management including reporting, compliance, governance, monitoring and control; and
- Other matters having a material effect on the Company.

The Board is responsible to Shareholders for the overall management of the Company. The Board has delegated the day-to-day operational activities of the Company to the Portfolio Adviser, Administrator and Company Secretary. The Board reserves the power of decisions relating to the determination of investment policy, the approval of changes in strategy, capital structure, statutory obligations and public disclosure, and the entering into any material contracts by the Company.

Board Attendance

The following table shows the number of meetings held by the Board and each committee for the year ended 31 December 2017, as well as the number of attendances at each meeting.

Meeting	Total	Charlotte Valeur	Gary Clark	Heather MacCallum	Steven Wilderspin	Philip Austin	Joanna Dentskevich
Quarterly Board	**4**	4	4	1 (of 1)	1 (of 1)	3 (of 3)	3 (of 4)
Ad-hoc Board	**17**	13	17	4 (of 4)	4 (of 6)	14 (of 15)	13 (of 16)
Audit Committee	**6**	4	6	3 (of 3)	3 (of 3)	3 (of 5)	5 (of 6)
Management Engagement Committee	**1**	1	1	N/A	N/A	1 (of 1)	1 (of 1)
NAV Review Committee	**12**	8	11	4 (of 4)	4 (of 5)	8 (of 9)	6 (of 10)
Remuneration and Nomination Committee	**4**	4	4	1 (of 1)	1 (of 1)	3 (of 3)	3 (of 4)
Risk Committee	**3**	3	3	1 (of 1)	1 (of 1)	2 (of 2)	2 (of 3)

Philip Austin resigned with effect from 30 September 2017
Joanna Dentskevich resigned with effect from 31 October 2017
Steven Wilderspin was appointed with effect from 11 August 2017
Heather MacCallum was appointed with effect from 7 September 2017

Chair

The Chair is responsible for leadership of the Board, ensuring its effectiveness on all aspects of its role and setting its agenda. The Chair is also responsible for ensuring that the Directors receive accurate, timely and clear information and for effective communication with Shareholders.

Board Independence

For the purposes of assessing compliance with principle 1 and 2 of the AIC Code, the Board considers all of the current Directors as independent of the Company's Portfolio Adviser.

The Directors consider that there are no factors, as set out in principle 1 or 2 of the AIC Code, which compromise their independence and that they all contribute to the affairs of the Company in an adequate manner. The Board reviews the independence of all Directors annually. The Company Secretary acts as secretary to the Board and Committees and, in doing so, assists the Chair in ensuring that all Directors have full and timely access to all relevant documentation, organises induction of new Directors, is responsible for ensuring that the correct Board procedures are followed and advises the Board on corporate governance matters.

Board Evaluation

During 2017, the Board conducted their own review using BoardMetrix, a board evaluation tool, which assessed the Board's performance in the following areas:

- Board composition/skills
- Strategic review
- Workings of the board
- Risk oversight
- Performance oversight
- Stakeholder management

As part of the evaluation the Directors also assessed their own performance and the independence of each Director.

The evaluation concluded that the Board was strong across all of the above areas and that the Directors were performing effectively. No significant recommendations were made which are required to be brought to the attention of the Shareholders.

A board evaluation was externally facilitated by Value Alpha during 2016. The Board intends to arrange for an externally-facilitated board evaluation to be conducted every three years.

The Board is minded to consider the appointment of a fifth director in the next twelve months.

Committees of the Board

The Board has established five committees, an Audit Committee, a Management Engagement Committee, a NAV Review Committee, a Remuneration and Nomination Committee and a Risk Committee. Each committee has formally delegated duties and responsibilities within written terms of reference, which are available on the Company's website, blackstone.com/bglf, under "Terms of Reference".

As a result of changes to the Board of Directors there have been changes to the membership of the committees during 2017. The current memberships are detailed below.

Audit Committee

The Audit Committee comprises all Directors, excluding Charlotte Valeur, and is chaired by Heather MacCallum.

The terms of reference state that the Audit Committee will meet not less than three times a year and will meet the Auditor at least once a year. The report on the role and activities of this committee and its relationship with the Auditor is contained in the Audit Committee Report on pages 37 to 39.

Management Engagement Committee

The Management Engagement Committee comprises all Directors and is chaired by Charlotte Valeur.

The terms of reference state that the Management Engagement Committee shall meet not less than once a year and will have responsibility for monitoring and reviewing the Portfolio Adviser's performance and will recommend to the Board whether the continued appointment of the Portfolio Adviser is in the best interests of the Company and Shareholders.

NAV Review Committee

The NAV Review Committee comprises all Directors and is chaired by Gary Clark.

The terms of reference state that the NAV Review Committee shall meet at least one a month to review and consider the Company's NAV calculation, fact sheet and related stock exchange announcements.

Remuneration and Nomination Committee

The Remuneration and Nomination Committee comprises all Directors and is chaired by Gary Clark.

The terms of reference state that the Remuneration and Nomination Committee will meet not less than twice a year and shall be responsible for all aspects of the appointment and remuneration of Directors. The remuneration duties of the committee include determining and agreeing with the Board the framework or broad policy for the remuneration of the Directors and to review its ongoing appropriateness and relevance.

The nomination duties of the committee include regularly reviewing the structure, size and composition of the Board, including the balance of skills, experience, independence and knowledge on the Board, as well as identifying, nominating and recommending, for approval of the Board, candidates to fill Board vacancies as they arise.

Appointment of Ms MacCallum and Mr Wilderspin

The Remuneration and Nomination Committee engaged Nurole Limited as an independent search consultancy to identify potential candidates to replace Mr Austin and Ms Dentskevich. Nurole Limited had no connection to the Company. Ms MacCallum and Mr Wilderspin were the Remuneration and Nomination Committee's preferred candidates and the committee considers that they bring valuable experience and knowledge to the Board.

Director Re-Election and Tenure

The Remuneration and Nomination Committee has considered the question of a policy on Board tenure. It is strongly committed to striking the correct balance between the benefits of continuity and those that come from the introduction of new perspectives to the Board. Ms MacCallum and Mr Wilderspin both joined the Board in 2017 following the resignation of Ms Dentskevich and Mr Austin during the year.

As provided for in the AIC Code and in order to phase future retirements and appointments, the Board has not at this stage adopted any specific limits to terms, but expects to continue to rotate Board members over the coming years.

The Board has adopted a policy whereby all Directors will be put up for re-election every year. Accordingly, all Directors will be put forward for re-election at the forthcoming AGM. Each of the Directors has demonstrated a strong commitment to the Company and the Board believes each Director's re-election will be in the best interest of the Company.

Risk Committee

The Risk Committee comprises all Directors and is chaired by Steven Wilderspin.

The terms of reference state that the Risk Committee shall meet at least four times a year. The activities of this committee are outlined in the Risk Committee Report on page 31.

Board Diversity

The Board believes in and values the importance of a broad range of skills, experience and diversity, including gender, for the effective functioning of the Board, all of which are considered when determining the optimum composition of the Board. The Board has a policy that aims to have minimum 40% either gender represented on the Board.

Internal Controls

The Board has applied principle 15 of the AIC Code by establishing a continuous process for identifying, evaluating and managing the significant risks that the Company faces and as such regularly reviews the process put in place from the start of the reporting period to the date of approval of this report. The Board is responsible for the Company's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

In compliance with principle 15 of the AIC Code, the Board regularly reviews the effectiveness of the Company's system of internal control. The Board's monitoring covers all controls, including financial, operational and compliance controls and risk management. It is based principally on reviewing reports from the Portfolio Adviser and BGCF to consider whether significant risks are identified, evaluated, managed and controlled and whether any significant weaknesses are promptly remedied and indicate a need for more extensive monitoring. The Board has also performed a specific assessment for the purpose of this report. This assessment considers all significant aspects of internal control arising during the period covered by the report. The Audit Committee assists the Board in discharging its review responsibilities.

During the course of its review of the system of internal control, the Board has not identified nor been advised of any failings or weaknesses which it has determined to be significant. Therefore, a confirmation in respect of necessary actions has not been considered appropriate.

The Board is also responsible for setting the overall investment policy and monitors the services provided by the Portfolio Adviser at regular Board meetings. The Board receives regular compliance reports from the Portfolio Adviser, the Administrator, the Company Secretary and the Depositary.

The Directors clearly define the duties and responsibilities of their agents and advisers, whose appointments are made after due consideration, and monitor their ongoing performance. All of the Company's agents and advisers maintain their own systems of internal control on which they report to the Board. The systems are designed to ensure effectiveness and efficient operation, internal control and compliance with laws and regulations. In establishing the systems of internal control, regard is paid to the materiality of relevant risks, the likelihood of costs being incurred and costs of control. It follows, therefore, that the systems of internal control can only provide reasonable but not absolute assurance against the risk of material misstatement or loss.

The Directors are satisfied that the continued appointment of the relevant service providers is in the best interests of the Shareholders.

The Board has reviewed the need for an internal audit function and has decided that the systems and procedures employed by the Administrator and Portfolio Adviser, including their own internal controls and procedures, provide sufficient assurance that a sound system of risk management and internal control, to safeguard the Shareholders' investment and the Company's assets, is maintained. An internal audit function specific to the Company is therefore considered unnecessary. Full details are set out in the Audit Committee Report on pages 37 to 39 .

The Company has appointed Fidante Partners Europe Limited (trading as Fidante Capital) and Nplus 1 Singer Advisory LLP as its Joint Brokers. Together with these parties, the Portfolio Adviser assists the Board in communicating with and understanding the views of the Company's major Shareholders.

Risk Committee Report

Membership

The Risk Committee comprises Steven Wilderspin (Chair), Charlotte Valeur, Heather MacCallum and Gary Clark.

Key Objectives

The Risk Committee has been established to assist the Board in its oversight of risk through ensuring the Company maintains a high standard of risk identification, monitoring and management so as to minimise investment and any non-financial risks not covered by the Audit Committee.

Responsibilities

During 2017, the Risk Committee reviewed its mandate to ensure effective operation in conjunction with the Audit Committee, and as a result, its key responsibilities, amongst others, remain:

- ensuring the Company's compliance with its investment objectives, policies, restrictions and borrowing limits;
- ensuring that appropriate policies and reporting exists for the monitoring of the Company's key risks;
- developing and maintaining a risk register documenting identified risks, their mitigants, likelihood and impact, which is reviewed regularly by the Board with action points and newly identified risks being appropriately dealt with;
- defining risk review activities regarding investment decisions, transactions and exposures for approval by the Board; and
- ensuring due regard is given to all regulations, codes, and laws that the Company is subject to.

Committee Meetings

In 2017, the Risk Committee met on three occasions to consider: risk reporting and monitoring, including the risk register; newly identified risks, their impact and required mitigants; the integration of any new service provider such as our Administrator and Depositary; the Board's risk appetite; and Principal Risks and Viability Statement. Owing to the transition of chairmanship of the Committee between Joanna Dentskevich and Steven Wilderspin, and his induction, a fourth Committee meeting was not deemed necessary.

Risk Monitoring

Being internally managed, the Company is responsible for both portfolio and risk management. However, due to the nature of the investment and the limited ability to look through, traditional market and credit risk techniques do not apply at the Company level.

Investment risk management and monitoring, to ensure the successful pursuance of our investment objective, is therefore mainly through the Company's monthly NAV reporting process and the monitoring of investment restrictions and eligibility criteria as carried out by our Depositary.

In the prior year, our auditors carried out a review of DFME's operating and control framework outlining their business structure, governance (including compliance monitoring), roles and responsibilities and a detailed description of the key control procedures. This was done at our request to obtain further assurance on the soundness of both DFME's control environment and the reporting received, partly due to the Luxembourg restructuring and amendments to the Company's Investment Objective and Policy.

This year, members of the Risk Committee conducted a due diligence visit to DFME in Dublin and reviewed key aspects of the DFME risk management framework.

The Risk Committee also met two independent members of the board of BGCF to discuss the risk management framework in both BGCF and the Company. This allowed the Committee to have deeper insight into various areas, including oversight and controls over CLO valuations, and has fed into the Committee's risk methodology.

Risk Committee Report

Risk Register and Risk Appetite Statement

The Risk Committee continued to develop its risk methodology that allows the Board to relate its significant residual risks to their potential impact on the Company's strategy, the relevance and effectiveness of the mitigants in place and the Company's risk appetite.

The Risk Committee continued to use its Risk Appetite Statement to drive the Risk Committee agenda, aid identification of new risks and areas needing further attention and for ongoing consideration of Principal Risks.

Principal Risks and Uncertainties

The principal risks and uncertainties faced by the Company, as identified by the Risk Committee are outlined on pages 18 and 19. Although these are unchanged during the year, the Committee considers that risk has reduced in general in the year as economies are improving, the CLO market is robust, the Company's strategy is being successfully implemented and the previous structural changes in the way the Company invests have bedded-in.

Conclusion

In 2017, the Committee were able to fully utilise the risk methodology put in place by the previous Chair, Joanna Dentskevich, to monitor the Company's risks and there was good engagement with DFME and BGCF on risk matters. I look forward to building on this foundation to develop the risk management framework of the Company going forward.

Steven Wilderspin
Risk Committee Chair

25 April 2018

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and Audited Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the European Union (the "EU"). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of the affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable;
- provide additional disclosures when compliance with the specific requirements in IFRS as adopted by the EU are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with The Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in Jersey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the Directors, whose names are listed on page 85, confirms that, to the best of that Director's knowledge and belief:

- The financial statements, prepared in accordance with IFRS as adopted by the EU, give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2017, and its profit for the year then ended;
- The Strategic Report and the Directors' Report include a fair review of the information required by the Disclosure Guidance and Transparency Rules ("DTR") 4.1.8 (indication of important events up to 31 December 2017 and a description of principal risks and uncertainties);
- The Strategic Report and the Directors' Report include a fair review of the information required by DTR 4.1.9 and 4.1.10 (analysis of the development and performance of the Company aided by the use of key performance indicators; and, where appropriate, information relating to environmental factors);
- The Strategic Report and the Directors' Report include a fair review of the information required by DTR 4.1.11 (disclosure of important events that have occurred after 31 December 2017; future developments; financial risk management objectives and policies and Company exposure to price, credit, liquidly and cash flow risk); and
- The annual report and audited financial statements, taken as a whole, provide the information necessary to assess the Company's performance, position, business model and strategy and are fair, balanced and understandable.

Charlotte Valeur
Chair

Heather MacCallum
Audit Committee Chair

25 April 2018

Directors' Remuneration Report

Dear Shareholder,

This report provides relevant information in respect of the Directors' remuneration.

Directors' Remuneration

The Directors' remuneration for the year is as follows:

	Annual Fee	Additional Fee	Total fee for the year ended 31 December 2017	Total fee for the year ended 31 December 2016
	£	£	£	£
Charlotte Valeur	50,000	-	50,000	60,000
Gary Clark	35,000	5,000	40,000	50,000
Heather MacCallum*	35,000	5,000	12,137	-
Steven Wilderspin*	35,000	5,000	14,726	-
Philip Austin*	35,000	-	26,178	45,000
Joanna Dentskevich*	35,000	5,000	33,315	50,000
Total Directors' Remuneration			**176,356**	**205,000**
Total Directors' Remuneration (€)			**201,218**	**250,747**

*The annual fee and additional fees paid to these Directors during the year ended 31 December 2017 were pro-rated relative to each Director's period in office.

Philip Austin and Joanna Dentskevich resigned as Directors of the Company effective 30 September 2017 and 31 October 2017, respectively. Joanna Dentskevich also resigned as Chair of the Risk Committee effective 19 October 2017.

Steven Wilderspin and Heather MacCallum were appointed as Directors of the Company effective 11 August 2017 and 7 September 2017, respectively. Steven Wilderspin and Heather MacCallum were also appointed as Chair of the Risk Committee and Chair of the Audit Committee respectively on the 19 October 2017.

The Chairs of the NAV Committee, Risk Committee and Audit Committee each received an additional fee of £5,000 for the additional responsibilities and time commitment required in undertaking these roles.

Directors' remuneration is payable quarterly in arrears in Sterling.

No other remuneration or compensation was paid or is payable by the Company during the year to any of the Directors. There has been no change to the Company's remuneration policy as detailed below.

The Company has no employees; accordingly, there is no difference in policy on the remuneration of Directors and the remuneration of employees. No Director is entitled to receive any remuneration which is performance-related.

Increase to Directors' Remuneration

Following a review of Directors' remuneration by the Remuneration and Nomination Committee in February 2018, it is intended that with effect from 1 July 2018 the Directors' fees are increased as follows:

		Charlotte Valeur	Gary Clark	Heather MacCallum	Steven Wilderspin	Total fee
Annual Fee	£	60,000	38,000	38,000	38,000	174,000
Audit Committee Chair	£			6,500		6,500
Management Engagement Committee Chair	£	1,000	-	-	-	1,000
NAV Review Committee Chair	£	-	5,000	-	-	5,000
Remuneration and Nomination Committee Chair	£	-	1,000	-	-	1,000
Risk Committee Chair	£	-	-	-	6,500	6,500
Senior Independent Director	£	-	2,000	-	-	2,000
Total Directors' fees	**£**	**61,000**	**46,000**	**44,500**	**44,500**	**196,000**

In reviewing the Directors' remuneration, the Remuneration Committee consulted with Mercer, as an independent remuneration consultant, and considered the following:

- The time commitment and skills required of the Directors;
- The additional responsibilities and the time commitment for the additional roles fulfilled by the Directors;
- The remuneration set by similar companies; and
- The level of remuneration required to attract and retain Directors of adequate calibre.

Mercer has no connection with the Company.

Remuneration Policy

Directors' fees are determined by the Remuneration and Nomination Committee under the terms of the remuneration policy (the "Remuneration Policy") approved on 16 April 2015, as derived from the Company's Articles of Association. The Remuneration and Nomination Committee also considers the remuneration levels of similar companies and consults external remuneration consultants where it deems this appropriate

The Remuneration and Nomination Committee, consisting of all four Directors, is involved in deciding Directors' remuneration and ensuring that remuneration received reflects their duties, responsibilities and the value of the Directors' time.

The Company does not provide pensions or other retirement or superannuation benefits, death or disability benefits, or other allowances or gratuities to the Directors or specified connected parties. The Remuneration Policy also prohibits payments to a Director for loss of office or as consideration for, or in connection with, his retirement from office. Whilst the Remuneration Policy permits part of their fee to be paid in the form of fully-paid up shares in the capital of the Company, the Directors' fees are not currently paid this way.

In addition, the Remuneration Policy allows for reasonable travelling, hotel and other expenses incurred in the course of performing their duties or from their performance of a special service on behalf of the Company.

The limit for the aggregate fees payable to the Directors is £300,000 per annum.

Directors' Interests

The Directors held the following number of Euro shares in the Company as at the year end and the date these financial statements were approved:

	As at 31 December 2017	As at 31 December 2016
Charlotte Valeur	11,500	-
Gary Clark	73,700	53,700
Heather MacCallum	-	-
Steven Wilderspin	-	-

Service Contracts and Policy on Payment of Loss of Office

No Director has a service contract with the Company. The Directors have each entered into a letter of engagement with the Company setting out the terms of their appointment. Directors' appointments may be terminated at any time by giving three month's written notice with no compensation payable upon leaving office for whatever reason.

Gary Clark
Remuneration and Nomination Committee Chair

25 April 2018

Audit Committee Report

The Audit Committee comprises Heather MacCallum, Steven Wilderspin and Gary Clark and is chaired by Heather MacCallum. Ms MacCallum has recent and relevant financial experience in accounting and auditing, and the Audit Committee as a whole has competence relevant to the sector in which the Company operates.

In addition to formal meetings, the Audit Committee has worked with the Portfolio Adviser and Auditor to assess the operations and controls of BGCF and to assess in particular what reliance the Audit Committee can place on the control environment. The Chair has also had a number of discussions with the Auditors, the Portfolio Adviser and the Administrator around the annual audit process.

Role of the Audit Committee

The function of the Audit Committee is to ensure that the Company maintains high standards of integrity, financial reporting and internal controls.

The Audit Committee's main roles and responsibilities include, but are not limited to, the following:

- Monitoring the integrity of the financial statements and any formal announcements relating to the Company's financial performance;
- Reviewing and reporting to the Board on any significant financial reporting issues and judgements;
- Reviewing and monitoring the effectiveness of the Company's risk management and internal control arrangements;
- Monitoring the statutory audit of the annual accounts of the Company and its effectiveness;
- Reviewing the external auditor's performance, independence and objectivity;
- Making recommendations to the Board in relation to the appointment, re-appointment and/or removal of the external auditor, the approval of the external auditor's remuneration and the terms of the engagement;
- Implementing policies surrounding the engagement of the external auditor to supply non-audit services, where appropriate;
- Reviewing and challenging where necessary significant accounting policies and practices; and
- Reporting to the Board on how it has discharged its responsibilities.

How the Audit Committee Has Discharged Its Responsibilities

The Audit Committee met six times during the year. Representatives of the Company's Auditor and the Administrator were invited to the meetings as appropriate.

Monitoring the Integrity of the Financial Statements Including Significant Judgements

We reviewed the Company's 2017 Half Yearly and Annual Reports prior to discussion and approval by the Board, and the significant financial reporting issues and judgements which they contain and reviewed the external auditor's reports thereon. We reviewed the appropriateness of the Company's accounting principles and policies, and monitored changes to, and compliance with, accounting standards on an ongoing basis.

After the year end we had further meetings and we reviewed, prior to making any recommendations to the Board, the Annual Report and Audited Financial Statements for the year ended 31 December 2017. In undertaking this review, we discussed with the Auditor, the Portfolio Adviser and the Administrator the critical accounting policies and judgements that have been applied.

The Auditor reported to the Committee on any misstatements that they had found during the course of their work and confirmed that under ISA (UK) no material amounts remained unadjusted.

As requested by the Board, we also reviewed the Annual Report and are able to confirm to the Board that, in our view, the Annual Report, taken as a whole, is fair, balanced and understandable and provided the information necessary for Shareholders to assess the Company's position, performance, business model and strategy.

Significant Accounting Matters

During the year the Committee considered key accounting issues, matters and judgements regarding the Company's financial statements and disclosures including those relating to:

Significant Area	How Addressed
Assessment of consolidation and related disclosure requirements	The Audit Committee has considered compliance with the accounting treatment for investments relating to consolidation requirements for the Company and its investee entities and the related disclosures in accordance with the provisions of IFRS 10 and IFRS 12. The Audit Committee critically reviewed reports from the Portfolio Adviser and Administrator, as well as evaluating and consulting with them and with the Auditor, and has concluded that the Company is not required to consolidate the Lux Subsidiary given the Company meets the definition of an investment entity as defined in IFRS 10. Accordingly, investments are recognised at fair value through profit or loss. Please see Note 2 in the financial statements for further details. Consideration was also given to the disclosures provided with respect to BGCF including details of the underlying investments, leverage and financial instruments disclosures, including classification levels. Disclosures have been provided from the financial statements of BGCF to provide details of the activities and operations of BGCF as a non-consolidated entity.
Valuation of investments	The investment in the Lux Subsidiary is accounted for at fair value through profit or loss and the investment in PPNs issued by BGCF held by the Lux Subsidiary are at fair value. Investments in BGCF (the PPNs) are illiquid investments, not traded on an active market and are valued using valuation techniques determined by the Directors and classified as Level 3 under IFRS 13 "Fair Value Measurement." Valuation is therefore considered a significant area and is monitored by the Board, the Audit Committee, the Portfolio Adviser and the Administrator. The Audit Committee receives and reviews reports on the processes for the valuation of investments. Following discussion, we were satisfied that the judgements made and methodologies applied were prudent and appropriate and that an appropriate accounting treatment has been adopted in accordance with IFRS 13. Please see Notes 2, 6 and 10 in the financial statements for further details.

Assessment of Risks and Uncertainties

The risks associated with the Company's financial instruments, as disclosed in the financial statements, particularly in Note 10, represent a key accounting disclosure. The Audit Committee and the Risk Committee critically review, on the basis of input from the service providers, the process of ongoing identification and measurement of these risks disclosures

Other Accounting Matters

During the year, the Committee received communications from the service providers and from the Auditor on other accounting matters including tax, audit fees and regulatory updates.

Risk Management and Internal Controls

The Board as a whole is responsible for the Company's system of internal controls; however, the Audit Committee assists the Board in meeting its obligations in this regard. The daily operational activities of the Company were delegated to the service providers and as a result the Company has no direct internal audit function and instead places reliance on the external and internal audit controls applicable to the service providers as regulated entities. However, the Audit Committee receives confirmations from the service providers that no material issues have arisen in respect of the system of internal controls and risk management operated within the Company's service providers. The Committee confirms that this is an ongoing process in order to manage the significant risks faced by the Company. We deem that, to date, there are no significant issues in this area which need to be brought to your attention.

External Audit

It is the responsibility of the Audit Committee to monitor the performance, independence, objectivity and re-appointment of the Auditor. The Audit Committee met with Deloitte LLP ("Deloitte") to consider the audit strategy and plan for the audit. The audit plan for the reporting period was reviewed, including consideration of the key financial statement and audit risks, to seek to ensure that the audit was appropriately focused.

The Auditor attends the Audit Committee meetings throughout the year, which allows the opportunity to discuss any matters the auditor may wish to raise without the Portfolio Adviser or other service providers being present. Deloitte provides feedback at each Audit Committee meeting on topics such as the key accounting matters, mandatory communications and the control environment. The Audit Committee also discusses the performance of the Auditor independently of the Auditor.

Deloitte was formally appointed as the Company's auditor for the 2014 period end audit following a competitive tender process during 2014. The lead audit partner is rotated every five years to ensure continued independence and objectivity.

The Audit Committee continues to be satisfied with the performance of the Auditor. We have therefore recommended to the Board that the Auditor, in accordance with agreed terms of engagement and remuneration, should continue as the Company's auditor at the forthcoming Annual General Meeting. Accordingly a resolution proposing the reappointment of Deloitte as the Company's auditor will be put to the Shareholders at the 2018 AGM.

In advance of the commencement of the annual audit, the Audit Committee reviewed a statement provided by the Auditor confirming their independence within the meaning of the regulations and professional standards. In addition, in order to satisfy itself as to the Auditor's independence, the Audit Committee undertook a review of the Auditor's compensation and the balance between audit and non-audit fees.

The Audit Committee has agreed the types of permitted and non-permitted ongoing non-audit services and those which require explicit prior approval. During the year, Deloitte were contracted to provide services related to the interim financial statements, U.S. tax compliance and tax advisory services. The value of non-audit services provided by Deloitte and charged in the period amounted to approximately €161,327. The overall quantum of non-audit services and the one-off fees incurred for this work in 2017 in these roles is material to the overall audit fee. This has been considered, including the role of the respective engagement teams and the independence of individuals from the audit engagement team, and the Audit Committee is satisfied that the auditors have acted in an independent and professional manner.

During 2018, the Audit Committee intends to review their policy with respect to non-audit services to ensure it continues to align with best practice.

Heather MacCallum
Audit Committee Chair

25 April 2018

Independent Auditor's Report to the Shareholders of Blackstone / GSO Loan Financing Limited

Report on the audit of the financial statements

Opinion

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 (IFRSs) as adopted by the European Union; and**
- **have been properly prepared in accordance with Companies (Jersey) Law 1991.**

We have audited the financial statements of Blackstone GSO / Loan Financing Limited (the "Company") 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 19

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

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.

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 Financial Reporting Council's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the Financial Reporting Council's Ethical Standard were not provided to the Company.

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

Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • Compliance with Consolidation requirements • Valuation of investments Within this report, any new key audit matters are identified with and any key audit matters which are the same as the prior year identified with .
Materiality	The materiality that we used in the current year was €7.5 million which was determined on the basis of approximately 2% (2016: 2%) of the Net Asset Value of the Company.
Scoping	Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

Significant changes in our approach	There have been no significant changes in our approach in respect of the current year’s audit.

Conclusions relating to going concern, principal risks and viability statement

Going concern
We have reviewed the directors’ statement in note 2.2 to 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 Company’s ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

Principal risks and viability statement
Based solely on reading the directors’ statements and considering whether they were consistent with the knowledge we obtained in the course of the audit, including the knowledge obtained in the evaluation of the directors’ assessment of the Company’s ability to continue as a going concern, we are required to state whether we have anything material to add or draw attention to in relation to:

- the disclosures on pages 18 - 19 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation on page 21 that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity; and
- the directors’ explanation on page 21 as to how they have assessed the prospects of the Company, 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 Company 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.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

Key audit matters

Key audit matters are those matters that, in our professional judgement, 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 forming our opinion thereon, and we do not provide a separate opinion on these matters.

Compliance with Consolidation requirements

Key audit matter description	As disclosed on page 52 in note 1 to the financial statements, investments at the year-end comprised of Cash Settlement Warrants (the "CSWs") and class A and B shares issued by the Company's wholly owned subsidiary, Blackstone / GSO Loan Financing (Luxembourg) S.a.r.l. (the "Lux Subsidiary"). The Lux Subsidiary holds Profit Participating Notes ("PPNs") issued by Blackstone / GSO Corporate Funding Designated Activity Company ("BGCF"). There is a key judgement around whether the Company has the ability through legal agreements or through its activities to control BGCF. Connected to this, the level of disclosures, whilst prescribed in accounting standards, does involve management judgement in determining the appropriate level and detail to be disclosed in the financial statements. Compliance with accounting treatment for investments relating to consolidation requirements and related disclosures in accordance with the provisions of IFRS 10-Consolidated Financial statements are essential for financial statements to give a true and fair view of the financial position and results of the Company. We have three separate matters to consider: **Non-Consolidation of BGCF** Management's assessment that the Company is not required to consolidate BGCF as it is not deemed to have control and accordingly recognises the investment in BGCF at Fair Value Through Profit or Loss. **Non-Consolidation of Lux Subsidiary and adoption of Investment Entities approach** Management have made an assessment that demonstrates that the Company meets the "Investment Entity" criteria and the investment in subsidiary should be accounted for as Financial assets at fair value through profit and loss as opposed to consolidating the results of the subsidiary in the financial statements. **Disclosure of Interests in Other Entities** The objective of IFRS 12 is to require the disclosure of information that enables users of financial statements to evaluate the interest in the other entity, these include but are not limited to: • the nature of, and risks associated with, its interests in other entities; and • the effects of those interests on its financial position, financial performance and cash flows. Refer to page 38 (Audit Committee Report), pages 57 and 58 (Significant Accounting Policies) and page 81 (Note 11 to the Financial statements).
How the scope of our audit responded to the key audit matter	Our procedures included: • We inquired of management on regulatory matters and reviewed the legal framework, contractual terms, transactions and overall relationship between the Company, either directly or indirectly through its subsidiary and BGCF. • We assessed the review performed by management for consideration of the accounting treatment. We also considered the issuance of PPNs by BGCF to new investors, the flow of funds and its impact on the Board's assessment of BGLF's ability to exercise control over the BGCF.

	• We reviewed the approach adopted by management in assessing the Company's ability to control BGCF and also meet the definition of an Investment Entity. We considered changes (if any) in the Company's structure, activities or contractual terms as well as any development in the relevant financial reporting framework and regulatory requirements. • We assessed the adequacy and quality of the "IFRS 12 — Disclosure of Interests in Other Entities" against best practice using our technical compliance tools and experience in the other listed entities; and • We also consulted with our internal technical specialists to conclude on management's assessment of non-consolidation.
Key observations	Based on the work performed we concluded that the Company is in compliance with consolidation requirements.

Valuation of investments

Key audit matter description	As disclosed on page 13 within the strategic report, the investment in BGCF is held via the Lux Subsidiary. Under Luxembourg GAAP, investments are carried at cost less impairment. For the purpose of the Company's financial statements, as an investment entity, the investment in subsidiary is accounted for as "Investment in subsidiary at Fair Value Through Profit and Loss" and the PPNs in BGCF held by the subsidiary are fair valued. Investments in Lux Subsidiary, €377,137,378 (2016: €331,213,706) as detailed on page 61 in note 6 to the financial statements, are illiquid investments, not traded on an active market and are valued using valuation techniques determined by the Directors and classified as level 3 under IFRS 13 Fair Value Measurement. Valuation is therefore a key area of judgement and has a significant impact on the Net Asset Value ("NAV") which is the most significant Key Performance Indicator ("KPI") of the Company and has a direct effect on the recognition of gains and losses on investments. The investments, commitments and obligations contracted by BGCF are driving the performance of its NAV, the valuation of the investments in BGCF and ultimately the performance of the Company and its listed shares. We consider BGCF as the principal source of risks and rewards for the Company with BGCF's financial situation represented by its Net Asset Value as the main component for the fair valuation of the investments. Reviewing risk monitoring, performance and the investments' valuation for the Company, requires the adoption of a "see through" to the BGCF. BGCF's investment positions in debt instruments, related credit risk and liquidity exposures should be compliant with the quality, diversification and overall limitations imposed by the Prospectus. Key judgements include fair value of investments and gains on investments considering the possibility of pressure by management to achieve or manipulate the financial results through accounting judgment and estimates.

	Also, in the current environment, compliance with investment guidelines including financing levels is a key regulatory focus. Refer to page 38 (Audit Committee Report), page 57 (Significant Accounting Policies) and pages 61 to 68 (Note 6 to the Financial statements).
How the scope of our audit responded to the key audit matter	Our procedures included: • We assessed the valuation methodology for the financial instruments issued by the BGCF against industry standards and IFRS 13. • As the financial information used to determine the fair value of the investments is those of BGCF as at the year end, we have reviewed the 2017 audited financial statements of BGCF and the related audit performed by the auditors of BGCF. We planned and coordinated the audit of the Company with that of the auditors of BGCF to achieve the maximum synergy completing these audits. We have reviewed the work performed by the auditors and they reported to us on a full audit scope for the year ended 31 December 2017. • We involved a member of our specialist complex financial instruments team to review the valuation of investments and related disclosures in the financial statements. • We tested the valuations by comparing information and assumptions used by management to information available from external independent reliable sources such as Bloomberg or Intex, including any impact of discount / premium to NAV. • We reviewed the calculation of the change in value of investments for the year and its recognition in the statement of comprehensive income.
Key observations	Based on the work performed we concluded that the valuation of investments is appropriate.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Materiality	€7,500,000 (2016: €6,600,000)
Basis for determining materiality	We determined materiality for the Company, which is approximately 2% (2016: 2%) of the Net Asset Value of the Company.
Rationale for the benchmark applied	Net Asset Value is the key performance indicator for investments in the Company and is therefore selected as appropriate benchmark.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of €150,000 (2016: €132,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the entity and its environment, including internal control, and assessing the risks of material misstatement. Our audit scope included the assessment of design and implementation of relevant accounting processes and controls in place at the Company's third party accounting service provider. There have been no changes to scoping from prior year. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report including strategic report, directors' biographies, directors' report, corporate governance report, risk committee report, statement of directors' responsibilities, directors' remuneration report, audit committee report and company information, other than the financial statements and our auditor's report thereon.

We have nothing to report in respect of these matters.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

In this context, matters that we are specifically required to report to you as uncorrected material misstatements of the other information include where we conclude that:

- *Fair, balanced and understandable* – 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 position and performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- *Audit committee reporting* – 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* – 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.

Responsibilities of directors

As explained more fully in the statement of directors' responsibilities, 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: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Company's shareholders, as a body, in accordance with Article 113A of the Companies (Jersey) Law, 1991. Our audit work has been undertaken so that we might state to the Company's shareholders 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

Under the Companies (Jersey) Law, 1991 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, 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 accounting records and returns.

We have nothing to report in respect of these matters.

Andrew Isham
For and on behalf of Deloitte LLP
Recognized Auditor
Jersey, UK

25 April 2018

Statement of Financial Position

As at 31 December 2017

	Notes	As at 31 December 2017 €	As at 31 December 2016 €
Current assets			
Cash and cash equivalents	7 & 10	2,546,969	813,119
Other receivables	5	29,625	709,343
Financial assets designated at fair value through profit or loss	6 & 10	377,137,378	331,213,706
Total current assets		**379,713,972**	**332,736,168**
Current liabilities			
Payables	8	(173,651)	(397,848)
Total current liabilities		**(173,651)**	**(397,848)**
Net assets	15	**379,540,321**	**332,338,320**
Capital and reserves			
Stated capital	9	404,962,736	325,023,176
Retained earnings		(25,422,415)	7,315,144
Equity Shareholders' funds		**379,540,321**	**332,338,320**
Net Asset Value per Euro share	14	**0.9378**	**1.0238**

These financial statements were authorised and approved for issue by the Directors on 25 April 2018 and signed on their behalf by:

Charlotte Valeur
Chair

Heather MacCallum
Director

The accompanying notes on pages 52 to 84 form an integral part of the financial statements.

Statement of Comprehensive Income

For the year ended 31 December 2017

	Notes	Year ended 31 December 2017 €	Year ended 31 December 2016 €
Income			
Realised gain on foreign exchange		1,726	1,002
Net gains on financial assets designated at fair value through profit or loss	6	7,545,438	42,879,937
Total income		**7,547,164**	**42,880,939**
Expenses			
Operating expenses	3	(1,805,932)	(2,361,651)
Profit before taxation		**5,741,232**	**40,519,288**
Taxation	2.9	-	-
Profit after taxation		**5,741,232**	**40,519,288**
Interest expense		(11,238)	(7,033)
Total comprehensive income for the year attributable to Shareholders		**5,729,994**	**40,512,255**
Basic and diluted earnings per Euro share	13	**0.0147**	**0.1237**

The Company has no items of other comprehensive income, and therefore the profit for the year is also the total comprehensive income.

All items in the above statement are derived from continuing operations. No operations were acquired or discontinued during the year.

The accompanying notes on pages 52 to 84 form an integral part of the financial statements.

Statement of Changes in Equity

For the year ended 31 December 2017

	Notes	Stated capital	Retained earnings	Total
		€	€	€
Equity Shareholders' funds at 1 January 2017	9	**325,023,176**	**7,315,144**	**332,338,320**
Total comprehensive income for the year attributable to Shareholders		-	5,729,994	**5,729,994**
Transactions with owners, recorded directly to equity				
Issuance of shares	9	79,939,560	-	**79,939,560**
Dividends to Shareholders		-	(38,467,553)	**(38,467,553)**
		79,939,560	**(38,467,553)**	**41,472,007**
Equity Shareholders' funds at 31 December 2017		**404,962,736**	**(25,422,415)**	**379,540,321**

For the year ended 31 December 2016

	Notes	Stated capital	Retained earnings	Total
		€	€	€
Equity Shareholders' funds at 1 January 2016	9	**331,307,652**	**(5,337,292)**	**325,970,360**
Total comprehensive income for the year attributable to Shareholders		-	40,512,255	**40,512,255**
Transactions with owners, recorded directly to equity				
Repurchase of shares	9	(6,284,476)	-	**(6,284,476)**
Dividends to Shareholders		-	(27,859,819)	**(27,859,819)**
		(6,284,476)	**(27,859,819)**	**(34,144,295)**
Equity Shareholders' funds at 31 December 2016		**325,023,176**	**7,315,144**	**332,338,320**

The accompanying notes on pages 52 to 84 form an integral part of the financial statements.

Statement of Cash Flows

For the year ended 31 December 2017

	Year ended 31 December 2017	Year ended 31 December 2016
	€	**€**
Cash flow from operating activities		
Total comprehensive income for the year attributable to Shareholders	5,729,994	40,512,255
Adjustments to reconcile profit after tax to net cash flows:		
- Unrealised gain on financial assets designated at fair value through profit and loss	(3,632,554)	(34,130,662)
- Realised gain on financial assets designated at fair value through profit and loss	(3,912,884)	(1,322,881)
Purchase of financial assets designated at fair value through profit or loss	(80,224,431)	(18,000,000)
Proceeds from sale of financial assets designated at fair value through profit or loss	41,846,197	48,272,545
Changes in working capital		
Decrease / (increase) in other receivables	3,673	(646,978)
(Decrease) / increase in payables	(224,197)	20,525
Net cash (used in) / generated from operating activities	**(40,414,202)**	**34,704,804**
Cash flow from financing activities		
Proceeds from subscriptions	73,706,194	-
Proceeds from re-issuance of treasury shares	6,909,411	-
Repurchase of shares	-	(6,284,476)
Dividends paid	(38,467,553)	(27,859,819)
Net cash generated from / (used in) financing activities	**42,148,052**	**(34,144,295)**
Net increase in cash and cash equivalents	**1,733,850**	**560,509**
Cash and cash equivalents at the start of the year	813,119	252,610
Cash and cash equivalents at the end of the year	**2,546,969**	**813,119**

The accompanying notes on pages 52 to 84 form an integral part of the financial statements.

For the year ended 31 December 2017

1 General information

The Company is a closed-ended limited liability investment company domiciled and incorporated under the laws of Jersey with variable capital pursuant to the Collective Investment Funds (Jersey) Law 1988. It was incorporated on 30 April 2014 under registration number 115628. The Company's Euro shares are quoted on the Premium Segment of the Main Market of the LSE and has a premium listing on the Official List of the UK Listing Authority ("UKLA").

The Company's investment objective is to provide Shareholders with stable and growing income returns, and to grow the capital value of the investment portfolio by exposure predominately to floating rate senior secured loans directly and indirectly through CLO Securities and investments in loan warehouses. The Company seeks to achieve its investment objective through exposure (directly or indirectly) to one or more risk retention companies or entities established from time to time.

At 31 December 2017, all shares in issue were Euro shares. The Company may issue one or more additional classes of shares in accordance with the Articles of Association.

The Company has a wholly owned Luxemburg subsidiary, Blackstone / GSO Loan Financing (Luxembourg) S.à r.l., which has an issued share capital of 2,000,000 Class A shares and 1 Class B share held by the Company. The Company also holds 337,374,822 Class B Cash Settlement Warrants (the "CSWs") issued by the Lux Subsidiary.

The Company's registered address is IFC 1, The Esplanade, St Helier, Jersey, JE1 4BP, Channel Islands.

2 Significant accounting policies

2.1 Statement of compliance

The Annual Report and Audited Financial Statements (the "Annual Report") are prepared in accordance with the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority and with International Financial Reporting Standards ("IFRS") as adopted by the European Union, which comprise standards and interpretations approved by the International Accounting Standards Board, and interpretations issued by the International Financial Reporting Standards and Standing Interpretations Committee as approved by the International Accounting Standards Committee which remain in effect. The financial statements give a true and fair view of the Company's affairs and comply with the requirements of the Companies (Jersey) Law 1991.

The accounting policies in respect of financial instruments are set out below in Note 2.7 due to the significance of financial instruments to the Company.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented.

2.2 Basis of preparation

The Company's financial statements have been prepared on a historical cost basis, except for financial instruments measured at fair value through profit or loss.

The Company's functional currency is the Euro, which is the currency of the primary economic environment in which it operates. The Company's performance is evaluated and its liquidity is managed in Euros. Therefore, the Euro is considered as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The financial statements are presented in Euros, except where otherwise indicated.

2 Significant accounting policies (continued)

2.2 Basis of preparation (continued)

The financial statements have been prepared on a going concern basis. The disclosures with respect to the Directors' assessment on the use of the going concern basis are provided on page 21 in the Executive Summary.

2.3 Interest income and expense on cash and cash equivalents

Income receivable and payable on cash and cash equivalents is recognised separately through profit or loss in the Statement of Comprehensive Income, on an effective interest rate yield basis.

2.4 Shares in issue

The shares of the Company are classified as equity based on the substance of the contractual arrangements and in accordance with the definition of equity instruments under IAS 32 "Financial Instruments: Presentation" ("IAS 32").

The proceeds from the issue of shares are recognised in the Statement of Changes in Equity, net of the incremental issuance costs.

2.5 Fees and charges

Expenses are charged through profit or loss in the Statement of Comprehensive Income on an accruals basis.

2.6 Cash and cash equivalents

Cash comprises current deposits with banks.

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. They are held for the purpose of meeting short term cash commitments rather than for investments or other purposes. Cash equivalents are revalued at the end of the reporting period using market rates and any increases / decreases are recognised in the Statement of Comprehensive Income. There were no such holdings during the year ended 31 December 2017 (31 December 2016: €Nil).

2.7 Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instruments.

Financial assets

(a) Classification

The Company classifies its investments in accordance with IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39") as financial assets at fair value through profit or loss. These are financial instruments held for investment purposes. Financial assets also include cash and cash equivalents and other receivables.

Financial assets designated at fair value through profit or loss at inception

Financial assets designated at fair value through profit or loss at inception are financial instruments that are not classified as held for trading but are managed, and their performance is evaluated on a fair value basis in accordance with the Company's documented investment strategy.

The Company's policy requires the Portfolio Adviser and the Board to evaluate the information about these financial assets on a fair value basis together with other related financial information.

For the year ended 31 December 2017

2 Significant accounting policies (continued)

2.7 Financial instruments (continued)

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instruments.

Financial assets

(b) Recognition, measurement and derecognition

Purchases and sales of investments are recognised on the trade date – the date on which the Company commits to purchase or sell the investment. Financial assets designated at fair value through profit or loss are measured initially and subsequently at fair value. Transaction costs are expensed as incurred and movements in fair value are recorded in the Statement of Comprehensive Income.

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

(c) Fair value estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

As at 31 December 2017, the Company held 337,374,822 CSWs, 2,000,000 Class A shares and 1 Class B share issued by the Lux Subsidiary (the "Investments") (31 December 2016: 295,083,704 CSWs, 2,000,000 Class A shares and 1 Class B share). These Investments are not listed or quoted on any securities exchange, are not traded regularly and on this basis no active market exists. The Company is not entitled to any voting rights in respect of the Lux Subsidiary by reason of their ownership of the CSWs, however, the Company controls the Lux Subsidiary through its 100% holding of the shares in the Lux Subsidiary.

The fair value of the CSWs and the Class A and Class B shares are based on the net assets of the Lux Subsidiary which is based substantially in turn on the fair value of the PPNs issued by BGCF.

(d) Valuation process

The Directors have held discussions with third party service providers of BGCF in order to gain comfort around the valuation of the underlying assets in the BGCF portfolio and through this, the valuation of the PPNs and CSWs as of the Statement of Financial Position date.

The Directors, through ongoing communication with the Portfolio Adviser including quarterly meetings, discuss the performance of the Portfolio Adviser and the underlying portfolio and in addition review monthly investment performance reports. The Directors analyse the BGCF portfolio in terms of the investment mix in the portfolio. The Directors also consider the impact of general credit conditions and more specifically credit events in the European corporate environment on the valuation of the CSWs, PPNs and the BGCF portfolio.

<u>The Investments</u>

The investments are valued by the Administrator based on information from the Portfolio Adviser and are reviewed and approved by the Directors, taking into consideration a range of factors including the unaudited NAV of both the Lux Subsidiary and BGCF, and other relevant available information. The other relevant information includes the review of available financial and trading information of BGCF and its underlying portfolio, advice received from the Portfolio Adviser and such other factors as the Directors, in their sole discretion, deem relevant in considering a positive or negative adjustment to the valuation.

The estimated fair values may differ from the values that would have been realised had a ready market existed and the difference could be material.

The fair value of the CSWs and the Class A and Class B shares are assessed on an ongoing basis by the Board.

2 Significant accounting policies (continued)

2.7 Financial instruments (continued)

Financial assets (continued)

(d) Valuation process (continued)

BGCF Portfolio

The Directors discuss BGCF's valuation process to understand the methodology regarding the valuation of its underlying portfolio comprising of Level 3 assets. The majority of Level 3 assets in BGCF are comprised of collateralised loan obligations ("CLOs"). In reviewing the fair value of these assets, the Directors look at the assumptions used and any significant fair value changes during the period under analysis.

BGCF has a variety of investment types – loan assets, preference shares in U.S. MOA and CLO Warehouses and CLO Income Notes.

Where available, the fair value of financial instruments is based on their quoted market prices at the financial year end date without any deduction for estimated future selling costs. However, all of the loan asset fair value prices used in the financial statements are based on broker quotes received from Markit and all of the bonds prices are provided by International Data Corporation ("IDC"). Both loans and bonds are priced at current mid prices.

In rare circumstances, if a quoted market price is not available on a recognised stock exchange or from a broker/dealer for non-exchange traded financial instruments, the fair value of the instrument is estimated using the valuation techniques of DFME, which include use of recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions. In cases where no third party price is available, DFME will determine the valuation in line with BGCF's fair valuation policy and submit the valuation to the board of BGCF for approval.

The CLO Income Notes issued by BGCF's subsidiaries are listed on the Irish Stock Exchange and are valued by Thomson Reuters (or any other service provider appointed to fulfil such role from time to time) and disclosed as financial assets at fair value through profit or loss in BGCF's Statement of Financial Position. Thomson Reuters use the CLO Intrinsic Calculation Methodology to value the CLO Income Notes, which incorporates CLO specific information and modelling techniques, including (i) granular loan level data, such as the concentration and quality of various loan level buckets, for example, second liens, covenant lites and other structured product assets, as well as several other factors including: discount rate, default rates, prepayment rates, recovery rates, recovery lag and reinvestment spread (these factors are highly sensitive, and variations may materially affect the fair value of the asset), and (ii) structural analysis on a deal by deal basis: Thomson Reuters will perform checks on all structural features of each CLO, such as credit enhancement of each bond and various performance triggers (including over-collateralisation tests, interest coverage and diversion tests). Furthermore, Thomson Reuters will analyse the reinvestment language specific to each CLO deal, as well as DFME's performance and capabilities. For the avoidance of doubt, no other market clearing levels, market fundamentals, broker quotations or bids wanted in competition will be reflected in the modelled price for valuations of CLO retention securities.

Investments held by BGCF in the U.S. MOA are priced by Thomson Reuters using the CLO Intrinsic Calculation Methodology.

To ensure the prices provided by Thomson Reuters are not materially different than fair value, BGCF has engaged a third party valuation specialist firm to provide fair valuations of the CLO Income Notes. As of 31 December 2017, BGCF found the difference between the Thomson Reuters valuations and the fair values to be immaterial, thus the values using the CLO Intrinsic Calculation Methodology are reported in BGCF financial statements.

For the year ended 31 December 2017

2 Significant accounting policies (continued)

2.7 Financial instruments (continued)

Financial assets (continued)

(d) Valuation process (continued)

BGCF Portfolio (continued)

The following table summarises the inputs and assumptions used in determining the fair value of the CLO Securities held by BGCF as of 31 December 2017. The table is not meant to be all inclusive, but rather provide information on the significant Level 3 inputs as they relate to the fair value measurement of the CLO Securities held by BGCF as of 31 December 2017.

Asset	Valuation Methodology	Unobservable Input	Weighted Average Year ended 31 December 2017	Weighted Average Year ended 31 December 2016
CLO Securities	Discounted Cash Flows	Constant default rate	2%	2%
		Conditional prepayment rate	20%	20%
		Reinvestment spread (bp over LIBOR)	406.82	411.4
		Recovery rate	70.41%	70%
		Recovery lag (Months)	12	12
		Discount rate	11.70%	9.94%

Increases (decreases) in the constant default rate and discount rate in isolation would result in a lower (higher) fair value measurement. Increases (decreases) in the reinvestment spread and recovery rate in isolation would result in a higher (lower) fair value measurement. Changes in the constant prepayment rate may result in a higher or lower fair value, depending on the circumstances. Generally, a change in the assumption used for the constant default rate may be accompanied by a directionally opposite change in the assumption used for the constant prepayment rate and recovery rate.

The mark to model approach may vary to market values depending on market conditions at the time. Market participants will determine their own assumptions which are subjective and may not be uniform. In times of market stress the divergence can become magnified.

Financial liabilities

(e) Classification

Financial liabilities include payables which are held at amortised cost using the effective interest rate method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or where appropriate, a shorter period, to the net carrying amount on initial recognition.

(f) Recognition, measurement and derecognition

Financial liabilities are measured initially at their fair value plus any directly attributable incremental costs of acquisition or issue.

Gains and losses are recognised in the Statement of Comprehensive Income when the liabilities are derecognised.

The Company derecognises a financial liability when the obligation specified in the contract is discharged, cancelled or expires.

2 Significant accounting policies (continued)

2.8 Foreign currency translations

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the Statement of Financial Position date are translated to Euro at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the Statement of Comprehensive Income.

Foreign currency gains and losses are included in profit or loss on the Statement of Comprehensive Income as part of the "Realised gains on foreign exchange". There were no foreign currency gains or losses on financial assets classified at fair value through profit or loss for the years ended 31 December 2017 and 31 December 2016.

2.9 Taxation

Profit arising in the Company for the 2017 year of assessment will be subject to Jersey tax at the standard corporate income tax rate of 0% (31 December 2016: 0%).

2.10 Dividends

Dividends to the Shareholders are recorded through the Statement of Changes in Equity when they are declared to Shareholders.

2.11 Critical accounting judgements and estimates

The preparation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect items reported in the Statement of Financial Position and Statement of Comprehensive Income. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets and liabilities affected in future periods.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Estimates

(a) Fair value

For the fair value of all financial instruments held, the Company determines fair values using appropriate techniques.

Refer to Note 2.7 for further details on the significant estimates applied in the valuation of the underlying financial instruments.

Judgements

(b) Non-consolidation of the Lux Subsidiary

The Company meets the definition of an Investment Entity as defined by IFRS 10 and is required to account for its investment at fair value through profit or loss.

The Company has multiple unrelated investors and holds multiple investments in the Lux Subsidiary. The Company has been deemed to meet the definition of an Investment Entity per IFRS 10 as the following conditions exist:

- The Company has obtained funds for the purpose of providing investors with investment management services;
- The Company's business purpose, which has been communicated directly to investors, is investing solely for returns from capital appreciation, investment income, or both; and
- The performance of investments made through the Lux Subsidiary are measured and evaluated on a fair value basis.

For the year ended 31 December 2017

2 Significant accounting policies (continued)

2.11 Critical accounting judgements and estimates (continued)

(b) Non-consolidation of the Lux Subsidiary (continued)

The Company has also considered the typical characteristics of an investment entity per IFRS 10 in assessing whether it meets the definition of an Investment Entity.

The Company controls the Lux Subsidiary through its 100% holding of the voting rights and ownership. The Lux Subsidiary is incorporated in Luxembourg.

Refer to Note 11 for further disclosures relating to the Company's interest in the Lux Subsidiary.

(c) Non-consolidation of BGCF

To determine control, there has to be a linkage between power and the exposure to risks and rewards. The main link from ownership would allow a company to control the payments of returns and operating policies and decisions of a subsidiary. To meet the definition of a subsidiary under the single control model of IFRS 10, the investor has to control the investee.

Control involves power, exposure to variability of returns and a linkage between the two:

- The investor has existing rights that give it the ability to direct the relevant activities that significantly affect the investee's returns;
- The investor has exposure or rights to variable returns from its involvement with the investee; and
- The investor has the ability to use its power over the investee to affect the amount of the investor's returns.

In the case of BGCF, the relevant activities are the investment decisions made by it. However, in the Lux Subsidiary's case, the power to influence or direct the relevant activities of BGCF is not attributable to the Lux Subsidiary. The Lux Subsidiary does not have the ability to direct or stop investments by BGCF; therefore, it does not have the ability to control the variability of returns. Accordingly, BGCF has been determined not to be a subsidiary undertaking as defined under IFRS 10 and the Lux Subsidiary's investment in the PPNs issued by BGCF are accounted for at fair value through profit or loss.

(c) Presentation and functional currency

As outlined in Note 2, the Directors have used their judgement to determine that the Company's presentation and functional currency is Euro.

2.12 New standards and interpretations applicable to future reporting periods

New standards, amendments and interpretations issued and effective for the financial year beginning 1 January 2017

There are no new standards, amendments or interpretations issued and effective for the financial year beginning 1 January 2017 that have a significant impact on the Company.

2 Significant accounting policies (continued)

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

IFRS 9 "Financial Instruments" ("IFRS 9"), addresses the classification, measurement and recognition of financial assets and financial liabilities and will become effective for the periods beginning on or after 1 January 2018. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, IFRS 9 retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the profit or loss, unless this creates an accounting mismatch. The Board has undertaken an assessment of the impact of IFRS 9 on the Company's financial statements and concluded that there will be no material impact to the recognition and measurement of the Company's financial assets, which will continue to be recognised and measured at fair value with changes in fair value being recorded in profit or loss.

IFRS 15 "Revenue from contracts with customers" ("IFRS 15") establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations when it becomes effective for the periods beginning on or after 1 January 2018. The Board has undertaken an assessment of the impact of IFRS 15 on the Company's financial statements and concluded that there will be no impact to the Company's financial statements.

There are no other new standards, amendments and interpretations which have been issued but are not yet effective and not early adopted, that will affect the Company's financial statements.

For the year ended 31 December 2017

3 Operating expenses

	Year ended 31 December 2017	Year ended 31 December 2016
	€	€
Professional fees	592,295	1,079,102
Administration fees	321,102	290,871
Brokerage fees	308,003	404,647
Regulatory fees	221,194	34,351
Directors' fees and other expenses (see Note 4)	204,585	251,901
Audit fees	119,819	116,730
Registrar fees	28,267	28,767
Sundry expenses	10,667	155,282
	1,805,932	**2,361,651**

Administration fees

Under the administration agreement, the Administrator is entitled to receive variable fees based on the NAV of the Company for the provision of administrative and compliance oversight services and a fixed fee for the provision of company secretarial services. The overall charge for the above-mentioned fees for the Company for the year ended 31 December 2017 was €321,102 (31 December 2016: €290,871) and the amount due at 31 December 2017 was €49,273 (31 December 2016: €21,996).

Advisory fees

Under the Advisory Agreement, the Portfolio Adviser is entitled to receive out of pocket expenses, all reasonable third-party costs, and other expenses incurred in the performance of its obligations. The overall charge for the above-mentioned fees for the Company for the year ended 31 December 2017 was €Nil (31 December 2016: €Nil).

Professional fees

Professional fees comprise €227,084 in legal fees and €365,211 in other professional fees. In 2016, an amount of €643,850 of professional expenses related to the Luxembourg restructuring and legal advice regarding the amended investment policy to include loan warehouses and additional risk retention companies.

Audit and non-audit fees

The Company incurred €119,819 (31 December 2016: €116,730) in audit fees during the year of which €50,696 (31 December 2016: €76,148) was outstanding at the year end.

The Company incurred €161,327 (31 December 2016: €323,608) in non-audit fees during the year of which €Nil (31 December 2016: €Nil) was outstanding at the year end. The table below outlines the non-audit services received during the year.

Deloitte member firms	Type of service provided	Year ended 31 December 2017	Year ended 31 December 2016
		€	€
Deloitte LLP Guernsey	Tax advisory	32,809	-
Deloitte LLP Guernsey	Advisory work on migration to Premium Segment	58,768	-
Deloitte LLP Guernsey	Advisory work on prospectus	-	138,136
Deloitte LLP Jersey	Advisory work	17,184	-
Deloitte Luxembourg	Tax advisory	45,107	105,272
Deloitte Ireland	Tax advisory	7,459	80,200
Non-audit fees		**161,327**	**323,608**

4 Directors' fees and interests

During the year ended 31 December 2017, the Directors were each remunerated for their services at a fee of £35,000 per annum (£50,000 for the Chair). The Chairs of the NAV Review Committee, Audit Committee and Risk Committee received an additional £5,000 for their services in these roles, pro-rated for their period of appointment.

During the year ended 31 December 2017, the Directors received no one off payments (31 December 2016: €10,000 each).

The Company has no employees. The Company incurred €201,218 (31 December 2016: €250,747) in Directors' fees (consisting exclusively of short-term benefits) during the year of which €47,316 (31 December 2016: €48,325) was outstanding at the year end.

Charlotte Valeur and Gary Clark held beneficial interests in the shares of the Company during the year ended 31 December 2017. Charlotte Valeur held 11,500 Euro shares as at 31 December 2017 (31 December 2016: Nil) having purchased 11,500 Euro shares pursuant to the placing in March 2017. Gary Clark held 73,700 Euro shares as at 31 December 2017 (31 December 2016: 53,700) having purchased an additional 20,000 Euro shares pursuant to the placing in March 2017.

No pension contributions were payable in respect of any of the Directors.

5 Other receivables

	As at 31 December 2017	As at 31 December 2016
	€	**€**
Prepayments	29,625	33,298
Other assets	-	676,045
	29,625	**709,343**

Other assets relate to costs incurred with respect to the prospectus issued in 2016. These costs have been offset against the placing proceeds in March 2017.

6 Financial assets designated at fair value through profit or loss

	As at 31 December 2017	As at 31 December 2016
	€	**€**
Financial assets designated at fair value through profit or loss	377,137,378	331,213,706

Financial assets designated at fair value through profit or loss consists of 337,374,822 CSWs, 2,000,000 Class A shares and 1 Class B share issued by the Lux Subsidiary (31 December 2016: 295,083,704 CSWs, 2,000,000 Class A shares and 1 Class B share issued by the Lux Subsidiary).

CSWs

The Company has the right, at any time during the exercise period (being the period from the date of issuance and ending on earlier of the 3 February 2046 or the date on which the liquidation of the Lux Subsidiary is closed), to request that the Lux Subsidiary redeems all or part of the CSWs at the redemption price (see below), by delivering a redemption notice, provided that the redemption price will be due and payable only if and to the extent that (a) the Lux Subsidiary will have sufficient funds available to settle its liabilities to all other ordinary or subordinated creditors, whether privileged, secured or unsecured, prior in ranking to the CSWs, after any such payment, and (b) the Lux Subsidiary will not be insolvent after payment of the redemption price.

For the year ended 31 December 2017

6 Financial assets designated at fair value through profit or loss (continued)

The redemption price is the amount payable by the Lux Company on the redemption of CSWs outstanding, which shall be at any time equal to the fair market value of the ordinary shares, (that would have been issued in case of exercise of all CSWs), as determined by the Board on a fully diluted basis on the date of redemption, less a margin – 13.5bps prior to March 2017 placing and 11.74bps thereafter (31 December 2016: 13.5bps) (determined by the Board on the basis of a transfer pricing report prepared by an independent advisor), and the redemption price for each CSW shall be obtained by dividing the amount determined in accordance with the preceding sentence by the actual number of CSWs outstanding.

If at the end of any financial year there is excess cash, as determined in good faith by the Lux Subsidiary board (but for this purpose only), the Lux Subsidiary will automatically redeem, to the extent of such excess cash, all or part of the CSWs at the redemption price provided the requirements in the previous paragraph are met, unless the Company notifies the Lux Subsidiary otherwise. For the avoidance of doubt, to the extent the subscription price for the CSWs to be redeemed has not been paid at the time the CSWs were issued, the subscription price for such CSWs to be redeemed shall be deducted from the Redemption Price.

CSWs listed in an exercise notice may not be redeemed.

Class A and Class B shares held in the Lux Subsidiary

Class A and Class B shares are redeemable and have a par value of one Euro per share. Class A and Class B Shareholders have equal voting rights commensurate with their shareholding.

Class A and Class B Shareholders are entitled to dividend distributions from the net profits of the Lux Subsidiary (net of an amount equal to five per cent of the net profits of the Lux Subsidiary which is allocated to the general reserve, until this reserve amounts to ten per cent of the Lux Subsidiary nominal share capital).

Dividend distributions are paid in the following order of priority:

- Each Class A share is entitled to the Class A dividend, being a cumulative dividend in an amount of not less than 0.10% per annum of the face value of the Class A shares.
- Each Class B share is entitled to the Class B dividend (if any), being any income such as but not limited to interest or revenue deriving from the receivable from the PPN’s held by the Lux Subsidiary, less any non-recurring costs attributable to the Class B shares.

Any remaining dividend amount for allocation of the Class A dividend and Class B dividend shall be allocated pro rata among the Class A shares.

The Board does not expect income in the Lux Subsidiary to significantly exceed the anticipated annual running costs of the Lux Subsidiary and therefore does not expect that the Lux Subsidiary will pay significant, or any, dividends although it reserves the right to do so.

For the year ended 31 December 2017

6 Financial assets designated at fair value through profit or loss (continued)

Fair value hierarchy

IFRS 13 'Fair Value Measurement' ("IFRS 13") requires an analysis of investments valued at fair value based on the reliability and significance of information used to measure their fair value.

The Company categorises its financial assets according to the following fair value hierarchy detailed in IFRS 13 that reflects the significance of the inputs used in determining their fair values:

- **Level 1:** Quoted market price (unadjusted) in an active market for an identical instrument.

- **Level 2:** Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

- **Level 3:** Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable variable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

31 December 2017	Level 1	Level 2	Level 3	Total
	€	€	€	€
Financial assets designated at fair value through profit or loss	-	-	377,137,378	**377,137,378**

31 December 2016	Level 1	Level 2	Level 3	Total
	€	€	€	€
Financial assets designated at fair value through profit or loss	-	-	331,213,706	**331,213,706**

During the years ended 31 December 2017 and 31 December 2016, there were no reclassifications between levels of the fair value hierarchy.

The Company's maximum exposure to loss from its interests in the Lux Subsidiary and indirectly in BGCF is equal to the fair value of its investments in the Lux Subsidiary.

For the year ended 31 December 2017

6 Financial assets designated at fair value through profit or loss (continued)

Financial assets designated at fair value through profit or loss reconciliation

The following table shows a reconciliation of all movements in the fair value of financial assets categorised within Level 3 between the start and the end of the reporting period:

31 December 2017	Total
	€
Balance as at 1 January 2017	331,213,706
Movements:	
Purchases – CSWs	80,224,431
Sale proceeds – CSWs	(41,846,197)
Realised gain on financial assets designated at fair value through profit or loss	3,912,884
Unrealised gain on financial assets designated at fair value through profit or loss	3,632,554
Balance as at 31 December 2017	**377,137,378**
Total change in unrealised gains on financial assets for the year	3,632,554
Realised gain on financial assets designated at fair value through profit or loss	3,912,884
Net gains on investments designated at fair value through profit or loss	**7,545,438**

31 December 2016	Total
	€
Balance as at 1 January 2016	326,032,708
Movements:	
Lux restructuring	
Issuance – CSWs, Class A and B shares	311,013,368
Transfer – PPNs	(311,013,368)
Purchases – CSWs	18,000,000
Sale proceeds – CSWs and Class B2 Shares *	(48,272,545)
Realised gain on financial assets designated at fair value through profit or loss	1,322,881
Unrealised gain on financial assets designated at fair value through profit or loss	34,130,662
Balance as at 31 December 2016	**331,213,706**
Total change in unrealised gains on financial assets for the year	34,130,662
Realised gain on financial assets designated at fair value through profit or loss	1,322,881
Investment income **	7,426,394
Net gains on investments designated at fair value through profit or loss	**42,879,937**

* On 20 December 2016, the 15 Class B2 shares were cancelled and the proceeds were invested in CSWs issued by the Lux Subsidiary.

** Investment income relates to PPN interest received from the Company's holding of PPNs in BGCF prior to the Luxembourg restructuring which took place on the 3 February 2016.

Please refer to Note 2.7 for valuation methodology of financial assets designated at fair value through profit and loss.

For the year ended 31 December 2017

6 Financial assets designated at fair value through profit or loss (continued)

Financial assets designated at fair value through profit or loss reconciliation (continued)

The Company's investments, through the Lux Subsidiary, in BGCF are untraded and illiquid. The Board has considered these factors and concluded that there is no further need to apply a discount for illiquidity as at the end of the reporting period.

As at 31 December 2017, BGCF has majority ownership of the subordinated notes of 13 European CLO subsidiaries. Further details regarding the 13 European CLO subsidiaries are provided below.

	Currency	Deal Size	BGCF Position *(% of Tranche)*
Phoenix Park	EUR	€413m	51.4%
Sorrento Park	EUR	€517m	51.8%
Castle Park	EUR	€415m	100.0%
Dorchester Park	USD	$509m	60.9%
Dartry Park	EUR	€411m	51.1%
Orwell Park	EUR	€415m	51.0%
Tymon Park	EUR	€414m	51.0%
Elm Park	EUR	€558m	56.1%
Griffith Park	EUR	€454m	59.5%
Clarinda Park	EUR	€415m	51.2%
Palmerston Park	EUR	€415m	62.2%
Clontarf Park	EUR	€414m	66.9%
Willow Park	EUR	€412m	60.9%

For the year ended 31 December 2017

6 Financial assets designated at fair value through profit or loss (continued)

The following tables below and up to page 68 detail the investment holding of the Lux Subsidiary in BGCF, categorising these assets according to the fair value hierarchy in accordance with IFRS 13 and detailing the quantitative information of significant unobservable inputs of the Level 3 investments held. The disclosures have been included to provide an insight to Shareholders, of the asset class mix held by BGCF in its portfolio.

As at 31 December 2017, the Lux Subsidiary held a 55.4% (31 December 2016: 73.1%) interest in the PPNs issued by BGCF. The disclosures have not been apportioned according to the Lux Subsidiary's PPN holding, as the Board believes to do so would be misleading and not an accurate representation of the Company's investment in BGCF.

Financial assets and liabilities at fair value through profit or loss – BGCF

31 December 2017	Level 1	Level 2	Level 3	Total
	€	€	€	€
Financial assets at fair value through profit or loss:				
Designated at fair value through profit or loss:				
- Investments in debt instruments	-	440,673,037	348,819,977	789,493,014
- Investment in U.S. MOA	-	-	145,272,658	145,272,658
Held for trading				
- Derivative financial assets	-	3,077,243	-	3,077,243
Total financial assets	**-**	**443,750,280**	**494,092,635**	**937,842,915**
Financial liabilities at fair value through profit or loss:				
Designated at fair value through profit or loss:				
- PPNs	-	-	(679,650,521)	(679,650,521)
- BGCF Facility*	-	(331,477,924)	-	(331,477,924)
Held for trading				
- Derivative financial liabilities	-	-	-	-
Total financial liabilities	**-**	**(331,477,924)**	**(679,650,521)**	**(1,011,128,445)**

*The BGCF Facility relates to a facility agreement between BGCF (as borrower) and several financial institutions (as lenders).

There were no transfers between Level 1 and Level 2 of the fair value hierarchy during the financial year.

For the year ended 31 December 2017

6 Financial assets designated at fair value through profit or loss (continued)

31 December 2016	Level 1	Level 2	Level 3	Total
	€	€	€	€
Financial assets at fair value through profit or loss:				
Designated at fair value through profit or loss:				
- Investments in debt instruments	-	330,505,793	289,954,556	620,460,349
Held for trading				
- Derivative financial assets	-	-	-	-
Total financial assets	**-**	**330,505,793**	**289,954,556**	**620,460,349**
Financial liabilities at fair value through profit or loss:				
Designated at fair value through profit or loss:				
- PPNs	-	-	(451,337,094)	(451,337,094)
- BGCF Facility	-	(297,388,234)	-	(297,388,234)
Held for trading				
- Derivative financial liabilities	-	(1,481,665)	-	(1,481,665)
Total financial liabilities	**-**	**(298,869,899)**	**(451,337,094)**	**(750,206,993)**

The following table shows the movement in Level 3 of BGCF's fair value hierarchy for the year ended 31 December 2017:

BGCF	Financial assets at fair value through profit or loss	Financial liabilities at fair value through profit or loss
	€	€
Opening balance	289,954,556	**(451,337,094)**
Movement out of Level 3	(7,833,054)	**-**
Net gains or losses in comprehensive income	(62,429,791)	**56,551,959**
Purchases / Issuances	480,967,575	**(284,865,386)**
Sales / Redemptions	(206,566,651)	**-**
Closing Balance	**494,092,635**	**(679,650,521)**

For the year ended 31 December 2017

6 Financial assets designated at fair value through profit or loss (continued)

The following table shows the movement in Level 3 of BGCF's fair value hierarchy for the year ended 31 December 2016:

BGCF	Financial assets at fair value through profit or loss	Financial liabilities at fair value through profit or loss
	€	€
Opening balance	185,090,584	(311,012,708)
Movement out of Level 3	(1,628,098)	-
Net gains or losses in comprehensive income	(14,972,436)	(16,324,386)
Purchases / Issuances	217,623,612	(134,000,000)
Sales / Redemptions	(96,159,106)	10,000,000
Closing Balance	**289,954,556**	**(451,337,094)**

BGCF's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the last day of the accounting period.

Sensitivity of Level 3 holdings to unobservable inputs

Sensitivity analysis of Level 3 assets is performed at the BGCF level since that has a direct impact on the valuation of the Company's Level 3 holdings.

A number of holdings as at 31 December 2017 were priced through Markit (except for Famar Healthcare Services which was priced by DFME and/or DFM) where the input into the Markit price was only one price so they were classified as Level 3. These loan assets are not modelled on analysts' prices but are from dealers' runs therefore there are no unobservable inputs into the prices. The CLO Income Notes were priced by Thomson Reuters which were classified as Level 3 because it was a single pricing source.

The assets classified as Level 3 represented 52.7% (31 December 2016: 46.7%) of the total financial assets. If the price of the holdings classified as Level 3 increased or decreased by 5% it would result in an increase or decrease in the value of the financial assets of EUR 24,704,632 (2.63% of the total financial assets) (31 December 2016: EUR 14,497,728 (2.34% of the total financial assets)). There also would be an equal and opposite effect on the valuation of the PPNs (3.63%) (31 December 2016: (3.21%)).

The CLO Income Notes held by BGCF and the U.S. MOA are valued by Thomson Reuters. The key input assumptions to the valuation model are the loan prepayment rates, discount rates, loan default rates, loan recovery given default rates and reinvestment rates. These factors are highly sensitive, and variations may materially affect the fair value of the asset. These metrics are accumulated from various market sources independent of DFME and DFM. Additionally, Thomson Reuters review each CLO indenture and the latest underlying CLO loan portfolio forming various projections based on the quality of the collateral, the collateral manager capabilities and general macroeconomic conditions. If the valuation had increased or decreased by 5% the value of the CLO Income Notes would move by EUR 16,584,279 (31 December 2016: EUR 13,583,883) and EUR 13,019,734 in U.S. MOA (31 December 2016: nil).

The financial liabilities at fair value through profit or loss consist of the PPNs. The PPNs are valued using a model based on the fair value of the underlying assets and liabilities. The amortised cost of the BGCF Facility and cash and cash equivalents and receivables and payables included in the underlying assets and liabilities equate to their fair value due to the floating interest rates and short-term nature of the balances. If the value of the underlying assets or liabilities changes then there would be an equal and opposite effect on the valuation of the PPNs.

For the year ended 31 December 2017

7 Cash and cash equivalents

Cash and cash equivalents are held with the Custodian.

8 Payables

	As at 31 December 2017	As at 31 December 2016
	€	€
Administration fees	49,273	21,996
Directors' fees	47,316	48,325
Audit fees	50,696	76,148
Other payables	26,366	48,733
Placement costs	-	202,646
Total payables	**173,651**	**397,848**

9 Stated capital

Authorised

The authorised share capital of the Company is represented by an unlimited number of shares at no par value.

Allotted, called up and fully-paid

Euro shares	Number of shares	Stated capital
		€
As at 1 January 2017	324,600,700	325,023,176
Euro shares issued during the year	73,380,746	73,030,149
Euro shares issued during the year out of treasury	6,719,000	6,909,411
Total issued share capital as at 31 December 2017	**404,700,446**	**404,962,736**

Euro shares	Number of shares	Stated capital
		€
As at 1 January 2016	331,319,700	331,307,652
Euro shares issued during the year	-	-
Euro shares repurchased during the year and held in treasury	(6,719,000)	(6,284,476)
Total issued share capital as at 31 December 2016	324,600,700	325,023,176

Euro shares

The Company had 324,600,700 Euro shares in issue as at 31 December 2016.

On 3 March 2017, the Company issued 71,380,746 Euro shares of no par value at a price of €1.02 per Euro share, which were admitted to trading on the Specialist Fund Segment of the London Stock Exchange; raising gross proceeds of €72,808,360 (net proceeds of €71,013,029).

On 8 March 2017 and on 14 March 2017, the Company issued, in aggregate, 2,000,000 Euro shares of no par value at a price of €1.03 per Euro share, which were admitted to trading on the Specialist Fund Segment of the London Stock Exchange; raising gross proceeds of €2,060,000 (net proceeds of €2,017,120).

On 29 March 2017, the Company sold 6,719,000 Euro shares out of treasury at a price of €1.0304 per Euro share; raising gross proceeds of €6,923,258 (net proceeds of €6,909,411).

9 Stated capital (continued)

Euro shares (continued)

As at 31 December 2017, the Company had 404,700,446 Euro shares in issue and no treasury shares following the sale as mentioned above (31 December 2016: 324,600,700 in issue excluding 6,719,000 Treasury shares).

On 29 June 2017 the Company's obtained a premium listing on the Official List of the London Stock Exchange.

At the 2017 AGM, held on 21 June 2017, the Directors were granted authority to repurchase 60,664,597 Euro shares (being equal to 14.99% of the aggregate number of Euro shares in issue at the date of the AGM) for cancellation or to be held as treasury shares. This authority, which has not been used, will expire at the upcoming AGM. The Directors intend to seek annual renewal of this authority from Shareholders.

At the 2017 AGM, held on 21 June 2017, the Directors were granted authority to allot, grant options over or otherwise dispose of up to 40,470,044 Euro shares (being equal to 10.00% of the aggregate number of Euro shares in issue at the date of the AGM). This authority will expire at the 2018 AGM.

The Company did not make any market purchases of shares during the year ended 31 December 2017. For the year ended 31 December 2016 the Company had made four market purchases of shares, totalling, 6,719,000 shares, which were held as treasury shares prior to being re-issued in 2017.

Voting rights

Holders of Euro shares participate in the profits of the Company. Shareholders have the right to attend, speak and vote at any general meetings of the Company in accordance with the provisions of the Articles of Association and have one vote in respect of each whole share held.

Dividends

The Company may, by ordinary resolution, declare dividends in accordance with the respective rights of the Shareholders, but no such dividend shall exceed the amount recommended by the Directors. The Directors may pay fixed rate and interim dividends.

A general meeting declaring a dividend may, upon the recommendation of the Directors, direct that payment of a dividend shall be satisfied wholly or partly by the issue of shares or the distribution of assets and the Directors shall give effect to such resolution.

Except as otherwise provided by the rights attaching to or terms of issue of any shares, all dividends shall be apportioned and paid pro rata according to the amounts paid on the shares during any portion or portions of the period in respect of which the dividend is paid. No dividend or other monies payable in respect of a share shall bear interest against the Company.

The Directors may deduct from any dividend or other moneys payable to a Shareholder all sums of money (if any) presently payable by the holder to the Company on account of calls or otherwise in relation to such shares.

Any dividend unclaimed after a period of 10 years from the date on which it became payable shall, if the Directors so resolve, be forfeited and cease to remain owing by the Company.

The dividends declared by the Board during the year are detailed on page 3.

Please refer to Note 19 for dividends made after the year end.

For the year ended 31 December 2017-

9 Stated capital (continued)

Share buybacks

The Board intends to seek annual renewal of this authority from the Shareholders at the Company's AGM, to make one or more on-market purchases of shares in the Company for cancellation or to be held as Treasury shares.

The Board may, at its absolute discretion, use available cash to purchase Euro shares in issue in the secondary market at any time.

Rights as to Capital

On a winding up, the Company may, with the sanction of a special resolution and any other sanction required by the Companies Law, divide the whole or any part of the assets of the Company among the Shareholders in specie provided that no holder shall be compelled to accept any assets upon which there is a liability. On return of assets on liquidation or capital reduction or otherwise, the assets of the Company remaining after payments of its liabilities shall subject to the rights of the holders of other classes of shares, be applied to the Shareholders equally pro rata to their holdings of shares.

Capital management

The Company is closed-ended and has no externally imposed capital requirements.

The Company's objectives for managing capital are:

- To invest the capital in investments meeting the description, risk exposure and expected return indicated in its prospectus;
- To achieve consistent returns while safeguarding capital by investing via the Lux Subsidiary in BGCF;
- To maintain sufficient liquidity to meet the expenses of the Company and to meet dividend commitments; and
- To maintain sufficient size to make the operation of the Company cost efficient.

Please refer to Note 10C Liquidity Risk for further discussion on capital management, particularly on how the distribution policy is managed.

10 Financial risk management

The Company is exposed to market risk (including interest rate risk, currency risk and price risk), credit risk and liquidity risk arising from the financial instruments it holds and the markets in which it invests. Risks to which BGCF is exposed to have also been included to provide an insight to Shareholders.

10A Market risk

Market risk is the current or prospective risk to earnings or capital of the Company arising from changes in interest rates, foreign exchange rates, commodity prices or equity prices. The Company holds three investments in the Lux Subsidiary in the form of CSWs, Class A and Class B shares. The CSWs are the main driver of the Company's performance. The Lux Subsidiary holds one investment in BGCF in the form of PPNs. The PPNs are the main driver of the Lux Subsidiary's performance. The performance of the PPNs is driven solely by the underlying portfolio of BGCF and therefore consideration of the risks to which BGCF is exposed to have also been made.

BGCF invests predominantly in senior secured loans domiciled in Western Europe and/or North America. As such, the Company, through its holding in the Lux Subsidiary, and BGCF could be particularly exposed to any deterioration in the current European and/or American economic climates.

BGCF is subject to investment limits when it holds senior secured loans directly in its portfolio. BGCF also invests in CLOs with each CLO being subject to investment limits. These investment limits amongst others relate to the number of positions held by obligor, industry sector, credit rating and weighted average life and rating of the portfolio.

For the year ended 31 December 2017

10 Financial risk management (continued)

10A Market risk (continued)

Financial market disruptions may have a negative effect on the valuations of BGCF's investments and, by extension, on the NAV of the Lux Subsidiary and the Company and/or the market price of the Company's Euro shares, and on liquidity events involving BGCF's investments. Any non-performing assets in BGCF's portfolio may cause the value of BGCF's portfolio to decrease and, by extension, the NAV of the Lux Subsidiary and the Company. Adverse economic conditions may also decrease the value of any security obtained in relation to any of BGCF's investments.

A sensitivity analysis is shown below disclosing the impact on the NAV of the Company, if the fair value of the Company's investment in the Lux Subsidiary at the year-end increased or decreased by 5%:

Current value	Year ended 31 December 2017 Total	Increase by 5%	Decrease by 5%
	€	€	€
Financial assets held at fair value through profit or loss:			
CSWs	374,802,845	393,542,987	356,062,703
Class A and Class B shares	2,334,533	2,451,260	2,217,806

Current value	Year ended 31 December 2016 Total	Increase by 5%	Decrease by 5%
	€	€	€
Financial assets held at fair value through profit or loss:			
CSWs	329,213,705	345,674,390	312,753,020
Class A and Class B shares	2,000,001	2,100,001	1,900,001

The calculations are based on the investment valuation at the Statement of Financial Position date and are not representative of the period as a whole, and may not be reflective of future market conditions.

i. Interest rate risk

Interest rate movements affect the fair value of investments in fixed interest rate securities and floating rate loans and on the level of income receivable on cash deposits.

The following tables detail the Company's interest rate risk as at 31 December 2017 and 31 December 2016:

31 December 2017	Interest bearing	Non-interest bearing	Total
	€	€	€
Assets			
Cash and cash equivalents	2,546,969	-	2,546,969
Other receivables	-	29,625	29,625
Financial assets designated at fair value through profit or loss	-	377,137,378	377,137,378
Total assets	**2,546,969**	**377,167,003**	**379,713,972**
Liabilities			
Payables	-	(173,651)	(173,651)
Total liabilities	**-**	**(173,651)**	**(173,651)**
Total interest sensitivity gap	**2,546,969**		

For the year ended 31 December 2017

10 Financial risk management (continued)

10A Market risk (continued)

i. Interest rate risk (continued)

31 December 2016	Interest bearing	Non-interest bearing	Total
	€	€	€
Assets			
Cash and cash equivalents	813,119	-	813,119
Other receivables	-	709,343	709,343
Financial assets designated at fair value through profit or loss	-	331,213,706	331,213,706
Total assets	**813,119**	**331,923,049**	**332,736,168**
Liabilities			
Payables	-	(397,848)	(397,848)
Total liabilities	**-**	**(397,848)**	**(397,848)**
Total interest sensitivity gap	**813,119**		

As at 31 December 2017, the majority of the Company's interest rate exposure arose in the fair value of the underlying BGCF portfolio which is largely invested in senior secured loans of companies predominantly in Western Europe or North America. Most of the investments in senior secured loans carry variable interest rates and various maturity dates.

The following tables detail BGCF's exposure to interest rate risk. They include BGCF's assets and trading liabilities at fair values, categorised by whether the asset or liability has a floating rate or is non-interest bearing, measured by the carrying value of the assets and liabilities as at 31 December 2017 and as at 31 December 2016:

BGCF – 31 December 2017	Floating rate	Fixed rate	Non-interest bearing	Total
	€	€	€	€
Financial assets at fair value through profit or loss:				
Designated at fair value through profit or loss:				
- Investments in debt instruments	735,579,681	53,913,333	-	**789,493,014**
- Investment Fund	-	-	145,272,658	**145,272,658**
Held for trading				
- Derivative financial asset	-	-	3,077,243	**3,077,243**
Receivable for investments sold	-	-	348,346,724	**348,346,724**
Other receivables	-	-	18,818,998	**18,818,998**
Cash and cash equivalents	48,838,434	-	-	**48,838,434**
Total assets	**784,418,115**	**53,913,333**	**515,515,623**	**1,353,847,071**
Financial liabilities at fair value through profit or loss:				
Designated at fair value through profit or loss:				
- Notes and credit facilities*	(1,011,128,445)	-	-	**(1,011,128,445)**
Payable for investments purchased	**-**	-	(340,574,806)	**(340,574,806)**
Other payables and accrued expenses	**-**	-	(2,140,260)	**(2,140,260)**
Total liabilities	**(1,011,128,445)**	**-**	**(342, 715,066)**	**(1,353,843,511)**
Total interest sensitivity gap	**(226,710,330)**			

* PPNs held by the Lux Subsidiary are included under Notes and credit facilities for the purposes of this table.

For the year ended 31 December 2017

10 Financial risk management (continued)

10A Market risk (continued)

i. Interest rate risk (continued)

BGCF – 31 December 2016	Floating rate	Non-interest bearing	Total
	€	€	€
Financial assets at fair value through profit or loss:			
Designated at fair value through profit or loss:			
- Investments in debt instruments	620,460,349	-	**620,460,349**
Receivable for investments sold	-	184,379,820	**184,379,820**
Other receivables	-	11,171,514	**11,171,514**
Cash and cash equivalents	30,013,469	-	**30,013,469**
Total assets	**650,473,818**	**195,551,334**	**846,025,152**
Financial liabilities at fair value through profit or loss:			
Designated at fair value through profit or loss:			
- Notes and credit facilities*	(748,725,328)	-	**(748,725,328)**
Held for trading			
- Derivative financial liability	-	(1,481,665)	**(1,481,665)**
Payable for investments purchased	-	(94,478,627)	**(94,478,627)**
Other payables and accrued expenses	-	(1,336,872)	**(1,336,872)**
Total liabilities	**(748,725,328)**	**(97,297,164)**	**(846,022,492)**
Total interest sensitivity gap	**(98,251,510)**		

* PPNs held by the Lux Subsidiary are included under Notes and credit facilities for the purposes of this table.

Sensitivity analysis

At 31 December 2017, had the base interest rates strengthened/weakened by 2% (31 December 2016: 2%) in relation to all holdings subject to interest with all other variables held constant, BGCF's finance income would increase/decrease by €4,534,207 (31 December 2016: €1,965,030) which would subsequently impact the amount available for distribution as finance expense. There would be no impact on the total comprehensive income of BGCF. The interest rate sensitivity information is a relative estimate of risk and is not intended to be a precise and accurate number. The calculations are based on historic data. Future price movements and correlations between securities could vary significantly from those experienced in the current financial year.

The interest income received by the Lux Subsidiary from investments held at fair value through profit or loss is the interest income on the PPNs received from BGCF. Its calculation is dependent on the profit generated by BGCF as opposed to interest rates set by the market. Interest rate sensitivity analysis is presented for BGCF since any potential movement in market interest rates will impact BGCF's holdings which in turn will impact the interest income received by the Lux Subsidiary on the PPNs.

For the year ended 31 December 2017

10 Financial risk management (continued)

10A Market risk (continued)

ii. Currency risk

Foreign currency risk is the risk that the values of the Company's assets and liabilities are adversely affected by changes in the values of foreign currencies by reference to the Company's base currency. The functional currency of the Company and its Lux Subsidiary is the Euro.

The Company is not subject to significant foreign currency risk since its investments are denominated in Euro and its share capital is also denominated in Euro.

BGCF's financial statements are denominated in Euro, though investments are also made and realised in other currencies. Changes in rates of exchange may have an adverse effect on the value, price or income of the investments of BGCF. BGCF may utilise different financial instruments to seek to hedge against declines in the value of BGCF's positions as a result of changes in currency exchange rates.

As at 31 December 2017, BGCF held a foreign currency forward hedge on its investments which have a base currency of U.S. Dollars. The fair value of the foreign currency swap as at 31 December 2017 was €3,077,243.

In addition, there can be no assurance that any attempt to hedge against a particular change or event would be successful, and any such hedging failure could materially and adversely affect the performance of BGCF and, by extension, the Company's business, financial condition, results of operations and NAV. BGCF manages its foreign currency exposure through utilising the BGCF Facility in the same currency as the holdings the BGCF Facility are financing.

The following table sets out BGCF's total exposure to foreign currency risk and the net exposure to foreign currencies of the monetary assets and liabilities as at 31 December 2017 and 31 December 2016:

		Year ended 31 December 2017		Year ended 31 December 2016	
		£	US$	£	US$
Financial assets at fair value through profit or loss	€	76,391,279	246,175,505	39,674,341	63,656,441
BGCF Facility	€	(80,613,947)	(37,451,557)	(54,599,521)	(43,174,666)
Derivative financial assets and liabilities	€	-	3,077,243	-	(1,481,665)
Cash	€	538,681	23,489,418	721,800	5,668,561
Other assets and liabilities	€	5,308,963	(214,019,639)	15,741,368	14,547,306
Net exposure	€	1,624,975	21,270,971	1,537,988	39,215,978
Sensitivity 10%	€	162,498	2,127,097	153,799	3,921,598

Sensitivity analysis

At 31 December 2017, had the Euro strengthened by 10% (31 December 2016: 10%) in relation to all currencies, with all other variables held constant, the net asset / liability exposure would have increased by the amounts shown above for BGCF. There would be no impact on the total comprehensive income of BGCF because the finance expense on financial liabilities would move in the opposite direction and cancel the effect of the foreign exchange movement. A 10% weakening of the base currency, against GBP and U.S. Dollar, would have resulted in an equal but opposite effect than that on the tables above, on the basis that all other variables remain constant. These calculations are based on historical data. Future currency movements and correlations between holdings could vary significantly from those experienced in the past.

For the year ended 31 December 2017

10 Financial risk management (continued)

10A Market risk (continued)

iii. Price risk

Price risk is the risk that the value of the Company's indirect investments in BGCF through its holding in the Lux Subsidiary, and accordingly the periodic calculation of the NAV of the Company's Euro shares, does not reflect the true value of BGCF's underlying investment portfolio.

BGCF's portfolio may at any given time include securities or other financial instruments or obligations which are very thinly traded, for which a limited market exists or which are restricted as to their transferability under applicable securities laws. These investments may be extremely difficult to value accurately.

Further, because of overall size or concentration in particular markets of positions held by BGCF, the value of its investments which can be liquidated may differ, sometimes significantly, from their valuations. Third-party pricing information may not be available for certain positions held by BGCF. Investments held by BGCF may trade with significant bid-ask spreads. BGCF is entitled to rely, without independent investigation, upon pricing information and valuations furnished to BGCF by third parties, including pricing services and valuation sources.

Absent bad faith or manifest error, valuation determinations in accordance with BGCF's valuation policy are conclusive and binding. In light of the foregoing, there is a risk that the Company, in redeeming all or part of its investment while BGCF holds such investments, could be paid an amount less than it would otherwise be paid if the actual value of BGCF's investment was higher than the value designated for that investment by BGCF. Similarly, there is a risk that a redeeming BGCF interest holder might, in effect, be overpaid at the time of the applicable redemption if the actual value of BGCF's investment was lower than the value designated for that investment by BGCF, in which case the value of BGCF interests to the remaining BGCF interest holders would be reduced.

The Board monitors and reviews the Company's NAV production process on an ongoing basis.

10B Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company. The Board has in place monitoring procedures in respect of credit risk which is reviewed on an ongoing basis.

The Company's credit risk is attributable to its cash and cash equivalents, other receivables and financial assets at fair value through profit or loss. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The carrying amounts of financial assets best represent the maximum credit risk exposure at the Statement of Financial Position date. At the reporting date, the Company's financial assets exposed to credit risk amounted to the following:

	As at 31 December 2017	As at 31 December 2016
	€	€
Cash and cash equivalents	2,546,969	813,119
Other receivables	29,625	709,343
Financial assets designated at fair value through profit or loss	377,137,378	331,213,706
Total assets	**379,713,972**	**332,736,168**

For the year ended 31 December 2017

10 Financial risk management (continued)

10B Credit risk (continued)

The Company is exposed to a potential material singular credit risk in the event that it requests a repayment of the CSWs from the Lux Subsidiary and receives an acceptance of that repayment request. Under the CSW agreement between the Company and the Lux Subsidiary, any payment obligation by the Lux Subsidiary to the Company is conditional upon the receipt of an equivalent amount by the Lux Subsidiary which is derived from the PPNs issued by BGCF. The Board is aware of this risk and the concentration risk to the Lux Subsidiary and indirectly to BGCF.

Additionally, under the Profit Participating Note Issuing and Purchase Agreement ("PPNIPA") between the Lux Subsidiary and BGCF, if the net proceeds from a liquidation of the collateral obligations as defined in the PPNIPA available to unsecured creditors of BGCF (the "Liquidation Funds") are less than the aggregate amount payable by BGCF in respect of its obligations to its unsecured creditors, including to the Lux Subsidiary and the other parties to the PPNIPA (such negative amount being referred to as a "shortfall"), the amount payable by BGCF to the Lux Subsidiary and the other parties to the PPNIPA in respect of BGCF's obligations under the PPNs will be reduced to such amount of the Liquidation Funds which is available in accordance with the regulatory requirements and the senior debt restrictive covenants to satisfy such payment obligation upon the distribution of the Liquidation Funds among all of BGCF's unsecured creditors on a pari passu and pro rata basis, and shall be applied for the benefit of the Lux Subsidiary and the other parties to the PPNIPA. In such circumstances the other assets of BGCF will not be available for the payment of such shortfall, and the rights of the Lux Subsidiary and the other parties to the PPNIPA to receive any further amounts in respect of such obligations shall be extinguished and the Noteholders and the other parties to the PPNIPA may not take any further action to recover such amounts.

During the years ended 31 December 2017 and 31 December 2016 all cash was placed with BNP Paribas Securities S.C.A, as Custodian. The ultimate parent of BNP Paribas Securities S.C.A is BNP Paribas which is publicly traded with a credit rating of A (Standard & Poor's).

The credit risk associated with debtors is limited to other receivables. Credit risk is mitigated by the Company's policy to only undertake significant transactions with leading commercial counterparties. It is the opinion of the Board that the carrying amounts of these financial assets represent the maximum credit risk exposure as at the reporting date.

The Board continues to monitor the Company's exposure to credit risk.

Credit risk in BGCF's financial instruments arises from cash and cash equivalents and investments in debt securities, as well as credit exposures of transactions with brokers related to transactions awaiting settlement (i.e. receivable for investment sold and other receivables).

DFME monitors the creditworthiness of financial institutions with whom cash is held, or with whom investment or derivative transactions are entered into, on a regular basis.

DFME, through its investment strategy for BGCF, will endeavour to avoid losses relating to defaults on the underlying assets. In-house credit research is used to identify asset allocation opportunities amongst potential borrowers and industry segments and to take advantage of episodes of market mispricing. Segments and themes that are likely to be profitable are subjected to rigorous analysis and risk is allocated to these opportunities consistent with investment objectives. All transactions involve credit research analysts with relevant sector experience. The credit analysis performed involves developing a full understanding of the business and associated risk of the loan or bond issuer and a full analysis of the financial risk, which leads to an overall assessment of credit risk. DFME analyses credit concentration risk based on the counterparty, country and industry of the financial assets that BGCF holds.

For the year ended 31 December 2017

10 Financial risk management (continued)

10B Credit risk (continued)

At the reporting date, BGCF's financial assets exposed to credit risk are as follows:

	2017	2016
	€	€
Financial assets designated at fair value through profit or loss	934,765,672	620,460,349
Derivative financial assets	3,077,243	-
Receivables for investments sold	348,346,724	184,379,820
Other receivables	18,818,998	11,171,514
Cash at bank	48,838,434	30,013,469
Total	**1,353,847,071**	**846,025,152**

The investments in senior secured loans and bonds held directly by BGCF had the following credit quality as rated by Moody's:

Rating	As at 31 December 2017	As at 31 December 2016
B1	23.1%	**33.8%**
B2	37.8%	**37.3%**
B3	16.1%	**3.4%**
Ba1	1.8%	**2.2%**
Ba2	5.4%	**4.4%**
Ba3	5.7%	**16.2%**
Caa1	0.3%	**0.9%**
Not Rated	9.8%	**1.8%**
Total	**100.0%**	**100.0%**

In addition to the senior secured loans and bonds held directly, BGCF invests in CLO Income Notes issued by its subsidiaries which are European CLO Issuers (CLOs originated by BGCF which are consolidated in the BGCF group financial statements) whose investments will be focused predominantly in European senior secured loans. As subordinated noteholder in the CLO Issuers, BGCF is exposed to the credit risk on the underlying senior secured loans and bonds held by the CLOs. In addition, the CLO Income Notes are limited recourse obligations of the CLO Issuers which are payable solely out of amounts received by the CLO Issuer in respect of the financial assets held.

For the year ended 31 December 2017

10 Financial risk management (continued)

10B Credit risk (continued)

The underlying investments in senior secured loans and bonds recognised as financial assets of BGCF's European subsidiaries had the following credit quality as rated by Moody's:

Rating	As at 31 December 2017	As at 31 December 2016
B1	23.0%	**28.7%**
B2	45.9%	**37.7%**
B3	14.7%	**15.7%**
Ba1	1.6%	**2.2%**
Ba2	3.5%	**2.6%**
Ba3	6.4%	**8.2%**
Baa3	0.2%	**0.1%**
Caa1	3.2%	**2.7%**
Caa2	0.5%	**1.2%**
Ca	0.7%	**-**
Caa3	0.3%	**0.8%**
Not Rated	-	**0.1%**
Total	**100.0%**	**100.0%**

During the financial year, BGCF invested in Class A Preference shares issued by the U.S. MOA, the U.S. Majority Owned Affiliate. As at 31 December 2017, the total investment value is EUR 145,272,658 which is 10.73% of BGCF's total assets. The U.S. MOA invests in the subordinated notes of U.S. CLOs whose investments are focused predominantly in U.S. senior secured loans. Given BGCF's indirect interest in the subordinated notes of U.S. CLOs, BGCF is exposed to the credit risk on the underlying senior secured loans and bonds held by those U.S. CLOs. In addition, the CLO Income Notes are limited recourse obligations of the U.S. CLOs which are payable solely out of amounts received by the U.S. CLO in respect of the financial assets held.

The underlying investments in senior secured loans and bonds recognised as financial assets of the U.S. CLOs (which BGCF is exposed to through the U.S. MOA investment) had the following credit quality as rated by Moody's:

Rating	As at 31 December 2017	As at 31 December 2016
B1	16.3%	-
B2	32.0%	-
B3	31.0%	-
Ba1	2.0%	-
Ba2	4.0%	-
Ba3	10.0%	-
Caa1	1.0%	-
Caa2	0.1%	-
Not Rated	3.6%	-
Total	**100.0%**	**-**

All the cash held by BGCF is held with Citibank N.A., London Branch which has a credit rating of Baa1 from Moody's as at 31 December 2017 (31 December 2016: A1).

For the year ended 31 December 2017

10 Financial risk management (continued)

10C Liquidity risk

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

The Company has been established as a closed-ended vehicle. Accordingly, there is no right or entitlement attaching to the Company's shares that allows them to be redeemed or repurchased by the Company at the option of the Shareholder. This significantly reduces the liquidity risk of the Company.

Under the terms of the unsecured PPNs issued to its investors, BGCF is contractually obliged to ensure that its portfolio is managed in accordance with the Company's investment objective and policy. In the event that BGCF fails to comply with these contractual obligations, the Company, through the Lux Subsidiary, could elect for the unsecured PPNs to become immediately due and repayable to it from BGCF, subject to any applicable legal, contractual and regulatory restrictions. Given the nature of the investments held by BGCF there is no guarantee and indeed, it is highly unlikely that the applicable legal, contractual and regulatory restrictions would permit BGCF to immediately repay the unsecured PPNs on the Company making such an election.

If the Company were to elect for the unsecured PPNs to be repaid, BGCF's failure to fully comply with its contractual obligations to do so or BGCF being restricted from doing so by law, regulation or contract could have a significant adverse effect on the Company's business, financial condition, results of operations and NAV.

The PPNs are unsecured obligations of BGCF and amounts payable on the PPNs will be made solely from amounts received in respect of the assets of BGCF available for distribution to its unsecured creditors. BGCF is permitted to incur leverage in the form of secured debt by way of one or more revolving credit facilities. Such secured debt will rank ahead of the PPNs in respect of any distributions or payments by BGCF. In an enforcement scenario under any revolving credit facility, the provider(s) of such facilities will have the ability to enforce their security over the assets of BGCF and to dispose of or liquidate, on their own behalf or through a security trustee or receiver, the assets of BGCF in a manner which is beyond the control of the Company. In such an enforcement scenario, there is no guarantee that there will be sufficient proceeds from the disposal or liquidation of BGCF's assets to repay any amounts due and payable on the PPNs and this may adversely affect the performance of the Company's business, financial condition, results of operations and NAV.

Consequently, in the event of a materially adverse event occurring in relation to BGCF or the market generally, the ability of the Company to realise its investment and prevent the possibility of further losses could, therefore, be limited by its restricted ability to realise its investment via the Lux Subsidiary in BGCF. This delay could materially affect the value of the PPNs and the timing of when BGCF is able to realise its investments, which may adversely affect the Company's business, financial condition, results of operations, NAV and/or the market price of the shares.

The liquidity profile of BGCF as at 31 December 2017 is as follows:

	Within 6 months	6 months – 2 years	Greater than 2 years	Total
	€	€	€	€
Payable for investments purchased	(340,574,806)	-	-	**(340,574,806)**
PPNs issued by BGCF	-	-	(679,650,521)	**(679,650,521)**
BGCF Facility	(331,477,924)	-	-	**(331,477,924)**
	(672,052,730)	**-**	**(679,650,521)**	**(1,351,703,251)**

For the year ended 31 December 2017

10 Financial risk management (continued)

10C Liquidity risk (continued)

The liquidity profile of BGCF as at 31 December 2016 is as follows:

	Within 6 months	6 months – 2 years	Greater than 2 years	Total
	€	€	€	€
Payable for investments purchased	(94,478,627)	-	-	**(94,478,627)**
PPNs issued by BGCF	-	-	(451,337,094)	**(451,337,094)**
BGCF Facility	-	(297,388,234)	-	**(297,388,234)**
	(94,478,627)	**(297,388,234)**	**(451,337,094)**	**(843,203,955)**

To meet the Company's target dividend, the Company will require sufficient payments from the CSWs held and in the event these are not received, the Board has the discretion to determine the amount of dividends paid to Shareholders.

11 Interests in other entities

Interests in unconsolidated structured entities

IFRS 12 "Disclosure of Interests in Other Entities" defines a structured entity as an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to the administrative tasks only and the relevant activities are directed by means of contractual agreements. A structured entity often has some of the following features or attributes:

- Restricted activities;
- A narrow and well-defined objective;
- Insufficient equity to permit the structured entity to finance its activities without subordinated financial support; and
- Financing in the form of multiple contractually linked instruments that create concentrations of credit or other risks.

Involvement with unconsolidated structured entities

The Directors have concluded that the CSWs and voting shares of the Lux Subsidiary in which the Company invests, but that it does not consolidate, meet the definition of a structured entity.

The Directors have also concluded that the PPNs held by the Lux Subsidiary in BGCF also meet the definition of a structured entity.

Interests in subsidiary

As at 31 December 2017, the Company owns 100% of the Class A and Class B shares in the Lux Subsidiary comprising 2,000,000 Class A shares and one Class B share (31 December 2016: 2,000,000 Class A shares and one Class B share).

Other than the investments noted above, the Company did not provide any financial support for the years ended 31 December 2017 and 31 December 2016, nor had it any intention of providing financial or other support.

For the year ended 31 December 2017

12 Segmental reporting

As required by IFRS 8 "Operating Segments", the information provided to the Board, who are the chief operating decision-makers, can be classified into one segment for the years ended 31 December 2017 and 31 December 2016. The only share class in issue during the years ended 31 December 2017 and 31 December 2016 is the Euro share class.

For the years ended 31 December 2017 and 31 December 2016, the Company's primary exposure was to Europe.

13 Basic and diluted earnings per Euro share

	As at 31 December 2017	As at 31 December 2016
	€	€
Total comprehensive income for the year	5,729,994	40,512,255
Weighted average number of shares during the year	390,896,434	327,635,459
Basic and diluted earnings per Euro share	**0.0147**	**0.1237**

14 Net asset value per Euro share

	As at 31 December 2017	As at 31 December 2016
	€	€
Net asset value	379,540,321	332,338,320
Number of shares at year end	404,700,446	324,600,700
Net asset value per Euro share	**0.9378**	**1.0238**

15 Reconciliation of NAV to published NAV

	As at 31 December 2017		As at 31 December 2016	
	NAV	NAV per share	NAV	NAV per share
	€	€	€	€
NAV attributable to Shareholders	379,540,321	0.9378	332,338,320	1.0238
Amortisation adjustment	-	-	(7,168)	(0.0000)
Published NAV	**379,540,321**	**0.9378**	**332,331,152**	**1.0238**

For the year ended 31 December 2017

16 Related party transactions

All transactions between related parties were conducted on terms equivalent to those prevailing in an arm's length transaction.

Transactions with entities with significant influence

In accordance with IAS 24 "Related Party Disclosures", the related parties and related party transactions during the year comprised transactions with an affiliate of DFME. As at 31 December 2017, Blackstone Asia Treasury Pte held 43,000,000 Euro shares in the Company (31 December 2016: 50,000,000).

Transactions with key management personnel

The Directors are the key management personnel as they are the persons who have the authority and responsibility for planning, directing and controlling the activities of the Company. The Directors are entitled to remuneration for their services. Refer to Note 4 for further detail.

Transactions with other related parties

At 31 December 2017, current employees of the Portfolio Adviser and its affiliates, and accounts managed or advised by them, hold 24,875 Euro shares (31 December 2016: 524,875) which represents 0.006% (31 December 2016: 0.162 %) of the issued shares of the Company.

The Company has exposure to the CLOs originated by BGCF, through its investment in the Lux Subsidiary. DFME is also appointed as a service support provider to BGCF and as the collateral manager to the European subsidiaries. GSO / Blackstone Debt Funds Management LLC ("DFM") has been appointed as the collateral manager to Dorchester Park CLO Designated Activity Company and U.S. CLOs securitised through the U.S. MOA. In addition, it has entered into a management agreement with the U.S. MOA.

Alan Kerr was an executive director of DFME up until 25 April 2017. Mr Kerr was subsequently appointed as director to BGCF in October 2017 and was appointed to the role as a nominee of DFME. Up to May 2017, Mr Kerr held the position of Senior Managing Director of The Blackstone Group L.P., the ultimate parent company of DFME, and for the remainder of 2017 held the position of Senior Adviser to The Blackstone Group L.P.

Transactions with Subsidiaries

The Company purchased 80,224,431 CSWs from the Lux Subsidiary during the year and held 337,374,822 CSWs as at 31 December 2017 (31 December 2016: 295,083,703). Refer to Note 6 for further details.

As at 31 December 2017, the Company held 2,000,000 Class A shares and 1 Class B share in the Lux Subsidiary with a nominal value of €2,000,001 (31 December 2016: 2,000,000 Class A shares and 1 Class B share in the Lux Subsidiary with a nominal value of €2,000,001).

17 Controlling party

In the Directors' opinion, the Company has no ultimate controlling party.

18 Significant events of the Company during the year

Please refer to the Executive Summary on page 13 for details of significant events of the Company during the year.

For the year ended 31 December 2017

19 Events after the reporting period

The Board has evaluated subsequent events for the Company through to 25 April 2018, the date the financial statements are available to be issued, and, other than those listed below, concluded that there are no material events that require disclosure or adjustment to the financial statements.

On 18 January 2018, the Board declared a dividend of €0.025 per Euro share in respect of the period from 1 October 2017 to 31 December 2017 with an ex-dividend date of 25 January 2018. A total payment of €10,117,511 was processed on 23 February 2018.

On 20 April 2018, the Company declared a dividend of €0.025 per Euro share in respect of the period from 1 January 2018 to 31 March 2018. This dividend is payable on 1 June 2018 to Shareholders on the register as at the close of business on 4 May 2018, and the corresponding ex-dividend date will be 3 May 2018.

On 23 April 2018, the Company announced that it currently has flexibility to raise additional equity capital in an efficient and cost-effective manner by issuing, on a non-pre-emptive basis, up to 40,470,044 new Euro Shares pursuant to the general authority granted at the annual general meeting of the Company held on 21 June 2017. In the event of market demand, the Directors may utilize this authority through a non-pre-emptive tap issuance programme of up to 40,470,044 Euro Shares and to invest the net proceeds of each issue of new Shares pursuant to the Tap Issuance Programme in accordance with the Company's investment policy. No new Euro Shares issued pursuant to the Tap Issuance Programme will be issued at a price which (after costs and expenses) represents a discount to the Net Asset Value per existing Euro Share.

Any such Tap Issue would take place through the Company's Joint Brokers.

Company Information

Directors	Registered Office
Ms Charlotte Valeur (Chair) Mr Gary Clark Ms Heather MacCallum Mr Steven Wilderspin *All c/o the Company's registered office*	IFC 1 The Esplanade St Helier Jersey JE1 4BP, Channel Islands
Portfolio Adviser	**Registrar**
Blackstone / GSO Debt Funds Management Europe Limited 30 Herbert Street 2nd Floor Dublin 2, Ireland	Link Asset Services (Jersey) Limited (formerly Capita Registrars (Jersey) Limited) 12 Castle Street St Helier Jersey, JE2 3RT, Channel Islands
Joint Broker	**Joint Broker**
Nplus1 Singer Advisory LLP 1 Bartholomew Lane London, EC2N 2AX , United Kingdom	Fidante Partners Europe Limited (trading as Fidante Capital) 1 Tudor Street London, EC4Y 0AH, United Kingdom
Legal Adviser to the Company (as to Jersey Law)	**Legal Adviser to the Company (as to English Law)**
Carey Olsen 47 Esplanade St Helier Jersey JE1 0BD, Channel Islands	Herbert Smith Freehills LLP Exchange House Primrose Street London EC2A 2EG United Kingdom
Reporting Accountant and Auditor	**Administrator / Company Secretary / Custodian / Depositary**
Deloitte LLP Gaspe House 66-72 Esplanade St Helier JE2 3QT Channel Islands	BNP Paribas Securities Services S.C.A. IFC 1 The Esplanade St Helier Jersey JE1 4BP, Channel Islands