AIFMD ANNUAL REPORT

2018 Annual Report for the purposes of Article 22 AIFMD by

Blackstone / GSO Loan Financing Limited

(the "Fund" or "Investment Manager")

June 2019

DEFINITIONS

1. This section of the Annual Report sets out the meaning of certain defined terms used in the Annual Report and makes provisions regarding the interpretation of certain references in the Annual Report.

2. In this Annual Report, the following capitalised terms shall have the following meanings:

   (A) "AIF" means an alternative investment fund for the purposes of and as defined in the AIFMD.

   (B) "AIFM" means an alternative investment fund manager for the purposes of and as defined in the AIFMD.

   (C) "AIFMD" means Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers.

   (D) "Annual Report" means this AIFMD Annual Report.

   (E) "EEA" means the European Economic Area.

   (F) "EEA Investor" means an investor or a decision maker in respect of an investment in the Fund to whom the Fund is marketed within an EEA member state.

   (G) "EU" means the European Union.

   (H) "Fund" or "Investment Manager" means Blackstone / GSO Loan Financing Limited.

   (I) "Professional Investor" has the meaning ascribed to it in Article 4(1)(AG) of the AIFMD.

   (J) "Prospectus" means the prospectus of the Fund dated 23 November 2018, as supplemented from time to time.

   (K) "Regulation" means Commission Delegated Regulation (EU) No 231/2013 of 19 December 2012.

   (L) "Reporting Period" means 1 January 2018 through 31 December 2018.

   Certain other terms are defined in the Annual Report.

IMPORTANT NOTICES TO RECIPIENTS

1. This Annual Report is confidential.

2. This confidential Annual Report is being provided to investors of the Fund and regulatory bodies, as necessary, solely for the purpose of providing disclosures in connection with the requirements of the AIFMD. By accepting this Annual Report, you expressly acknowledge that the accounting and certain other information contained in this Annual Report is as of 31 December 2018 unless otherwise indicated and that more recent information, including performance data, is available and has been provided by the Investment Manager to shareholders of the Fund and that other material changes with respect to the Fund and its

investments may not be reflected in this Annual Report. The delivery of this Annual Report shall not under any circumstances create an assumption that the information presented herein is correct as of any time subsequent to 31 December 2018. This Annual Report is not, and may not be relied upon in any manner as, legal, tax, financial or investment advice or as an offer to sell or a solicitation of an offer to buy any security, product or service or to provide investment advice. This Annual Report does not purport to contain all of the information that may be required to evaluate an investment in the Fund and each recipient is urged to consult its tax, legal, financial, accounting and other advisors about the matters discussed herein. Any investment performance information contained in this Annual Report is presented for informational purposes only and is not indicative of future results. Due to various risks and uncertainties, actual events or results and the actual performance of the Fund may differ materially from those reflected or contemplated herein. It should not be assumed that the specific investments identified and discussed herein were or will be profitable or that any investments made in the future will equal the performance of the investments identified herein. No guarantee of investment performance is being provided and no inference to the contrary should be made. There can be no assurance that the Fund will be able to obtain comparable returns, be able to implement its investment strategy, achieve its investment objective or avoid substantial losses.

DISCLOSURE OBLIGATION

1. The Investment Manager is the manager of the Fund for the purposes of the AIFMD and is a non-EU AIFM. Article 42 of the AIFMD allows member states to permit a non-EU AIFM to market the Fund to Professional Investors in that member state subject to compliance with, amongst other things, the requirement to make available an annual report containing the information in Article 22 and, if applicable, the disclosures required under Article 29. As a consequence of its marketing activities within certain jurisdictions of the EEA the Investment Manager is required to provide this Annual Report upon request to investors in the Fund who are domiciled in such jurisdictions, and to make it available to the competent authorities of certain member states where the Fund has been marketed, no later than six months following the end of the Fund's Reporting Period.

SUBSTANCE OF DISCLOSURES REQUIREMENTS

1. The Investment Manager is only required to comply with limited provisions of the AIFMD. Save where a member state has imposed requirements additional to those of Article 42 of the AIFMD, the Investment Manager is not subject to some of the AIFMD's detailed requirements relating to, e.g., operating and organisational requirements relating to capital, indemnity insurance, remuneration, conflicts, risk management, liquidity management, investment in securitisation positions, human and technical resources, valuation, and delegation. Certain disclosures required under Article 22 and certain periodic disclosures required under Article 23 specifically relate to the subject matter of these other requirements, in particular, remuneration, risk management, and liquidity management. In the interests of providing "materially relevant, reliable, comparable and clear information" the Investment Manager has in certain instances addressed the substance of the relevant disclosure requirement based on its own procedures and policies (where applicable).

2. With respect to the disclosure obligations under Article 29 of the AIFMD, the AIFM shall request and use its best efforts to ensure, with respect to any non-listed company established in the EEA of which the Fund has acquired control (individually or jointly), that the annual report of such non-listed company is drawn up in accordance with Article 29(2) of the AIFMD and is made available by the board of directors of such non-listed company to the

employees’ representatives, or, where there are none, to the employees themselves within the period such annual report has to be drawn up in accordance with the national applicable law.

INTERPRETATION

1. References to statutory provisions, regulations, notices or the AIFMD shall include those provisions, regulations, notices or the AIFMD as amended, extended, consolidated, substituted, re-issued or re-enacted from time to time.

2. Unless the context otherwise requires and except as varied or otherwise specified in this Annual Report, words and expressions contained in this Annual Report shall bear the same meaning as in the Prospectus provided that, if there is any conflict between words defined in this Annual Report and the Prospectus, this Annual Report shall prevail.

AIFMD ANNUAL REPORT

The following information has been included in this Annual Report in order to comply with the obligations set out under the AIFMD and the Regulation. The shares in the Fund have been notified for marketing in various jurisdictions within the EEA in accordance with the requirements set out under Article 42 of the AIFMD. As a result, the information in this Annual Report in relation to the Fund must be: (i) made available to certain competent authorities in the EEA; and (ii) provided to certain EEA Investors in the Fund.

AIFMD Reference	Information Requirement	Required Disclosure
Article 22.2 (a)	**Balance sheet or statement of assets and liabilities**	Please see Annex 1 for disclosure of the balance sheet / statement of assets and liabilities of the Fund.
Article 22.2 (b)	**Income and expenditure account**	Please see Annex 1 for disclosure of the Fund's income and expenditure account.
Article 22.2 (c)	**Report on activities for the Reporting Period**	Please see Annex 2 setting out the report on the activities for the Fund for the year ending 31 December 2018.
Article 22.2(d)	**Any material changes in the information listed in Article 23 during the Reporting Period**	Please see Annex 3 for disclosure on the material changes in the information listed in Article 23 during the Reporting Period.
Article 22.2(e)	**The total amount of remuneration for the Reporting Period split into fixed and variable remuneration, paid by the AIFM to its staff and number of beneficiaries and, where relevant, carried interest paid by the AIF**	Please see Annex 4 for the remuneration disclosures.
Article 22.2(f)	**The aggregate amount of remuneration broken down by senior management and members of staff of the AIFM whose actions have a material impact on the risk profile of the AIF**	Please see Annex 4 for the remuneration disclosures.

ANNEX 1 – AIF AUDITED FINANCIAL STATEMENTS FOR THE REPORTING PERIOD ENDING 31 DECEMBER 2018

1. Please see Appendix 1 for the Fund's Annual Report and Audited Financial Statements for the Reporting Period ended 31 December 2018.

2. Please see page 55 of the Fund's Annual Report and Audited Financial Statements for a statement of financial position of the Fund as at the end of the Reporting Period.

3. Please see page 56 of the Fund's Annual Report and Audited Financial Statements for the statement of comprehensive income for the Reporting Period.

4. Please note that Article 104(2) of the Regulation sets out the form and content requirements for the Fund's income and expenditure statement. The Fund's audited financial statements have been prepared in accordance with Generally Accepted Accounting Principles in the United States ("US GAAP"). Some of the requirements of US GAAP as to how the income and expenditure statement element of the Fund's audited Combined Financial Statements are required (or permitted) to be presented differ from the form and content requirements set out in Article 104(2) of the Regulation. As a result of these differences, the income and expenditure statement element of the audited financial statements that are included within this Annual Report at Appendix 1 do not fully comply with the form and content requirements of Article 104(2) of the Regulation. Consequently, the Investment Manager will, in addition to including its audited financial statements in this Annual Report, make these figures available in due course.

5. Please note that there are no realised losses or unrealised gains for the Fund for the period ending year-end 2018. The realised gain figure is €6,072,647, and the unrealised loss figure is €17,274,438. These figures are included on page 70 of the Fund's Annual Report and Audited Financial Statements but are also included here in summary format for clarity.

ANNEX 2 – REPORT ON THE ACTIVITIES OF THE REPORTING PERIOD

<u>Activities of the Reporting Period</u>

1. This section of the Annual Report sets out a report on the activities of the Fund for the Reporting Period. This report is prepared as at the end of the Reporting Period.

Investment activities

1. In overview, the Fund engaged in the following key investment activities during the Reporting Period:

   The Fund’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 to floating rate senior secured loans and bonds directly and indirectly through securities in collateralised loan obligation transactions (“CLOs” and such securities, “CLO Securities”) and investments in special purpose vehicles incorporated for the purpose of warehousing senior secured loans and/or bonds (“Loan Warehouses”). The Fund seeks to achieve its investment objective through exposure (directly or indirectly) to one or more companies or entities established from time to time to, among other things, directly or indirectly purchase, hold, and/or provide funding for the purchase of CLO Securities (each, an “Underlying Company”). The Fund is an investment company providing investors with exposure to a loan investment company, Blackstone / GSO Corporate Funding Designated Activity Company (“BGCF”).

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

   Each Underlying Company 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 in: (i) senior secured loans, bonds, CLO Securities and Loan Warehouses; or (ii) other Underlying Companies which, themselves, invest in senior secured loans, bonds, CLO Securities and Loan Warehouses. The Underlying Companies may invest in European or U.S. senior secured loans, bonds, CLO Securities, Loan Warehouses and other assets in accordance with the investment policy of the Underlying Companies. Investments in Loan Warehouses, which are generally expected to be subordinated to senior financing provided by third party banks, 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 Underlying Companies are not expected to invest substantially directly in senior secured loans or bonds domiciled outside North America or Western Europe.

   In 2018, the Fund focused on the objectives and strategy outlined previously. Portfolio vintage diversification remains an important part of the BGCF investment strategy. The continued pace of CLO issuance in 2018 increased the portfolio’s concentration in newer vintage CLOs with longer reinvestment periods, which benefit from additional time to invest in loans, including the ability to take advantage of secondary market dislocations should they occur. As of 31

December, the weighted average remaining CLO reinvestment periods for European and U.S. CLOs in the portfolio were 2.2 years and 3.8 years, respectively, compared to 2.2 years and 4.2 years at the end of 2017.

Throughout 2018, BGCF originated €2.8 billion of senior secured loans and floating rate notes, and invested €90.6 million in four European CLOs and $238.7 million in six U.S. CLOs. BGCF also invested a total of $242.9 million in seven U.S. CLO warehouses during the year.

The Investment Manager believes that resetting and extending CLO liability terms is supportive of both credit quality within a CLO portfolio, as well as sustainability of equity cash flows. Accordingly, BGCF continued to refinance/reset existing CLO investments soon after expiration of their respective non-call periods throughout 2018. In total, five CLOs were refinanced or reset, reducing average cost of debt by approximately 0.6%. While the cost of capital for additional CLO refinancings and resets had risen by the end of December, the Investment Manager's process remains to evaluate the long-term value of extending the term of the CLOs in the BGCF portfolio at the expiration of their non-call periods.

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

Portfolio

1. In overview, the Fund's portfolio as at the end of the Reporting Period comprised the following investments:

   The Fund, through its investment in BGCF, increased its exposure to U.S. assets during 2018. As at 31 December 2018, based on net asset value ("NAV"), 46% of BGCF's portfolio was composed of U.S. CLO income notes and CLO warehouses, compared to 33% in December 2017. Exposure to directly held loans, net of leverage, decreased from 27% to 18%, and European CLO Income Notes remained relatively stable at 37% from 39% at the end of 2017.

Performance

1. The Fund delivered an International Financial Reporting Standards ("IFRS") NAV total return per euro ordinary share of -3.99% in 2018, ending the year at €0.8065. The return was composed of dividend income +11.38% and of net portfolio movement of -15.37%.

   On a published NAV basis, the Fund delivered a total return per euro ordinary share of 6.70% in 2018, ending the year at €0.8963. The return was composed of dividend income +11.38% and of net portfolio movement of -4.68%.

   The Fund's performance was impacted by a compression of the net interest margin of underlying CLO investments due to spread narrowing within the loan portfolios held within the CLOs. While loan spread tightening persisted throughout much of the early part of the year, many of BGCF's CLO positions had undergone liability refinancing at lower costs, which helped to offset the impact. Performance in 2018 was further supported by stronger than modelled fundamental performance in the underlying CLO portfolios, namely lower defaults. Volatility in both the loan and CLO markets had a significant impact on the IFRS NAV compared to the Fund's published NAV, which remains relatively stable due to its hold to maturity strategy and its valuation of long-term CLO income note investments based on expected cash flows.

An explanation of the difference between the IFRS NAV and the published NAV is included on page 4 of the Fund's Annual Report and Audited Financial Statements for the year ended 31 December 2018.

2. Past performance is not necessarily indicative of future results, and there can be no assurance that the Fund will achieve comparable results, will meet its target returns, achieve its investment objectives, or be able to implement its investment strategy.

Principal Risks and Uncertainties

1. Please refer to "Section VIII – Certain Risk Factors" of the Prospectus, Part 2A of the Investment Manager's Form ADV on file with the U.S. Securities and Exchange Commission and pages 22 to 23 and pages 84 to 93 of the Annual Report and Audited Financial Statements of the Fund for a statement of risk factors associated with the Fund.

   A copy of Part 2A of the Investment Manager's Form ADV can be found here: https://www.adviserinfo.sec.gov/IAPD/Content/Common/crd_iapd_Brochure.aspx?BRCHR_VRSN_ID=583653

Material changes to Article 23 disclosure information

1. Please see Annex 3 of this Annual Report for a summary of the material changes to the Fund's Article 23 disclosure information.

ANNEX 3 – MATERIAL CHANGES TO ARTICLE 23 DISCLOSURES

Material Changes

1. Please note that no material changes have been made to the information disclosed to investors pursuant to Article 23 of the AIFMD as included in the Prospectus.

2. The latest net asset value of the Fund and the historical performance of the Fund are available via online portal or by such other means as is determined by the AIFM from time to time and notified to shareholders or prospective investors as the case may be.

ANNEX 4 – REMUNERATION DISCLOSURE

<u>Remuneration – Procedures and Practices</u>

1. The Investment Manager is not subject to the requirements in the AIFMD that would require it, among other things, to implement and apply a remuneration policy that is compliant with Article 13 of the AIFMD (including Annex II) or the ESMA *Guidelines on sound remuneration policies under the AIFMD* (but is required in those jurisdictions where the Fund has been notified under Article 42 of the AIFMD to comply with Section XIII of the *Guidelines* for these purposes).

2. The Investment Manager is subject to the remuneration policies and practices (the "Policies") of The Blackstone Group L.P. ("Blackstone"). The staff included in the aggregate figures disclosed below are rewarded in line with the Policies.

3. Blackstone uses financial measures as a basis for compensation decisions across its businesses. Relevant senior management of Blackstone ("Senior Management") make operating decisions and assess the performance of each of Blackstone's business segments based on financial and operating metrics. Such Senior Management would include the global heads of the businesses as well as the CEO and the COO of Blackstone. The Senior Management ensure that compensation decisions are consistently taken across Blackstone, with consideration for the overall risk profile and appetite of Blackstone.

4. The Policies reflect Blackstone's ethos of good governance and encapsulate the following principal objectives:

    - Remuneration is comprised of fixed and variable elements, as described below, with a level of total reward that is competitive within Blackstone's peers;

    - Variable performance-driven compensation must be closely aligned with the principles of Blackstone, supportive of Blackstone's strategy and must not incentivise inappropriate risk taking.

5. Blackstone's remuneration policy applies to staff globally. While Senior Management is involved in determining and implementing the Policies, no individual is involved in setting his or her own remuneration.

6. Blackstone assesses various risk factors which it is exposed to when considering and implementing remuneration for staff and considers whether any potential award would give rise to a conflict of interest.

7. Mechanisms are in place to ensure that remuneration does not reward failure, whether on the early termination of a contract or otherwise. Where awards of carried interest and incentive payments are made, these are inherently risk-adjusted given that they are directly tied to the performance of investments or portfolios.

8. Blackstone operates an annual total compensation process dependent on individual and business performance, taking into account financial and non-financial criteria. This includes the performance of Blackstone as a whole, performance of each business unit within Blackstone - which would include regional businesses - as well as the individual's performance. The individual's performance is evaluated through an annual comprehensive performance management process known as "360". The "360" performance process provides

an evaluation of an individual's performance based on feedback from peers, managers and subordinates and assesses individuals quantitatively and qualitatively on a wide range of criteria including skills, values, collaboration and leadership. An individual's performance is also compared to agreed objectives and contribution to business strategy. The results of the performance evaluation process are used to produce total compensation recommendations for each individual which are subject to the review and approval by the Senior Management. An individual's compensation is designed to align employee incentives with the interests of Blackstone's clients, shareholders and business strategy. Total compensation payable to an individual, including determination of awards, is based on an assessment of a sustainable and risk adjusted performance of the business and applicable business risks from time to time. Bonus deferral awards are a deferred component of year-end discretionary bonus awards, if awarded. These awards are intended to encourage retention, align the recipient to the performance of Blackstone globally and incentivise long-term financial performance. Special equity awards are a retention tool/long term incentive plan for select individuals who demonstrate exceptional performance, and are subject to a vesting schedule weighted to encourage retention. Carried interest and incentive payment participation is generally reserved for investment professionals who may significantly influence the performance of investments made by the funds managed by Blackstone. The Investment Manager classifies members of the Investment Manager's Investment Committee, Senior Managing Directors, Heads of Control Functions and certain Portfolio Managers (in each case, only those with responsibility for the oversight and / or investment activity of the Fund) whose professional activities have a material impact on the risk profile of the Fund.

9. The Investment Manager has adopted a methodology for the purposes of determining, or allocating, the remuneration paid that can be reasonably attributed to the services provided by the Investment Manager to the Fund.

10. The disclosure below reflects the proportion of the total remuneration of the staff of the Investment Manager attributable to the Fund only. For these purposes, the total remuneration attributable to the activities of the Investment Manager has been allocated to each fund under management in proportion to the time spent on and proportional AUM of each applicable fund, hence the figures included below are an approximation only. While the Investment Manager believes that the information and the sources used are reliable for the purposes of this Annual Report, it should be specifically noted that the remuneration information presented herein is subject to the "Important Notices to Recipients" set out above.

Remuneration - Amount of Remuneration Paid

1. The remuneration paid by the Investment Manager to its staff in respect of the Reporting Period ending on 31 December 2018 (as attributable to the Fund in accordance with the methodology described above is as follows):

Total remuneration	$26,913,357
Fixed remuneration	$9,546,439
Variable remuneration	$17,366,918
Number of beneficiaries	231

Carried interest realised during the Reporting Period included with the total variable remuneration specified above $1,328,932

Aggregate remuneration paid to Senior Management $7,875,652

Aggregate remuneration paid to staff whose actions have a material impact on the risk profile of the Fund $8,867,892

Note: Certain members of Senior Management of the Investment Manager also perform investment functions that have a material impact on the risk profile of the Fund; remuneration paid to those individuals has consequently been included in both aggregate amounts disclosed above.

Appendix 1
Financial Statements

Please refer to the attached Annual Report and Audited Financial Statements for the Reporting Period ended 31 December 2018 in respect of the Fund.

Blackstone / GSO Loan Financing Limited

Annual Report and Audited Financial Statements for the Year Ended 31 December 2018

Table of Contents

RECONCILIATION OF IFRS NAV TO PUBLISHED NAV

At 31 December 2018, there was a difference between the NAV per Euro Ordinary Share as disclosed in the Statement of Financial Position on page 55, of €0.8065 per Euro Ordinary share, ("IFRS NAV") compared to the published NAV, of €0.8963 per Euro Ordinary share, which was released to the LSE on 22 January 2019 ("Published NAV"). A reconciliation is provided in Note 16 on page 94. Almost the entire difference between the two numbers is due to the different valuation bases used to determine the value of the investments.

Valuation Policy for the Published NAV

The Company publishes a NAV per Euro Ordinary Share on a monthly basis in accordance with its Prospectus. The Published NAV is based on a monthly valuation process that incorporates the valuation of its CSWs and PPNs, which in turn are based on the valuation of the BGCF portfolio using a CLO intrinsic calculation methodology per the Company's Prospectus, which we refer to as a "mark to model" approach. As documented in the Prospectus, certain "Market Colour" (market clearing levels, market fundamentals, bids wanted in competition ("BWIC"), broker quotes or other indications) is not incorporated into this methodology. The Directors believe that valuations on this basis are the appropriate way of tracking the long-term performance of the Company as the underlying portfolio of CLOs held by BGCF are comparable to held to maturity instruments and the Company expects to receive the benefit of the underlying cash-flows over the CLOs' entire life cycle.

Valuation Policy for the IFRS NAV

For financial reporting purposes annually and semi-annually, to comply with IFRS as adopted by the EU, the valuation of BGCF's portfolio of assets is at fair value using models that incorporate Market Colour at the period end date, which we refer to as a "mark to market" approach. IFRS 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 as at the measurement date, and is an "exit price" e.g. the price to sell an asset. An exit price embodies expectations about the future cash inflows and cash outflows associated with an asset or liability from the perspective of a market participant. IFRS fair value is a market-based measurement, rather than an entity-specific measurement, and is measured using assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Both the mark to model Published NAV and mark to market IFRS NAV valuation bases use modelling techniques and input from third-party valuation specialists.

Previous Financial Year Ends

At previous year-ends, there has been no material difference in the two valuation approaches and, consequently the financial statements prior to 31 December 2018 have not required a reconciliation.

Market Conditions at 31 December 2018

At the end of Q4 2018, there was a large market selloff in the broadly syndicated loan market, being the underlying collateral for the CLO Income Notes, and as a result, the CLO Income Notes' NAVs dropped. This drove down the fair value of CLO positions despite a lack of observed CLO Income Note trades in the market. Due to these market technicals driving the loan market decline, the higher estimated discount rate on the year-end date is a large contributing factor to the lower IFRS NAV. Projected cash flows from the CLO Income Notes have generally not materially changed from DFME's expectations. The average price of the Credit Suisse US Leveraged Loan Index fell -4.50% to 94.09 at the end of Q4 2018 from 98.52 at the end of Q3 2018. The lower IFRS NAV is generally consistent with the overall market decline, higher perceived risk sentiment and bids wanted in competition, and underpins the lower IFRS fair value of the Company's investments at the point in time of the year-end date. Consequently, at 31 December 2018, there was a material divergence between valuations calculated on the different bases. Further information is given on pages 26 and 27 that explains the key differences in the assumptions used for each methodology.

Market Conditions Update Q1 2019

Observed market colour and technical factors have begun to recover in 2019, as demonstrated by the Credit Suisse Leveraged Loan Index, which returned +3.78% from 31 December 2018 to 29 March 2019.

The Directors, as set out in the Prospectus, will continue to assess the performance of the Company using the Published NAV. Going forward, the Directors, in conjunction with the Portfolio Adviser, are also considering presenting additional information and commentary on Market Colour, credit risk exposure and any material divergence from the different valuation bases referred to above.

KEY PERFORMANCE INDICATORS

	NAV per the financial statements ("IFRS NAV")	Published NAV
BGLF NAV per Euro Ordinary Share [1]	€0.8065 (31 December 2017: €0.9378)	€0.8963 (31 December 2017: €0.9378)
BGLF NAV total return per Euro Ordinary Share [1]	(3.99)% (31 December 2017: 1.38%)	6.70% (31 December 2017: 1.38%)
(Discount)/premium per Euro Ordinary Share[1]	(5.77%) (31 December 2017: 5.03%)	(15.21%) (31 December 2017: 5.03%)
Dividend per Euro Ordinary Share	10c (31 December 2017: 10c)	

Further information on the reconciliation between the IFRS NAV and the Published NAV can be found on page 4.

Performance

Ticker	IFRS NAV per Share	Published NAV per Share	Share Price[2]	Premium / (Discount) IFRS NAV	Premium / (Discount) Published NAV	Dividend Yield
BGLF						
31 Dec 2018	€0.8065	€0.8963	€0.7600	(5.77)%	(15.21)%	13.16%
31 Dec 2017	€0.9378	€0.9378	€0.9850	5.03%	5.03%	10.00%
BGLP						
31 Dec 2018	£0.7251	£0.8058	£0.7175	(1.05)%	(10.95)%	12.53%
31 Dec 2017	£0.8329	£0.8329	£0.8750	5.05%	5.05%	N/A

	LTM Return[1]	3-Year Annualised	Annualised Since Inception	Cumulative Since Inception
BGLF Euro IFRS NAV	(3.99)%	3.31%	3.87%	18.36%
BGLF Euro Published NAV	6.70%	7.01%	6.36%	31.53%
BGLF Euro Ordinary Share Price	(13.82)%	1.70%	2.67%	12.40%
European Loans	0.55%	3.42%	2.98%	13.93%
US Loans	1.14%	5.02%	3.12%	14.65%

(1) Refer to Glossary on pages 98 and 99 for an explanation of the terms used above and elsewhere within this report
(2) Bloomberg closing price at period end

Dividend History

Whilst not forming part of the investment objective or policy of the Company, dividends will be payable in respect of each calendar quarter, two months after the end of such quarter. The Company continued to target a dividend of €0.025 a quarter throughout the year ended 31 December 2018.

Dividends for the Year Ended 31 December 2018

Period in respect of	Date Declared	Ex-dividend Date	Payment Date	Amount per Euro Ordinary Share
				€
1 Jan 2018 to 31 Mar 2018	20 Apr 2018	3 May 2018	1 Jun 2018	0.0250
1 Apr 2018 to 30 Jun 2018	19 Jul 2018	26 Jul 2018	24 Aug 2018	0.0250
1 Jul 2018 to 30 Sept 2018	18 Oct 2018	25 Oct 2018	23 Nov 2018	0.0250
1 Oct 2018 to 31 Dec 2018	22 Jan 2019	31 Jan 2019	1 Mar 2019	0.0250

Dividends for the Year Ended 31 December 2017

Period in respect of	Date Declared	Ex-dividend Date	Payment Date	Amount per Euro Ordinary 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 Sept 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

Year Highs and Lows

	2018 High	2018 Low	2017 High	2017 Low
IFRS NAV per Euro Ordinary share	€0.9183	€0.8065	€1.0252	€0.9378
Published NAV per Euro Ordinary share	€0.9183	€0.8837	€1.0252	€0.9378
Euro Ordinary Share Price (last price)	€0.9875	€0.7600	€1.0550	€0.9800
GBP Ordinary Share Price (last price)	£0.8750	£0.7150	£0.9450	£0.8650

Schedule of Investments

As at 31 December 2018

	Nominal Holdings	Market Value	% of Net Asset Value
		€	
Investment held in the Lux Subsidiary:			
CSWs	291,343,213	310,753,454	95.21
Shares (2,000,000 Class A and 1 Class B)	2,000,001	5,137,028	1.57
Other Net Assets		10,496,662	3.22
Net Assets Attributable to Shareholders		**326,387,144**	**100.00**

Schedule of Significant Transactions

Date of Transaction	Transaction Type	Amount	Reason
		€	
CSWs held by the Company			
8 Feb 2018	Redemption	13,296,821	To fund dividend
18 May 2018	Redemption	10,972,198	To fund dividend
8 Aug 2018	Redemption	14,223,045	To fund dividend
16 Nov 2018	Redemption	11,834,108	To fund dividend

CHAIR'S STATEMENT

Dear Shareholders,

After two years of stable growth in asset prices, 2018 proved to be more challenging for investors, particularly in the final quarter. Heading into 2018, tax cuts in the US provided an added boost for investors and indeed the US economy did advance an annualised 2.9% in 2018, ahead of the 2.2% rate of growth in 2017. US inflation emerged as a topical risk in 2018 given increased pressure on commodity prices, signs of wage growth, and an increase of Consumer Price Index above 3%. Inflation is typically coupled with rising rates, and, in 2018, the Federal Open Market Committee ("FOMC") increased short-term rates four times. As a result, the 10-year US Treasury yield reached a peak of over 3.2% in 2018. Toward the end of 2018, heightened tensions surrounding US-China trade relations, uncertainty surrounding an array of geopolitical situations, and the US government shutdown began to feed concerns that economic growth may be slowing. This ultimately resulted in a rise in risk premium and a spike in volatility in the equity and credit markets during the fourth quarter. Against this backdrop, in January, the FOMC made it clear that they would hold off on further rate increases until the impact of the prior rate increases was realised.

Economic growth in Europe also started strongly in 2018, but decelerated in the second half of the year as many economic indicators dipped and global growth became less synchronised. Despite the decline in reported numbers in Europe, the major constituents of the Eurozone Composite PMI (manufacturing, services, and construction) all reported above 50 each month, the demarcation line between growth and contraction. In January of 2019, however, the European Central Bank ("ECB") downgraded GDP growth projections for the year, with expectations for a 1.6% expansion in 2019 after 1.9% growth in 2018. This is in line with messaging from the International Monetary Fund, which cut its forecast for the world economy and now predicts it will grow at a rate of 3.5% in 2019, its weakest pace in three years, due to softening consumer demand across Europe, palpitations in financial markets and fresh trade tensions.

Total Return(3)

The Company delivered an IFRS NAV total return per Euro Ordinary share of -3.99% in 2018 (+1.38% in 2017), ending the year at €0.8065 (€0.9378 at 31 December 2017). The return was composed of dividend income +11.38% and of net portfolio movement of -15.37%.

On a Published NAV basis, the Company delivered a total return per Euro Ordinary share of 6.70% in 2018 (+1.38% in 2017), ending the year at €0.8963 (€0.9378 at 31 December 2017). The return was composed of dividend income +11.38% and of net portfolio movement of -4.68%.

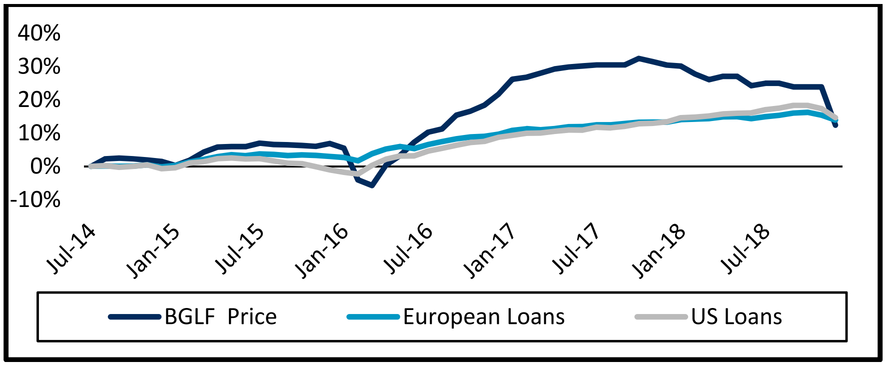
The Company's performance was impacted by a compression of the net interest margin of underlying CLO investments due to spread narrowing within the loan portfolios held within the CLOs. While loan spread tightening persisted throughout much of the early part of the year, many of BGCF's CLO positions had undergone liability refinancing at lower costs, which helped to offset the impact. Performance in 2018 was further supported by stronger than modelled fundamental performance in the underlying CLO portfolios, namely lower defaults. Volatility in both the loan and CLO markets had a significant impact on the IFRS NAV compared to the Company's Published NAV, which remains relatively stable due to its hold to maturity strategy and its valuation of long-term CLO Income Note investments based on expected cash flows.

An explanation of the difference between the IFRS NAV and the Published NAV is included on page 4.

(3) Past performance is not necessarily indicative of future results, and there can be no assurance that the Company will achieve comparable results, will meet its target returns, achieve its investment objectives, or be able to implement its investment strategy.

Historical BGLF Share Price

The graph shows cumulative share price total returns and cumulative returns on European and US loans.



The Company paid four dividends in respect of the year ended 31 December 2018, totaling €0.10 per share. Details of all dividend payments can be found within the "Dividend History" section at the front of this Annual Report.

Discount Management

While the share price discount to IFRS NAV averaged 1.4% (average of 2.1% based on Published NAV) throughout 2018, the shares ended the year trading at a discount of 5.77% to the IFRS NAV and 15.21% discount to the Published NAV (versus premium to NAV of 5.03% at 2017 year-end). The discount is -7.4% based on the Published NAV as at the time of this publication. As a Board, we regularly weigh the balance between maintaining liquidity of the Euro shares, the stability of any discount or premium relative to Published NAV, and the desire of Shareholders to see the Euro shares trade as closely as possible to their intrinsic value. On 23 January 2019, the Board announced that, under the general authority conferred by the Company's Shareholders at its Annual General Meeting on 22 June 2018, it retains the right to buy back shares in the market with the goal of reducing the discount.

BGLF Rollover Opportunity

On 21 December 2018, BGLF announced the results of the Rollover Opportunity, whereby shareholders in Carador Income Fund plc ("Carador") were provided with the opportunity to elect to rollover their investment in Carador into an investment in newly issued BGLF shares (" C Shares"). Approximately 34% of the Carador US Dollar Share register elected to rollover into Euro-denominated BGLF C Shares. In consideration for the transfer of Rollover Assets, equating to approximately $90 million, BGLF issued 133,451,107 BGLF C shares. These began trading on the Specialist Fund Segment of the Main Market of the LSE on 7 January 2019.

As outlined in the Prospectus, BGLF intends that the C Shares will convert into BGLF Ordinary Shares after a transitional period, expected to be between six to twelve months in length, during which the Rollover Assets will be realised and the proceeds reinvested in accordance with BGLF's investment policy. Rollover Assets, which primarily consist of CLO Income Notes, carry no risk retention requirements, and the investment strategy of the Company is to sell such positions as opportunities arise. As at the date of this publication, 31% of the Rollover Assets have been realised.

Brexit Update

Geopolitical volatility has become a key driver of uncertainty, and will remain one over the next few years. The board continues to monitor the ongoing negotiations regarding the UK's exit from the European Union ("Brexit"). The potential implications to BGLF have been evaluated in terms of any likely impact on credit quality in respect of BGCF's portfolio of investments and across its service providers, including areas such as human resources, counterparty relationships, supply chains, macroeconomic, and regulatory policy, as well as with regards to its marketing registrations, all of which have been deemed to have a negligible impact on the long-term sustainability of the Company. The longer-term impact of Brexit will continue to be monitored as the uncertainty resolves.

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 31 Committee meetings, as well as undertaking an offsite due diligence review in January 2018 of DFME. The Board used this visit to discuss various aspects of operational risk and controls, the loan and CLO markets, and current market conditions. A follow up visit was undertaken in March 2019 and the Board is holding its next quarterly board meeting in July 2019 in New York in order to meet with several personnel in the wider Blackstone Group. 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 to put it 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 and the Risk 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 Strategic Report – Risk Overview on page 24.

The Company is a member of the AIC and adheres to the AIC Code which is endorsed by the FRC, and meets the Company's obligations in relation to the UK Corporate Governance Code 2016 (the "UK Code").

Shortly after year end, with effect from 8 January 2019, the Board appointed Mark Moffat as a non-executive director. Mark has been involved in structuring, managing and investing in CLOs for over 20 years. As Mark was employed by GSO Capital Partners LP ("GSO") until early 2015, the Board does not currently consider him to be an independent director; however, we believe that with his knowledge and experience he will be a valuable addition to the Board.

Shareholder Communications

During 2018, using our Adviser and Brokers, we have continued our programme of engagement with current and prospective Shareholders. We 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. The Board along with its Portfolio Adviser is currently reviewing the format of shareholder communications with a view to providing more detail on underlying BGCF investments including market colour and credit risk exposure.

Prospects and Opportunities in 2019

Looking ahead to 2019, there are many compelling market scenarios to consider. While we do not expect that the US economy will move into a recession this year, we do acknowledge that markets began the year pricing in about a 50% chance of a recession. There are two core drivers of recession: excess capacity and Fed overtightening. In our view, the present state of these drivers indicates that the current credit cycle is likely to extend beyond 2019.

In Europe, the ECB ended its quantitative easing ("QE") programme in December, and the market priced in the ECB's first rate increase since 2011 to occur toward the end of 2019. With recessionary conditions evident in Italy, and France and Germany seeming likely to fall into recession as well, we expected that the ECB would soon need to restart QE. Indeed, as European global growth expectations weakened amid rising geopolitical uncertainty, in March of 2019, the ECB announced a third injection of stimulus in the form of a new series of quarterly targeted longer-term refinancing operations ("TLTRO-III"), which will be launched in September 2019 and continue through to March 2021. By providing cheap loans to banks, TLTRO-III should lower funding costs for businesses and households and help offset the effect of negative interest rates on banks.

With weakening economic data, the global economy appears to be in the later stages of this current economic cycle. The position of senior loans at the top of the credit structure, secured by the vast majority of the borrowing company's assets, provides us, the Board, with comfort in the event of a global downturn. Amid headlines of increasing leverage, weakening documentation, and increasing focus on "covenant lite" loans, we strongly believe the conservative investment process embedded in BGCF's portfolio construction is key to selecting an underlying portfolio of high quality companies supported by robust underlying protections. As we move into 2019, we continue to believe that the Company is well positioned to access favourable investment opportunities in loans, CLOs and warehouses through its investment in BGCF.

Dividends

Whilst not forming part of the investment objective or policy, and as outlined in the Prospectus, the Company has targeted an annualised mid teen total return over the medium term with a view to delivering this return through a combination of dividend payments and capital appreciation. The actual dividend generated by the Company in pursuing its investment objective depends on a wide range of factors, including, but not limited to: general economic and market conditions; fluctuating currency exchange rates; prevailing interest rates; and credit spreads and the terms of the investments made by the company. The aim is that excess cash or interest from the portfolio is reinvested by BGCF with the objective of growing the NAV of the Company.

The Board regularly considers the balance between the sustainability of dividends to investors and capital growth. When considering sustainability of dividends the Board has regard to past and forecast operational performance and the prevailing macro-economic outlook. The Company is well positioned to continue to fund its dividend, which continues to be covered by cash generated from its underlying investments. Details of the Company's continuing viability and going concern can be found in the "Strategic Report – Risk Overview" section. The ability of the Board to maintain future dividend policy will be influenced by the principal risks, and in particular the risk regarding investment performance and the income distribution model. Accordingly, the Company anticipates maintaining a dividend of 10c per annum distributed as a quarterly dividend of 2.5c per Euro Ordinary share. However, the Board will continue to undertake further analysis in the short term and monitor whether this provides the right balance between sustainability of dividends and the reinvestment of investment returns to grow the capital value of the Company.

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

Charlotte Valeur
Chair
30 April 2019

PORTFOLIO ADVISER'S REVIEW

We are pleased to present our review of 2018 and outlook for 2019.

Bank Loan Market Overview [4,5]

In 2018, European bank loans returned 0.55% (vs. 3.30% in 2017) and US bank loans returned 1.14% (vs. 4.25% in 2017). The somewhat muted full year performance of loans for 2018 was a result of a change in risk sentiment that triggered high velocity loan retail fund outflows in the US and an eventual technical sell off in the final quarter. While this affected both the US and European markets, loans proved their resilience and outperformed most asset categories in 2018.

Loan spread compression stabilised in 2018 and overall spreads in the European loan market tightened by only 1bp in 2018 (compared to 55bp in 2017) to end the year at 345bp. In the US, spread tightening moderated from narrowing 34bp in 2017 to 9bp over the year to end 2018 at 348bp. US loan coupons were further supported by a 111bp increase in 3M LIBOR over 2018 to 281bp.

Gross total loan issuance was €96.7 billion in Europe and $621.8 billion in the US for 2018. The largest use of this capital in both markets was related to M&A activity (69.5% in Europe and 55.8% in the US) – a shift from 2017, where recap and refinancing was the largest use of issuance globally. Both the European loan market and the US loan market experienced growth in 2018. The Credit Suisse Western European Leveraged Loan Index par outstanding rose from €217 billion in December 2017 to €283 billion in December 2018 (+30%), while the Credit Suisse Leveraged Loan Index par outstanding rose from $1,075 billion to $1,225 billion (+14%). We expect net new issue loan supply to decline year-on-year for 2019, due in large part to the volatility experienced in the fourth quarter 2018.

Default rates for loans remained below historical averages throughout 2018 and ended the year at 1.6% in the US and 0.1% in Europe.[5] We expect that they will remain below 2% throughout 2019 as loan issuer fundamentals remain strong. For US loan issuers, EBITDA grew by 10% on average in Q4 and revenue growth was 9%. Total leverage for US loan issuers decreased to 5.2x in Q4 and average interest coverage ratios improved to 4.6x.[4] While less broad based data is publicly available for European loan issuers, in Q3 we saw year-on-year revenue growth of 7% and interest coverage increased by 0.5x to 5.08x in the portfolio companies that we monitor.[6]

These strong corporate fundamentals, combined with low projected default rates, lead us to remain constructive on credit in 2019 and continue to believe that floating rate senior loans offer a compelling risk-reward opportunity. This is further supported by our view that the seniority of loans in the corporate structure offers defensive positioning unique to the asset class and one that is well suited for portfolio construction in a late cycle environment.

CLO Market Overview [7]

CLO issuance in 2018 was strong globally with record post-crisis CLO issuance in both Europe and the US. European CLO new issuance totalled €27.3 billion from 66 CLOs, (2017 issuance of €20.9 billion from 51 CLOs) and US CLO new issuance totalled $128.9 billion from 241 CLOs (2017 issuance of $118.1 billion from 212 CLOs).

In the early part of 2018, US CLOs' liability cost reached post-crisis tights, but these were soon overwhelmed by the volumes spurred on by the roll-back of US risk retention requirements, which caused spreads to widen. Loan price volatility during the fourth quarter caused further widening of CLO liability costs, which led to a

(4) Source: S&P LCD, data as of 31 December 2018
(5) Source: Credit Suisse, data as of 31 December 2018
(6) 3Q18 quarterly financials are used to provide the most complete dataset given European company reporting calendars.
(7) Sources: S&P/LCD, Wells Fargo, data as of 31 December 2018

slow-down of CLO issuance. CLO liabilities continue to remain wide into 2019, posing a challenge to the CLO Income Note arbitrage.

In contrast to new issuance, CLO refinancing and reset activity moderated in 2018 as CLO spreads widened globally. In 2018, €18.2 billion of European CLOs and $155.9 billion of US CLOs were refinanced or reset, the majority of which occurred in the first nine months of the year. In comparison, total refinancing and reset volume in 2017 was €24.8 billion in Europe and $167.0 billion in the US.

From a CLO fundamentals perspective, there was a divergence in some tests between Europe and the US. In Europe, CLO minimum overcollateralization ("OC") cushions declined slightly from 4.56% to 4.37% over the year and Weighted Average Rating Factor ("WARF") deteriorated from 2760 to 2858 on average. CCC buckets in the market improved and were broadly down by 0.90%. In the US, Caa holdings dropped by 0.40% and minimum OC cushions improved 0.20% to 4.35%, while WARF improved from 2811 to 2807 on average.(8)

Looking ahead, we expect that 2019 CLO gross issuance could reach €25 billion in Europe and $90 billion in the US. However, it should be noted that late 2018 and early 2019 market conditions have resulted in a downward trend for CLO issuance forecasts.

Portfolio Update

BGLF, through its investment in BGCF, increased its exposure to US assets during 2018. As at 31 December, based on NAV, 46% of BGCF's portfolio was composed of US CLO Income Notes and CLO warehouses, compared to 33% in December 2017. Exposure to directly held loans, net of leverage, decreased from 27% to 18%, and European CLO Income Notes remained relatively stable at 37% from 39% at the end of 2017.

Within the CLO portfolio, newer vintage CLOs have made first distributions that exceeded modelled cash flows, which helped to support the current distribution rate and to offset the diminishing cash flows from older vintage CLOs in the portfolio.

Portfolio vintage diversification remains an important part of the BGCF investment strategy. The continued pace of CLO issuance in 2018 increased the portfolio's concentration in newer vintage CLOs with longer reinvestment periods, which benefit from additional time to invest in loans, including the ability to take advantage of secondary market dislocations should they occur. As of 31 December, the weighted average remaining CLO reinvestment periods for European and US CLOs in the portfolio were 2.2 years and 3.8 years, respectively, compared to 2.2 years and 4.2 years at the end of 2017.

Throughout 2018, BGCF originated €2.8 billion of senior secured loans and floating rate notes (€2.3 billion in 2017), and invested €90.6 million (€72.3 million in 2017) in four European CLOs and $238.7 million ($232.7 million in 2017) in six US CLOs. BGCF also invested a total of $242.9 million ($255.6 million in 2017) in seven US CLO warehouses during the year.

We believe that resetting and extending CLO liability terms is supportive of both credit quality within a CLO portfolio, as well as sustainability of equity cash flows. Accordingly, BGCF continued to refinance/reset existing CLO investments soon after expiration of their respective non-call periods throughout 2018. In total, five CLOs (vs. five in 2017) were refinanced or reset, reducing average cost of debt by approximately 0.6%. While the cost of capital for additional CLO refinancings and resets had risen by the end of December, our process remains to evaluate the long-term value of extending the term of the CLOs in the BGCF portfolio at the expiration of their non-call periods.

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

(8) Sources: Wells Fargo, data as of 31 December 2018

CLO Income Note Investments	Closing Date	EUR / USD	Deal Size (mm)	Position Owned (mm)	% of Tranche	Reinvestment Period Remaining	Current Asset Coupon	Current Liability Cost	Net Interest Margin	NIM 3-Months Prior	Distributions Through Last Payment Date	
											Ann.	Cum.
Phoenix Park	Jul-14	EUR	€ 419	€ 23.3	51.4%	4.33	3.58%	1.79%	1.76%	2.03%	16.1%	68.5%
Sorrento Park	Oct-14	EUR	€ 517	€ 29.5	51.8%	0.00	3.71%	1.44%	2.26%	2.27%	17.4%	71.2%
Castle Park	Dec-14	EUR	€ 415	€ 37.0	80.4%	0.04	3.71%	1.52%	2.19%	2.20%	17.4%	66.5%
Dorchester Park	Feb-15	USD	$ 533	$ 48.5	73.0%	1.30	5.77%	3.89%	1.89%	1.78%	16.5%	60.3%
Dartry Park	Mar-15	EUR	€ 411	€ 22.8	51.1%	0.32	3.64%	1.63%	2.02%	1.99%	15.3%	55.2%
Orwell Park	Jun-15	EUR	€ 415	€ 24.2	51.0%	0.54	3.72%	1.44%	2.29%	2.30%	16.4%	55.5%
Tymon Park	Dec-15	EUR	€ 414	€ 22.7	51.0%	1.06	3.67%	1.31%	2.36%	2.39%	15.2%	43.3%
Elm Park	May-16	EUR	€ 558	€ 31.9	56.1%	1.29	3.67%	1.37%	2.30%	2.28%	12.1%	28.8%
Griffith Park	Sep-16	EUR	€ 459	€ 29.0	59.5%	4.39	3.66%	1.81%	1.85%	1.50%	10.9%	24.0%
Clarinda Park	Nov-16	EUR	€ 415	€ 23.1	51.2%	1.88	3.71%	2.03%	1.68%	1.70%	11.3%	22.6%
Grippen Park	Mar-17	USD	$ 611	$ 35.6	60.0%	3.30	5.75%	4.20%	1.55%	1.52%	13.1%	20.9%
Palmerston Park	Apr-17	EUR	€ 415	€ 28.0	62.2%	2.30	3.64%	1.73%	1.91%	1.85%	14.6%	22.2%
Thayer Park	May-17	USD	$ 515	$ 29.8	54.6%	3.30	5.79%	4.23%	1.56%	1.49%	18.5%	26.5%
Catskill Park	May-17	USD	$ 1,029	$ 65.1	60.0%	3.30	5.79%	4.20%	1.59%	1.51%	17.3%	24.6%
Clontarf Park	Jul-17	EUR	€ 414	€ 29.0	66.9%	2.60	3.59%	1.58%	2.01%	2.02%	14.5%	19.1%
Dewolf Park	Aug-17	USD	$ 614	$ 36.9	60.0%	3.79	5.84%	4.16%	1.68%	1.61%	17.2%	19.4%
Gilbert Park	Oct-17	USD	$ 1022	$ 60.2	59.0%	3.79	5.84%	4.12%	1.72%	1.65%	18.0%	17.6%
Willow Park	Nov-17	EUR	€ 412	€ 23.4	60.9%	3.54	3.65%	1.58%	2.07%	2.05%	18.1%	15.8%
Long Point Park	Dec-17	USD	$ 611	$ 33.4	56.9%	4.05	5.89%	3.87%	2.02%	1.98%	27.2%	21.8%
Stewart Park	Jan-18	USD	$ 879	$ 126.9	69.0%	4.00	5.79%	3.90%	1.89%	1.80%	18.2%	13.5%
Marlay Park	Mar-18	EUR	€ 413	€ 24.6	60.0%	3.29	3.64%	1.40%	2.24%	2.23%	18.1%	9.9%
Greenwood Park	Mar-18	USD	$ 1,075	$ 63.6	59.1%	4.29	5.84%	3.81%	2.02%	2.10%	21.1%	12.9%
Cook Park	Apr-18	USD	$ 1,025	$ 60.0	56.1%	4.29	5.84%	3.79%	2.04%	1.93%	22.4%	11.6%
Milltown Park	Jun-18	EUR	€ 411	€ 24.1	65.0%	3.54	3.65%	1.49%	2.16%	2.16%	n/a	n/a
Fillmore Park	Jul-18	USD	$ 561	$ 30.2	54.3%	4.54	5.68%	3.86%	1.82%	1.59%	n/a	n/a
Richmond Park	Jul-18	EUR	€ 550	€ 46.2	68.3%	2.54	3.66%	1.53%	2.12%	2.15%	17.7%	4.4%
Myers Park	Sep-18	USD	$ 510	$ 26.8	51.0%	4.80	5.77%	3.95%	1.82%	1.78%	n/a	n/a
Sutton Park	Oct-18	EUR	€ 409	€ 25.0	69.4%	4.37	3.63%	1.72%	1.91%	n/a	n/a	n/a
Harbor Park	Dec-18	USD	$ 716	$ 43.6	55.0%	5.05	6.23%	4.39%	1.84%	n/a	n/a	n/a

Current Asset Coupon, Current Liability Cost and Net Interest Margin in the above table have been rounded to 2 decimal places.

As at 31 December 2018, the portfolio was invested in accordance with BGCF's investment policy and was diversified across 682 issuers (623 issuers in 2017) through the directly held loans and CLO portfolio, and across 19 countries (21 countries in 2017) and 30 different industries (29 in 2017). No individual borrower represented more than 2% of the overall portfolio at the end of 2018.

Key Portfolio Statistics [9]

	Current WA Asset Coupon	Current WA Liability Cost	WA Leverage	WA Remaining CLO Reinvestment Periods
Euro CLOs	3.66%	1.58%	8.5x	2.2 Yrs
US CLOs	5.83%	4.01%	8.8x	3.8 Yrs
US CLO Warehouses	5.80%	3.92%	4.0x	n/a
Directly Held Loans	3.77%	1.45%	2.5x	n/a
Total Portfolio	4.67%	2.66%	7.4x	3.1 Yrs

Top 10 Holdings

Asset	Country	Industry	% of Portfolio
Refinitiv	USA	Services Business	1.1
Euro Garages	UK	Retail	1.0
Paysafe	UK	Banking, Finance, Insurance and Real Estate	1.0
Amaya Gaming	USA	Hotels, Gaming and Leisure	1.0
BMC Software	USA	High Tech Industries	0.9
Numericable	France	Media Broadcasting and Subscription	0.9
Ineos Finance plc	UK	Chemicals, Plastics and Rubber	0.8
Vail Holdco	USA	Healthcare and Pharmaceuticals	0.8
Ziggo	Netherlands	Media Broadcasting and Subscription	0.8
Ion Trading	Luxembourg	Banking, Finance, Insurance and Real Estate	0.7

Top 5 Industries

Industries	% of Portfolio
Healthcare and Pharma	16.0
High Tech Industries	10.3
Banking, Finance, Insurance and Real Estate	9.5
Services Business	9.2
Hotel, Gaming and Leisure	7.0

Top 5 Countries

Countries	% of Portfolio
United States	57.2
France	8.4
Luxembourg	7.5
Netherlands	5.6
United Kingdom	5.2

Regulatory Update

2018 was an eventful year on the US regulatory front. In February 2018, the US Court of Appeals for the D.C. Circuit published its decision to repeal US risk retention requirements for managers of open-market CLOs, which then became effective on 10 May 2018. This ruling has not materially impacted the Company's long-term investment strategy, investment performance, or capital deployment, as the Company continued, and continues, to invest in US CLOs, albeit directly through BGCF instead of through Blackstone / GSO Corporate Funding Limited (the "US Majority Owned Affiliate" or "US MOA").

(9) As at 31 December 2018

In Japan, the Japanese Financial Services Agency ("JFSA"), concerned by the growing exposure of many large domestic banks to the CLO market, published draft regulations in late 2018 that were finalised on 15 March 2019. The final regulation imposes additional regulatory capital requirements applicable to Japanese banks and certain other financial institutions that invest in securitisation. While the regulation does not categorically exempt CLOs, it does provide a path forward that does not require a Japanese risk retention obligation based on a determination by the affected Japanese investors that the underlying loans were not "inadequately formed." We believe that the regulation will result in increased diligence by Japanese investors but that it will not result in a significant wholesale change in the demand for CLOs from Japanese investors. We see this result as positive, given that the Japanese investor base remains among the largest buyers of the senior-most AAA tranches in CLOs.

In Europe, the European Union (the "EU") issued a new regulation effective 1 January 2019 that seeks to harmonise the previous rules for securitisations that were issued by sector (the "Securitisation Regulation"). The rules in the Securitisation Regulation apply to securitisation positions issued on or after 1 January 2019 and to a large degree they adopt the same concepts of the prior regulation on risk retention. The Securitisation Regulation does not change, in substance, the definition of "securitisation", acceptable methods of risk retention, or the level of risk retention required. There have been some extensions of the new regulation, which now includes, among other things, that risk retention obligations now apply directly to originators, sponsors, and original lenders established in the EU / EEA and/or regulated by a European competent authority (rather than only to their investors). Additionally, risk retention obligations now consequently apply indirectly to non-EU originators, sponsors, and original lenders for securitisations that have EU institutional investors, who have direct due diligence obligations to ensure compliance with risk retention.

DFME does not believe that any of the EU securitisation regulation changes should have a significant effect on BGCF or BGLF and that certain of the obligations are consistent with GSO's existing obligations as investment adviser to these funds.

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 all 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

30 April 2019

STRATEGIC OVERVIEW

Purpose

As an investment company, our purpose is to provide permanent capital to BGCF, a company established by DFME as part of its loan financing programme, with a view to generating stable and growing total returns for Shareholders through dividends and value growth.

We deliver our purpose through working in line with our values, which form the backbone of what the Company does and are an important part of our culture.

Values

Integrity and Trust - The Company seeks to act with integrity in everything it does and to be trustworthy. We seek to uphold the highest standards of professionalism driven by our corporate governance processes.
Transparency - The Company aims to ensure all of its activities are undertaken with the utmost transparency and openness to sustain trust.
Opportunity - The ability to see and seize opportunity in the best interests of shareholders.
Sustainability - As an investment company we aim to maintain and deliver attractive and sustainable returns for our shareholders.

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 LSE.

The Company's share capital consists of an unlimited number of shares. As at 31 December 2018, the Company's issued share capital was 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. All of the Class A and Class B shares were held by the Company as at 31 December 2018 together with 291,343,213 Class B CSWs issued by the Lux Subsidiary. The Lux Subsidiary invests in PPNs issued by BGCF, an Underlying Company.

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.

Investment Objective

As outlined in the Company's Prospectus, 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 to floating rate senior secured loans and bonds 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 companies or entities established from time to time ("Underlying Companies").

Investment Policy

Overview

As outlined in the Company's Prospectus, the Company's investment policy is to invest (directly, or indirectly through one or more Underlying Companies) in a diverse portfolio of senior secured loans (including broadly syndicated, middle market or other loans) (such investments being made by the Underlying Companies directly or through investments in Loan Warehouses), bonds and 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 subsidiaries) in profit participating instruments (or similar securities) issued by one or more Underlying Companies.

Each Underlying Company 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 in: (i) senior secured loans, bonds, CLO Securities and Loan Warehouses; or (ii) other Underlying Companies which, themselves, invest in senior secured loans, bonds, CLO Securities and Loan Warehouses. The Underlying Companies may invest in European or US senior secured loans, bonds, CLO Securities, Loan Warehouses and other assets in accordance with the investment policy of the Underlying Companies. Investments in Loan Warehouses, which are generally expected to be subordinated to senior finance provided by third-party banks, will typically be in the form of an obligation to purchase preference shares or a subordinated loan. There is no limit on the maximum US or European exposure. The Underlying Companies do not invest substantially directly in senior secured loans or bonds 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 directly or indirectly through the Underlying Companies, in a portfolio of senior secured loans and bonds or in Loan Warehouses containing senior secured loans and bonds and, in connection with such strategy, to own debt and equity tranches of CLOs and, in the case of European CLOs and certain US CLOs, to be the risk retention provider in each.

The Underlying Companies may periodically securitise a portion of the loans, or a Loan Warehouse in which they invest, into CLOs which may be managed either by such Underlying Company itself, by DFME or DFM (or one of their affiliates), in their capacity as the CLO Manager.

Where compliance with the European Risk Retention Requirements is sought (which, with certain exceptions, will not be the case for the US CLOs) the Underlying 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 US 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 European Risk Retention Requirements, the applicable Underlying Company may determine that, due to its role as an "originator" with respect to such transaction, such Underlying Company should also comply with the US Risk Retention Regulations. In addition, an Underlying Company may invest in CLOs, such as middle market CLOs, which are not exempt from the US Risk Retention Regulations and, as a result, may be required to retain exposure to such CLOs in accordance with such rules. In such a scenario, the Underlying Company will retain exposures to such transactions for the purpose of complying with the US Risk Retention Regulations, which may be held as:

- CLO Income Notes representing at least 5% of the fair market value of the CLO Securities (including CLO Income Notes) issued by such CLO (the "US horizontal strip");
- A vertical strip; or
- A combination of a vertical strip and US horizontal strip.

To the extent attributable to the Company, the value of the CLO Income Notes retained by Underlying 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 Underlying 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 Underlying Companies in aggregate and not to Underlying Companies individually.

Loan Warehouses may eventually be securitised into CLOs managed either by an Underlying 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 Underlying 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 Underlying Companies in aggregate and not to Underlying Companies individually.

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

Maximum Exposure	% of a Underlying 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 an Underlying Company).

In addition, each CLO in which an Underlying Company holds CLO Securities and each Loan Warehouse in which an Underlying 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 an Underlying Company may hold CLO Securities or Loan Warehouses in which an Underlying Company may invest also 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 are 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.

Changes to Investment Policy

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

It is intended that the investment policy of each substantial Underlying Company will mirror the Company's investment policy, subject to such additional restrictions as may be adopted by a substantial Underlying Company from time to time. The Company will receive periodic reports from each substantial Underlying Company in relation to the implementation of such substantial Underlying Company's investment policy to enable the Company to have oversight of its activities.

If a substantial Underlying Company proposes to make any changes (material or otherwise) to its investment policy, the Directors will seek Ordinary 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 Ordinary 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 Underlying Company, the Directors will redeem the Company's investment in such substantial Underlying Company (either directly or, if the Company's investment in a subsidiary is invested by such subsidiary in such substantial Underlying Company (either directly or through one or more other Underlying Companies), by redeeming the securities held by the Company in such subsidiary and procuring that the subsidiary redeems its investment in such substantial Underlying Companies (either directly or through one or more other Underlying 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 Underlying Company.

Company Borrowing Limit

The Company will not utilise borrowings for investment purposes. However, the Directors are permitted to borrow up to 10% of the Company's 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 Underlying Companies.

In accordance with the Company's Prospectus, 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 exposure to any non-Euro assets will be hedged, subject to suitable hedging contracts being available at appropriate times and on acceptable terms.

Investment Strategy

Whether the senior secured loans, bonds or other assets are held directly by an Underlying Company or via CLO Securities or Loan Warehouses, it is intended that, in all cases, the portfolios will be actively managed (by the Underlying Companies or the CLO Manager, as the case may be) to minimise default risk and potential loss through comprehensive credit analysis performed by the Underlying Companies or the CLO Manager (as applicable).

Vertical strips in CLOs in which Underlying Companies may invest are expected to be financed partly through term finance for investment-grade CLO Securities, with the balance being provided by the relevant Underlying Company investing in such CLO. This term financing may be full-recourse, non-mark to market, long-term financing which may, among other things, match the maturity of the relevant CLO or match the reinvestment period or non-call period of the relevant CLO. In particular, and although not forming part of the Company's investment policy, the following levels of, or limitations on, leverage are expected in relation to investments made by Underlying Companies:

- Senior secured loans and bonds may be levered up to 2.5x with term finance;
- Investments in "first loss" positions or the "warehouse equity" in Loan Warehouses will not be levered;
- CLO Income Notes will not be levered;
- Investments in CLO Securities rated B- and above at the time of issue may be funded entirely with term finance; and
- Investments in a vertical strip may be levered 6.0-7.0x, with term finance as described above.

To the extent that they are financed, vertical strips are anticipated to require less capital than horizontal strips, which is expected to result in more efficient use of the Underlying Companies' capital. In addition, since the return profile on financed vertical strips is different to retained CLO Income Notes, GSO believes that vertical strips may be more robust through a market downturn, although projected IRRs may be slightly lower. However, an investment in vertical strips is not expected to impact the Company's stated target return.

From time to time, as part of its ongoing portfolio management, the Underlying Companies may sell positions as and when suitable opportunities arise. Where not bound by risk retention requirements, it is the intention that the Underlying Companies would seek to maintain control of the call option of any CLOs securitised.

With respect to investments in CLO Securities, while the Underlying Companies maintain a focus on investing in newly issued CLOs, it will also evaluate the secondary market for sourcing potential investment opportunities in CLO Securities.

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, the Underlying Companies 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. The Underlying Companies will typically look to diversify their portfolios to avoid the risk that any one obligor or industry will adversely impact overall returns. The Underlying Companies also place an emphasis on loan portfolio liquidity to ensure that if their credit outlook changes, they are free to respond quickly and effectively to reduce or mitigate risk in their 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.

The portfolio of the Underlying Companies in which the Company invests (through its wholly-owned subsidiary) remains broadly divided between European CLOs and US CLOs.

The Company operates with Euro as its functional currency. The Rollover Assets and a significant proportion of the portfolio of assets held by Underlying Companies to which the Company has exposure may, from time to time, be denominated in currencies other than Euro. In accordance with the Company's investment policy, up to 100 per cent. (as appropriate) of the Company's exposure to such non-Euro assets is hedged, subject to suitable hedging contracts being available at appropriate times and on acceptable terms.

CORPORATE ACTIVITY

Rollover Offer Proposal

On 28 August 2018, the Board announced a rollover proposal to offer newly issued C Shares to electing shareholders of Carador, in consideration for the transfer of a pool of CLO assets from Carador to the Company (the "Rollover"). Carador is an Ireland-domiciled investment company with a similar underlying portfolio to the Company, managed by GSO / Blackstone Debt Funds Management LLC. The proposed rollover was announced pursuant to a strategic review by Carador, from which the Board recognised opportunities for the Company in terms of asset diversification and the spread of fixed costs over a larger pool of assets for its own Ordinary Shareholders.

On 23 November 2018, the Company also announced a placing programme of up to 400 million new Ordinary Shares (the "Placing Programme"), and published a shareholder circular (the "Circular") with further details of the Rollover and Placing Programme. An EGM Notice was also published, and both documents were mailed to the Company's Ordinary Shareholders.

At the EGM held on 12 December 2018, the Company sought Ordinary Shareholder approval for the following special resolutions: (i) the amendment of the existing articles to provide for the issue of Rollover shares, by replacing the Existing Articles in their entirety with the New Articles; and (ii) the disapplication of pre-emption rights in respect of any C Shares to be issued pursuant to the Rollover and the Placing Programme.

On 12 December 2018, the Company announced that the two special resolutions proposed at the EGM were duly passed, and that the results of the Rollover election would be announced on 21 December 2018.

On 21 December 2018 it was announced that Carador had received valid rollover elections in respect of 133,451,107 ordinary shares, representing approximately 34% of the Carador US Dollar share register. These ordinary shares were replaced with Carador rollover shares, before the Company issued one new C Share for each Carador rollover share in consideration for the transfer of the rollover assets from Carador.

On 3 January 2019, the Company announced that the 133,451,107 C Shares arising from the transaction would be allotted and admitted to trading on the Specialist Fund Segment of the Main Market of the LSE with effect from Monday 7 January 2019.

Allotment and admission to trading on the SFS of the LSE was completed on the 7 January 2019.

RISK OVERVIEW

Principal Risks and Uncertainties

Each Director is aware of the risks 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 performance	
A key risk to the Company is unsatisfactory investment performance due to an economic downturn along with continued political uncertainty which could negatively impact global credit markets and the risk reward characteristics for CLO structuring. This could directly impact the performance of the underlying CLOs that the Company invests in and it could also 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 in the Portfolio Adviser's track record and 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.
Share price discount	
The price of the Company's shares may trade at a discount relative to the underlying net asset value of the shares.	The Board continually monitors the Company's share price discount or premium to the Published NAV and regularly consults with the Company's brokers regarding share trading volumes, significant buyers and sellers, and comparative data from the Company's peer group. In order to manage the discount existing at the time, on 23 January 2019 the Board announced that under its general authority to buy back shares in the market, it intended to do so using available cash. Up until the date of approval of these financial statements no shares have been repurchased. The Board will keep this under review and will buy back shares if it believes it is appropriate and in the interests of investors.

Investment valuation

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.

The valuation of the Company's investments therefore requires a great deal of judgement and there is a risk that they are incorrectly valued due to calculation errors or incorrect assumptions.

The Directors use their judgement, with the assistance of the Portfolio Adviser, in selecting an appropriate valuation technique and refer to techniques commonly used by market practitioners. The board of directors of BGCF likewise use their judgement in determining the valuation of investments and underlying CLOs and equity tranches retained by BGCF.

As detailed further in Note 12, independent valuation service providers are involved in determining the fair value of underlying CLOs.

Income distribution model

The Company receives cash flows from its underlying exposure to debt and CLO investments held by BGCF. Each underlying CLO will pay out a mixture of income and capital return over its life with a terminal capital value in the 70 to 80% range. BGCF aims to distribute most of the proceeds that it receives from CLO investments to the Company (via PPNs) whilst reinvesting some of the proceeds back into CLOs to maintain capital invested. In turn, the Company aims to distribute income received to shareholders, in accordance with its distribution policy, without eroding capital.

There is a risk that the distribution policy at the Company level may be too generous or re-investment at the BGCF level may not be sufficient, resulting in the erosion of underlying capital invested.

The Directors use their judgement, with the assistance of the Portfolio Adviser, in setting the Company's distribution policy to ensure that it is appropriate given the performance of the underlying CLOs.

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 22 and 23 along with market conditions, the Company's current position, investment objective and strategy and the performance of the Portfolio Adviser.

As explained on pages 16 to 20, 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 senior secured loans and bonds; 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.

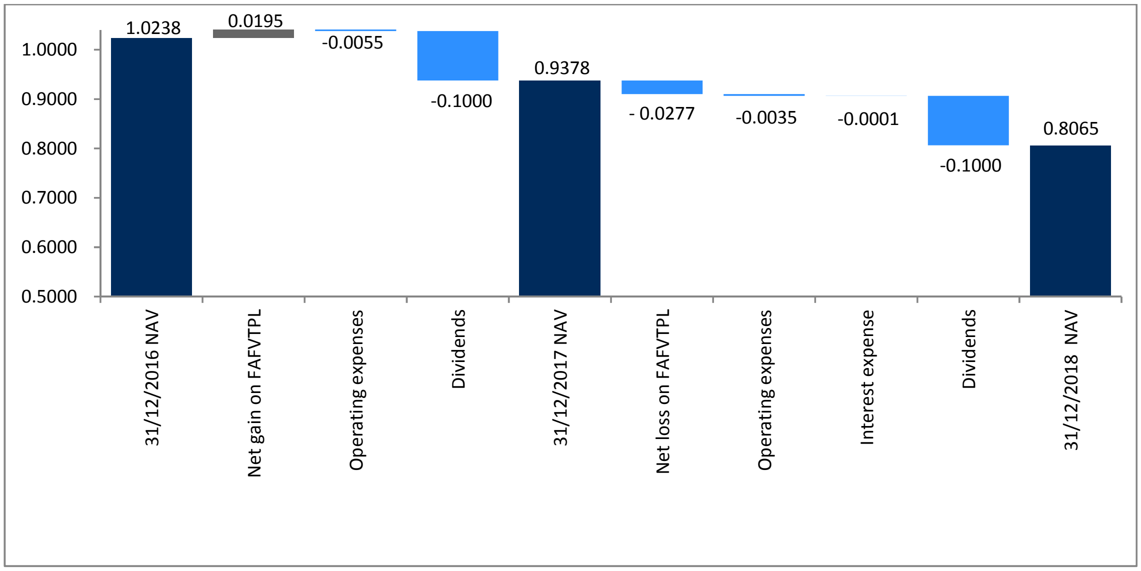
In conjunction with the Portfolio Adviser, the Directors have considered the impact that extreme market scenarios could have on BGCF and where appropriate has analysed the effect on the Company's net cash flows. These market scenarios were modelled using inputs based on actual conditions observed or 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 30 April 2024, 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. Whilst each of these risks is 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.

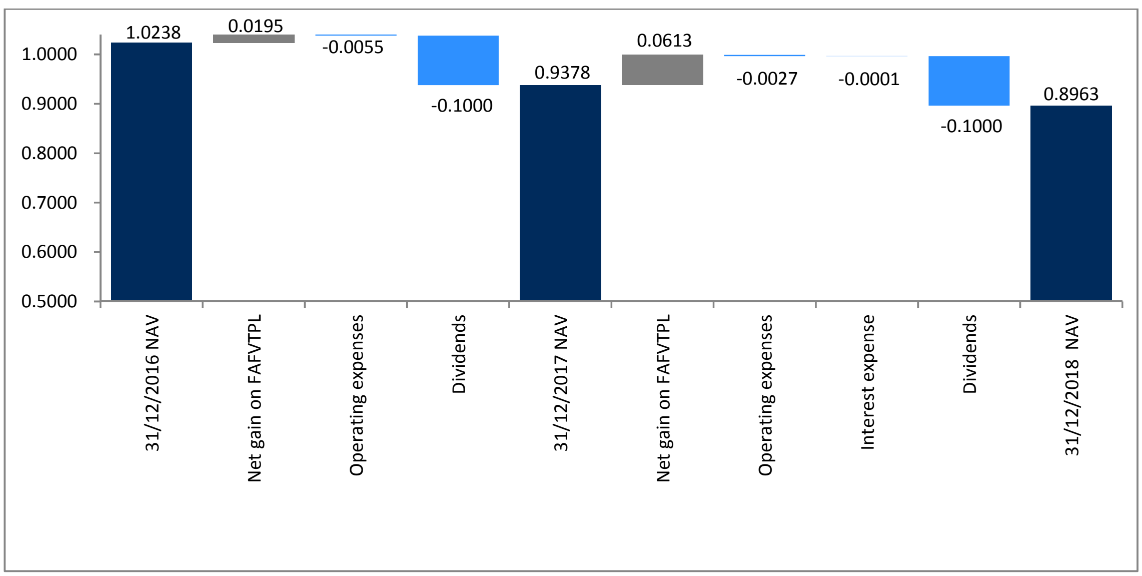
IFRS NAV Per Euro Ordinary Share Performance Analysis For The Years Ended 31 December 2018 And 31 December 2017 – Contributors To Change



FAFVTPL – Financial Assets at Fair Value Through Profit or Loss

Further commentary on the Company's performance is contained in the Chair's Statement on pages 7 to 10 and the Portfolio Adviser's Review on pages 11 to 15.

Published NAV Per Euro Ordinary Share Performance Analysis For The Years Ended 31 December 2018 And 31 December 2017 – Contributors To Change



Source of the Company's Dividend

The Company through its investments in the Lux Subsidiary receives interest income, on a quarterly basis, on the PPNs held by the latter in BGCF, which continues to generate positive cash flows from its CLO Income Note investments and from its portfolio of directly held and warehoused loans.

The Company redeems CSWs on a quarterly basis to transfer the income from the Lux Subsidiary. As detailed on page 6, the Company redeemed 44,169,444 CSWs in the Lux Subsidiary during the year with a fair value of €50,326,172 to fund the quarterly dividend.

Alternative Performance Measures

In accordance with ESMA Guidelines on Alternative Performance Measures ("APMs") the Board has considered which APMs are included in the Annual Report and Audited Financial Statements and require further clarification. An APM is defined as a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework. APMs included in the financial statements, which are unaudited and outside the scope of IFRS, are detailed in the table below.

	BGLF NAV total return per Euro Ordinary Share	Published NAV per share	(Discount) / Premium per Euro Ordinary Share
Definition	The increase in the Published NAV per Euro Ordinary Share plus the total dividends paid per Euro Ordinary Share during the period, with such dividends paid being re-invested at NAV, as a percentage of the NAV per Euro share as at period end	Gross assets less liabilities (including accrued but unpaid fees) determined in accordance with the section entitled “Net Asset Value” in Part I of the Company’s Prospectus, divided by the number of Euro Shares at the relevant time	The NAV per share as at the period end less BGLF’s closing share price on the LSE, divided by the NAV per share as at that date
Reason	NAV total return summarises the Company’s true growth over time while taking into account both capital appreciation and dividend yield	The Published NAV per share is an indicator of the intrinsic value of the Company.	The discount or premium per Euro Ordinary Share is a key indicator of the discrepancy between the market value and the intrinsic value of the Company
Target	11%+	Not applicable	Maximum discount of 7.5%
Performance			
2018	6.70%	0.8963	(15.21)%
2017	1.38%	0.9378	5.03%
2016	13.28%	1.0238	(1.10)%

As noted on page 4, the Published NAV and the IFRS NAV may diverge because of different key assumptions used to determine the valuation of the BGCF portfolio. Key assumptions which are different between the two bases as at 31 December 2018 are detailed below:

Asset	Valuation Methodology	Input	IFRS NAV	Published NAV
CLO Securities	Discounted Cash Flows	Constant default rate	1.98%	2.00%
		Conditional prepayment rate	25%	20%
		Reinvestment spread (bp over LIBOR)	353.31	380.77
		Recovery rate Loans	70.00%	70.00%
		Recovery lag (Months)	0	12
		Discount rate	18.96%	12.93%

All of the assumptions above are based on weighted averages.

Certain assumptions, which underpin the year-end Published NAV, such as a lower conditional prepayment rate and a 12-month recovery lag on assumed defaulted assets, are generally more conservative. The below table further explains the rationale regarding the differences in the assumptions that significantly contributed to the valuation divergence as at 31 December 2018.

Assumptions	IFRS NAV	Published NAV
Reinvestment Spread	Largely weighted by a CLO's current portfolio weighted average spread, which assumes that the CLO investment manager will continue to reinvest in collateral with a similar spread and rating composition to the existing collateral pool. In addition, weighting may be given to primary loan spreads to the extent current primary market opportunities suggest different spreads than the existing portfolio.	Represents a normalised, long-term view of loan spreads to be achieved over the life of the CLO's remaining reinvestment period. Initially informed by the underwriting model at issuance, the assumption is periodically reviewed and updated to the extent of secular changes in loan spreads.
Discount Rate	Intended to reflect the market required rate of return for similar securities and is informed by market research, BWICs, market colour for comparable transactions, and dealer runs. The discount rate may vary based on underlying loan prices, exposure to distressed assets or industries, manager performance, and time remaining in reinvestment period. Discount rates tend to widen in periods of illiquidity, as experienced in Q4 2018. While market colour on CLO Income Notes was limited during this period, the volatility in underlying loan prices and temporary market illiquidity led to an increase in discount rates to reflect the perceived portfolio risk.	Based on the yield calibrated at the time of initial underwriting in order to reflect the original transaction price and the long-term view of the investment. The discount rate is periodically reviewed and updated to the extent of secular changes in the market required rate of return.

Alternative Investment Fund Managers' Directive

The Alternative Investment Fund Managers' Directive ("AIFMD") requires certain information to be made available to investors in alternative investment funds ("AIFs") before they invest and requires that material changes to this information be disclosed in the annual report of each AIF. There have been no material changes (other than those reflected in these financial statements) to this information requiring disclosure.

FUTURE DEVELOPMENTS

Significant Events after the Reporting Period

Following the announcements made on the 23 November 2018 and 21 December 2018, the Company announced on 3 January 2019 that new C Shares would be allotted and admitted to trading on 7 January 2019. Allotment and admission were completed on 7 January 2019.

On 8 January 2019, the Company announced that Mark Moffat had been appointed as a non-executive director with effect from 8 January 2019.

On 22 January 2019, the Board declared a dividend of €0.025 per Euro Ordinary share in respect of the period from 1 October 2018 to 31 December 2018 with an ex-dividend date of 31 January 2019. A total payment of €10,117,511 was processed on 1 March 2019.

On 22 January 2019, the Board declared a dividend of €0.01452 per C share in respect of the period from 1 October 2018 to 31 December 2018 with an ex-dividend date of 31 January 2019. A total payment of €1,937,710 was processed on 1 March 2019.

On 23 January 2019, the Company announced that, under the general authority to buy back shares conferred by the Company's Ordinary Shareholders at its AGM on 22 June 2018, it intended to buy back shares in the market using available cash.

On 18 April 2019, the Company declared a dividend of €0.025 per Euro Ordinary share in respect of the period from 1 January 2019 to 31 March 2019. This dividend is payable on 31 May 2019 to Shareholders on the register as at the close of business on 3 May 2019, and the corresponding ex-dividend date will be 2 May 2019.

On 18 April 2019, the Company declared a dividend of €0.0205 per C share in respect of the period from 1 January 2019 to 31 March 2019. This dividend is payable on 31 May 2019 to Shareholders on the register as at the close of business on 3 May 2019, and the corresponding ex-dividend date will be 2 May 2019.

Outlook

It is the Board’s intention that the Company will pursue its investment objective and investment policy as detailed on pages 16 to 20. 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.

Directors' Biographies

The Directors appointed to the Board as at the date of approval of this Annual Report and Audited Financial Statements are:

Charlotte Valeur

Position: Chair of the Board (non-executive and independent director, resident in Jersey)

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.

Effective 3 September 2018, Ms Valeur was appointed Chair of the Institute of Directors.

She also 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, an LSE-listed investment company; non-executive director of Phoenix Spree Deutschland Ltd, an 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 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 (non-executive and independent director, resident in Jersey)

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 Capital 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.

As a Chartered Accountant with over 30 years' experience in financial services, including many years focused on running fund administration businesses in alternative asset classes, Mr Clark brings a wealth of highly relevant experience, at both board level and as an executive, in fund / asset management operations, including in particular valuation, accounting and administrative controls and processes.

Directors’ Biographies

Heather MacCallum, CA

Position: Chair of the Audit Committee (non-executive and independent director, resident in Jersey)

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 boards of several companies, including Jersey Water, an unlisted company; Kedge Capital Fund Management Limited, an asset management business; and Aberdeen Latin American Income Fund Limited, an LSE-listed investment company.

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.

With 20 years’ experience gained in a global professional services firm, Ms MacCallum brings financial experience including technical knowledge of accounting and auditing, especially in the context of financial services, and in particular the investment management sector.

Steven Wilderspin, FCA, IMC

Position: Chair of the Risk Committee (non-executive and independent director, resident in Jersey)

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 May 2018 Mr Wilderspin was appointed as a director of HarbourVest Global Private Equity Limited.

In September 2018 Mr Wilderspin was appointed as a director of Vannin Capital.

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.

Mr Wilderspin has significant listed corporate governance experience, particularly in the area of risk management, so is well placed to lead the board through the development of its risk framework.

Mark Moffat

Position: Non-executive and non-independent director (resident in UK)

Date of appointment: 8 January 2019

Mark Moffat has been involved in structuring, managing and investing in CLOs for over 20 years. Mr Moffat left GSO Capital Partners LP, part of the credit businesses of The Blackstone Group L.P., in April 2015 to pursue other interests.

Whilst at GSO Mr Moffat was a senior managing director and the portfolio manager responsible for investing in structured credit and co-head of the European activities of the Customised Credit Strategies division.
Mr Moffat joined GSO in January 2012 following the acquisition by GSO of Harbourmaster Capital Management Limited where he was co-head. Prior to joining Harbourmaster in 2007, Mr Moffat was head of European debt and equity capital markets and the European CLO business of Bear Stearns. At Bear Stearns, Mr Moffat was responsible for the origination, structuring and execution of CLOs in Europe over a seven-year period. Prior to Bear Stearns, Mr Moffat was global head of CLOs at ABN AMRO and a Director in the principal finance team of Greenwich NatWest.

With over 20 years of experience structuring, managing and investing in CLOs Mr Moffat brings a deep knowledge of how CLO structures and markets perform over the credit cycle.

The Directors present the Annual Report and Audited Financial Statements for the Company for the year ended 31 December 2018.

Directors

The Directors of the Company on the date the financial statements were approved are detailed on pages 29 to 31. With the exception of Mark Moffat, all directors were directors of the Company throughout the year ended 31 December 2018.

Mark Moffat was appointed on 8 January 2019 following a lengthy consideration process with input from DFME and legal counsel. Having identified the need for an additional Board member with specific technical and market expertise, the Board, together with DFME, discussed possible candidates and identified Mr Moffat. A recruitment agency was not consulted due to the very specific nature of the knowledge and skills required, for which the Board felt they would be better able to source candidates in conjunction with DFME.

The Board met with Mr Moffat and considered his experience and non-independent status at appointment. They concluded that his technical expertise and his knowledge of the Portfolio Adviser would add value to and complement the existing Board.

The Board and Employees

The Board currently comprises three 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 37.

Share Capital

The Company's share capital consists of an unlimited number of shares. As at 31 December 2018, the Company's issued share capital was 404,700,446 Euro shares (31 December 2017: 404,700,446 Euro shares).

Share Repurchase Programme

At the 2018 AGM, held on 22 June 2018, 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 2018 AGM, 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 2019 AGM.

Shareholders' Interests

As at 31 December 2018, 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 with an interest of greater than 5% in the Company's issued share capital:

Shareholder	Percentage of Voting Rights
Quilter plc	21.83%
BlackRock Inc	16.58%
Blackstone Treasury Asia Pte Ltd	12.35%
FIL Limited	8.13%

Between 31 December 2018 and 30 April 2019, the following notifications were received:

Date	Shareholder	Cumulative Percentage of Voting Rights
16 January 2019	Quilter plc	23.65%
21 January 2019	Quilter plc	24.69%

Statement of Disclosure of Information to the Auditor

The Directors who held office as 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 auditor is 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 auditor is aware of that information.

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.

Gary Clark
Director
30 April 2019

Corporate Governance Report

Statement of Compliance with Corporate Governance

The Company, having a Premium Listing on the Official List of the FCA, is subject to Listing Rule 9.8.6 which requires companies to report against 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 2018, 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 these provisions to be relevant.

Copies of the AIC Code, the AIC Guide and the UK Code can be found on the respective organisations' websites - https://www.theaic.co.uk/ and frc.org.uk.

The Board

The Board consists of five non-executive directors. Their biographies can be found on pages 29 to 31.

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.

Board Apprentices

In 2018 the Board chose to participate in the Board Apprentice scheme, which aims to give appropriate individuals first hand board experience through observation of the workings and dynamics of boards. The board selected two board apprentices from a pool of candidates, who have both attended the Company's meetings and received relevant documentation. Both board apprentice positions are effective for a period of one year to October 2019.

The Board views this as a valuable exercise in mentoring already accomplished individuals to be future directors, fostering equality and developing board culture.

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 certain 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 of 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 2018, as well as the Directors' and Committee Members' attendance at each type of meeting.

Meeting	Total	Charlotte Valeur	Gary Clark	Steven Wilderspin	Heather MacCallum
Quarterly Board	**4**	3	3	4	4
Ad-hoc Board	**17**	11*	16	17	16
Audit Committee	**5**	N/A	5	5	5
Management Engagement Committee	**2**	2	2	2	2
NAV Review Committee	**12**	5**	11	12	12
Remuneration and Nomination Committee	**7**	7	7	7	7
Risk Committee	**4**	4	4	4	4
Inside Information Committee	**1**	1	-	-	1

*The majority of the Ad Hoc Board meetings not attended by Ms Valeur were held following the NAV Review Committee Meetings for convenience. These dealt with routine business items and Ms Valeur received copies of all documents in advance of the meetings and fed back any comments she had.

**On 22 October 2018, it was resolved that Ms Valeur would no longer be a member of the NAV Review Committee.

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 purpose of assessing compliance with principles 1 and 2 of the AIC Code, the Board considers all of the current Directors, with the exception of Mark Moffat, to be independent. Mr Moffat left GSO Capital Partners LP in April 2015 and is not considered independent for this reason.

The Directors consider that there are no factors, as set out in principles 1 or 2 of the AIC Code, which compromise the other Directors' independence and all Directors 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 2018, the Board conducted their own review using BoardMetrix, a board evaluation tool. This evaluation assessed the Board's performance in the following areas:

- board composition/skills;
- strategic review;
- workings of the board; and
- risk oversight.

The performance of each Director and the Committees of the Board were also assessed as part of this evaluation.

The evaluation concluded that the Board was strong across all of the above areas and that the Directors and the Board's Committees 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 an externally-facilitated board evaluation every three years, with the next external Board evaluation due to be conducted in 2019.

Committees of the Board

The Board has established six committees: an Audit Committee; a Management Engagement Committee; a NAV Review Committee; a Remuneration and Nomination Committee; a Risk Committee; and an Inside Information 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".

The current committee memberships are detailed below.

Audit Committee

The Audit Committee comprises all Directors, except Charlotte Valeur and Mark Moffat, 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 with the Auditor at least once a year. The report on the role and activities of this committee and its relationship with the Auditor is included in the Audit Committee Report on pages 43 to 45.

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 at least once a year; 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, except Charlotte Valeur, and is chaired by Gary Clark.

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

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, as well as identifying, nominating and recommending for the approval of the Board, candidates to fill Board vacancies as they arise.

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.

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 tenure, 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 to be in the best interests of the Company.

The Board also maintains a succession planning matrix covering the Directors' skills, the Board's diversity, and the Directors' expected year of retirement should they hold office for nine years. The matrix is used by the Remuneration and Nomination Committee to identify any additional skills that the Board would benefit from and to help the Remuneration and Nomination Committee establish when to begin recruiting for any new directors. The Board also keeps its diversity under review.

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 39.

Inside Information Committee

The Inside Information Committee comprises any two members of the Board.

The Inside Information Committee is responsible for identifying inside information and monitoring the disclosure and control of such information.

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 a minimum of 40% of either gender represented on the Board, and also recognises the importance of inclusivity in its diversity policy. The Board ensures compliance with its policy in respect of any appointments to the Board. At 31 December 2018, there was 50% of each gender represented on the Board, while at the date of approval of these financial statements, 60% of the Board were male and 40% were female.

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. The Board is responsible for the Company's system of internal controls 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.

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 Audit Committee assists the Board in discharging its review responsibilities.

During the course of its review of the system of internal controls, the Board has not identified nor been advised of any failings or weaknesses which it has determined to be significant. Therefore, no confirmation in respect of necessary actions has been made.

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. These 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 the 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 43 to 45.

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, Gary Clark and Mark Moffat.

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 risks and any other risks not covered by the Audit Committee.

Responsibilities

During 2018, 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 2018, the Risk Committee met on four occasions. The Committee considered: risk reporting and monitoring, including the risk register; newly identified risks, their impact and required mitigants; the Board's risk appetite; and Principal Risks and Viability Statement.

Specific areas of focus for the Committee during the year included:

- Base erosion and profit shifting ("BEPS") – The Committee considered this initiative by the OECD to prevent erosion of the tax base by the use of international tax structures, and determined that there was not a material risk to the Company.
- General Data Protection Regulation ("GDPR") – The Committee considered the impact of this EU directive and engaged with the Company's service providers to ensure compliance.
- The Committee reviewed the corporate governance arrangements for its Luxembourg subsidiary.
- The Committee considered the risks arising from the proposed rollover of investment from Carador Income Fund plc to the Company.

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.

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

Risk Register and Risk Appetite Statement

At the end of the year under review the Risk Committee recommended a new risk management framework to the Board to govern how the Committee and/or Board identifies existing and emerging risks; determines risk appetite; identifies mitigation and controls; assesses, monitors and measures risk, and reports on risks.

Principal Risks and Uncertainties

In conjunction with the new risk management framework, the Board conducted a fresh exercise to identify the risks of the Company, including those which the directors consider to be emerging risks. The Board identified fifteen main risks which have a higher probability of occurring and a significant potential impact on the performance, strategy, reputation or operations of the Company. Of these, four are identified on pages 22 and 23 as the principal risks faced by the Company where the combination of probability and impact is assessed as being most significant.

Another thirteen less significant risks were identified to keep under review on a watch list.

Conclusion

The development of the new risk management framework of the Company will be continued through 2019.

Steven Wilderspin
Risk Committee Chair
30 April 2019

The Company’s auditor has not audited any of the disclosures provided in this Directors’ Remuneration Report.

Directors’ Remuneration

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

The tables below outline the remuneration the Directors were entitled to during the year ended 31 December 2018 for their services. They reflect the increase in Directors’ fees which was effective 1 July 2018.

	Fee for the period from 1 January 2018 to 30 June 2018	Fee for the period from 1 July 2018 to 31 December 2018
	£	£
Charlotte Valeur	25,000	30,500
Gary Clark	20,000	23,000
Heather MacCallum	20,000	22,250
Steven Wilderspin	20,000	22,500

	Total fee for the year ended 31 December 2018	Total fee for the year ended 31 December 2017
	£	£
Charlotte Valeur	55,500	50,000
Gary Clark	43,000	40,000
Heather MacCallum	42,250	12,137
Steven Wilderspin	42,250	14,726
Phil Austin	-	26,178
Joanna Dentskevich	-	33,315
Total Directors’ Remuneration	**183,000**	**176,356**
Total Directors’ Remuneration (€)	**209,140**	**201,218**

The Chairs of the Management Engagement Committee, NAV Review Committee, Remuneration and Nomination Committee, Audit Committee and Risk Committee each received additional fees, which are included in the amounts above, for the additional responsibilities and time commitment required in undertaking these roles. Additionally, the Senior Independent Director received additional fees for the additional responsibilities and time commitment required in undertaking this role.

Directors’ remuneration is payable in Sterling quarterly in arrears. 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.

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 additional roles;
- the remuneration set by similar companies; and
- the level of remuneration required to attract and retain Directors of suitable 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 five 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 or her 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 travel, hotel and other expenses incurred by the Directors 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 Ordinary shares in the Company as at the year end and the date these financial statements were approved:

Euro Ordinary Shares	As at 31 December 2018	As at 31 December 2017
Charlotte Valeur	11,500	11,500
Gary Clark	73,700	73,700
Heather MacCallum	-	-
Steven Wilderspin	20,000	-
Mark Moffat (appointed 8 January 2019)	601,028	-

The Directors held the following number of C shares in the Company upon issuance of the C Shares on 7 January 2019 and as at the date these financial statements were approved:

C Shares	As at 26 April 2019	As at 7 January 2019
Charlotte Valeur	-	-
Gary Clark	-	-
Heather MacCallum	-	-
Steven Wilderspin	-	-
Mark Moffat (appointed 8 January 2019)	291,068	291,068

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
30 April 2019

Audit Committee

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 Auditor, 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 financial statements 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, reappointment 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 five 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 2018 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 2018. 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. Please see Note 12 in the financial statements for further details.
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 9. Please see Notes 2, 6, 10 and 16 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 Matters

During the year, the Committee considered compliance with relevant legislation, performance metrics and related disclosures in the Company's financial statements, and revisions to the UK Code.

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 reviews periodic reports from the service providers to ensure 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 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 and consequently a new lead audit partner will be in place for the interim review to 30 June 2019 and subsequent year-end audit.

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 2019 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.

During 2019, the Audit Committee reviewed its policy with respect to non-audit services to ensure it continued to align with best practice.

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, US tax compliance and the Rollover Offer. The value of non-audit services (US tax compliance) provided by Deloitte and charged in the period amounted to approximately €38,158. In addition, the Company incurred €83,561 in respect of audit related services (Reporting Accountant services) in connection with the Rollover Offer. The overall quantum of non-audit services and the one-off fees incurred for Deloitte's work in 2018 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 auditor has acted in an independent and professional manner.

Heather MacCallum
Audit Committee Chair
30 April 2019

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 IFRS, as adopted by 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 97, 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 2018, 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 2018 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 2018; 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.

Gary Clark
Director
30 April 2019

Heather MacCallum
Director

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 of Blackstone GSO / Loan Financing Limited (the "Company"):

- **give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of the Company's loss 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 which comprise:

- the Company statement of comprehensive income;
- the Company statement of financial position;
- the Company statement of changes in equity;
- the Company cash flow statement;
- the statement of accounting policies; 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 (the "FRC'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 FRC'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: • Assessment of consolidation requirements • Valuation of investments
Materiality	The materiality that we used for the Company financial statements was €6,500,000 which was determined on the basis of approximately 2% (2017: 2%) of the Net Asset Value of the Company.
Scoping	The audit scope included the Company and its non consolidated subsidiary entity accounted for as a financial asset at fair value through profit and loss.
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.

We considered as part of our risk assessment the nature of the Company, its business model and related risks including where relevant the impact of Brexit, the requirements of the applicable financial reporting framework and the system of internal control. We evaluated the directors' assessment of the Company's ability to continue as a going concern, including challenging the underlying data and key assumptions used to make the assessment, and evaluated the directors' plans for future actions in relation to their going concern assessment.

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 22 - 23 that describe the principal risks and explain how they are being managed or mitigated;
- the Directors' confirmation on page 24 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; or
- the Directors' explanation on page 24 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.

Assessment of consolidation requirements	
Key audit matter description	As disclosed in note 1 to the financial statements, investments at the year-end comprised of class B 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. Assessment of the 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 their impact on the financial statements and the different presentation of consolidated versus non-consolidated entities. 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 the Company meets the "Investment Entity" criteria and consequently the investment in subsidiary is accounted for as a Financial assets at fair value through profit and loss and not consolidated in the financial statements. **Disclosure of Interests in Other Entities** As the Company has determined not to consolidate BGCF there is a requirement to assess the disclosure of information that would enable users of the financial statements to evaluate the interest in that entity. This includes but is not limited to the nature and risks of the entity and those that impact on its financial position, performance and cash flows. Refer to pages 43 to 45 (Audit Committee Report), pages 59 to 65 (Significant Accounting Policies) and pages 78 to 79 (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 to consider whether to consolidate BGCF. 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 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. This included considerations of any changes 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 disclosures against best practice using our technical compliance tools and experience in the other listed entities.
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	The investment in subsidiary is accounted at Fair Value Through Profit and Loss. Investments in the Lux Subsidiary which total €315,890,482(2017: €377,137,378) as detailed on page 68 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 III 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 an assessment of the positions within 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. The Directors use their judgment, with the assistance of the Adviser (DFME), in selecting an appropriate valuation technique and refer to techniques commonly used by market practitioners. For investments in BGCF and the underlying collateralized loan obligations (CLOs) and the equity tranches retained by that company, assumptions are made based on quoted market rates adjusted for specific features of any instrument. There is a risk that a third party valuer has used an incorrect methodology, inaccurate data is supplied by the CLO Manager of the Originator or inappropriate assumptions are used concerning market information. The key assumptions include discount, prepayment, reinvestment and default rates. Refer to page 43 to 45 (Audit Committee Report), pages 59 to 65 (Significant Accounting Policies) and pages 68 to 71 (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 BGCF against industry standards and IFRS 13. • As the financial information used to determine the fair value of the investments is that of BGCF as at the year end, we have reviewed the 2018 audited financial statements of BGCF and supporting workpapers. • We involved a member of our specialist complex financial instruments team to review the valuation of the CLO income notes and assessment of the pricing of other investments and related disclosures in the financial statements. • We reviewed the test of valuations 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 tested 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.

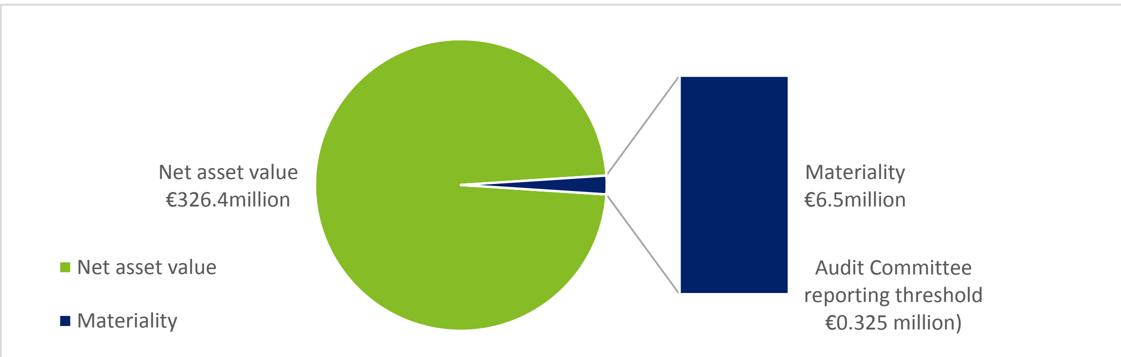
Our application of materiality

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.

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

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

Materiality	€6,500,000 (2017: €7,500,000)
Basis for determining materiality	We determined materiality for the Company, which is approximately 2% (2017: 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 the appropriate benchmark.



We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of €325,000 (2017: €150,000), 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 other than the financial statements and our auditor's report thereon.

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.

We have nothing to report in respect of these matters.

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 FRC’s website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor’s report.

Report on other legal and regulatory requirements

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

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the Company's members, 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 members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Andrew Isham, FCA
For and on behalf of Deloitte LLP
Recognized Auditor
St Helier
Jersey, UK
30 April 2019

Statement of Financial Position

As at 31 December 2018

	Notes	As at 31 December 2018 €	As at 31 December 2017 €
Current assets			
Cash and cash equivalents		11,219,224	2,546,969
Other receivables	5	811,675	29,625
Financial assets at fair value through profit or loss	6	315,890,482	377,137,378
Total current assets		**327,921,381**	**379,713,972**
Non-current liabilities			
Intercompany loan	7	(237,057)	-
Total non-current liabilities		**(237,057)**	**-**
Current liabilities			
Payables	8	(1,297,180)	(173,651)
Total current liabilities		**(1,297,180)**	**(173,651)**
Total liabilities		**(1,534,237)**	**(173,651)**
Net assets	15	**326,387,144**	**379,540,321**
Capital and reserves			
Stated capital	9	404,962,736	404,962,736
Retained earnings		(78,575,592)	(25,422,415)
Ordinary Shareholders' Equity		**326,387,144**	**379,540,321**
Net Asset Value per Euro Ordinary share	15	**0.8065**	**0.9378**

These financial statements were authorised and approved for issue by the Directors on 30 April 2019 and signed on their behalf by:

Gary Clark
Director

Heather MacCallum
Director

The accompanying notes on pages 59 to 96 form an integral part of the financial statements.

Statement of Comprehensive Income

For the year ended 31 December 2018

	Notes	Year ended 31 December 2018 €	Year ended 31 December 2017 €
Income			
Realised gain on foreign exchange		538	1,726
Net (loss) / gain on financial assets at fair value through profit or loss	6	(11,201,791)	7,545,438
Total income		**(11,201,253)**	**7,547,164**
Expenses			
Operating expenses	3	(1,431,821)	(1,805,932)
(Loss) / profit before taxation		**(12,633,074)**	**5,741,232**
Taxation	2.11	-	-
(Loss) / profit after taxation		**(12,633,074)**	**5,741,232**
Loan interest expense	7	(1,402)	-
Bank interest expense		(48,654)	(11,238)
Total interest expense		**(50,056)**	**(11,238)**
Total comprehensive (loss) / income for the year attributable to Ordinary Shareholders		**(12,683,130)**	**5,729,994**
Basic and diluted (loss) / earnings per Euro Ordinary share	14	**(0.0313)**	**0.0147**

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

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 59 to 96 form an integral part of the financial statements.

Statement of Changes in Equity

For the year ended 31 December 2018

	Note	Stated capital	Retained earnings	Total
		€	€	€
Ordinary Shareholders' Equity at 1 January 2018	9	**404,962,736**	**(25,422,415)**	**379,540,321**
Total comprehensive loss for the year attributable to Ordinary Shareholders		-	(12,683,130)	**(12,683,130)**
Transactions with owners, recorded directly to equity				
Dividends to Ordinary Shareholders		-	(40,470,047)	**(40,470,047)**
Ordinary Shareholders' Equity at 31 December 2018	9	**404,962,736**	**(78,575,592)**	**326,387,144**

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

The accompanying notes on pages 59 to 96 form an integral part of the financial statements.

Statement of Cash Flows

For the year ended 31 December 2018

	Year ended 31 December 2018	Year ended 31 December 2017
	€	€
Cash flow from operating activities		
Total comprehensive (loss) / profit for the year attributable to Ordinary Shareholders	(12,683,130)	5,729,994
Adjustments to reconcile (loss) / profit after tax to net cash flows:		
- Unrealised loss / (gain) on financial assets at fair value through profit and loss	17,274,438	(3,632,554)
- Realised gain on financial assets at fair value through profit and loss	(6,072,647)	(3,912,884)
Purchase of financial assets at fair value through profit or loss	-	(80,224,431)
Proceeds from sale of financial assets at fair value through profit or loss	50,045,105	41,846,197
Changes in working capital		
(Increase) / decrease in other receivables	(782,050)	3,673
Increase / (decrease) in payables	1,123,529	(224,197)
Net cash generated from / (used in) operating activities	**48,905,245**	**(40,414,202)**
Cash flow from financing activities		
Proceeds from subscriptions	-	73,706,194
Proceeds from re-issuance of treasury shares	-	6,909,411
Increase in intercompany loan	237,057	-
Dividends paid	(40,470,047)	(38,467,553)
Net cash (used in) / generated from financing activities	**(40,232,990)**	**42,148,052**
Net increase in cash and cash equivalents	**8,672,255**	**1,733,850**
Cash and cash equivalents at the start of the year	2,546,969	813,119
Cash and cash equivalents at the end of the year	**11,219,224**	**2,546,969**

The accompanying notes on pages 59 to 96 form an integral part of the financial statements.

For the year ended 31 December 2018

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 Ordinary 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 FCA.

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 to floating rate senior secured loans and bonds 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 companies or entities established from time to time.

At 31 December 2018, all shares in issue were Euro Ordinary 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 291,343,213 Class B 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 FCA and with IFRS as adopted by the EU. 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 principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently to all years presented except for the adoption of new and amended standards as set out below.

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.

The financial statements have been prepared on the going concern basis. The disclosures with respect to the Directors' assessment on the use of the going concern basis are provided on page 23 in the "Strategic Report – Risk Overview" section.

2 Significant accounting policies (continued)

2.3 New standards, amendments and interpretations issued and effective for the financial year beginning 1 January 2018

A number of new and amended standards became applicable for the current reporting period and the Company changed its accounting policies as a result of adopting the following standard:

- IFRS 9 Financial Instruments

The impact of the adoption of this standard and the new accounting policy is disclosed in note 2.5 below. Other standards, amendments and interpretations issued and effective for the financial year beginning 1 January 2018, including IFRS 15 Revenue from Contracts with Customers, did not have any impact on the Company's accounting policies.

2.4 New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2018 and not early adopted

There are no 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.

2.5 Changes in accounting policies

This note explains the impact of the adoption of IFRS 9 Financial Instruments on the Company's financial statements and also discloses the new accounting policy that has been applied from 1 January 2018.

(a) Impact on the financial statements

The adoption of IFRS 9 did not result in a change to the recognition, classification or measurement of financial instruments held by the Company in either the current or prior financial reporting period.

(b) IFRS 9 Financial Instruments – Impact of adoption

IFRS 9 replaces the provisions of IAS 39 that relate to recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The adoption of IFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies. The new accounting policies are set out below. In accordance with the transitional provisions in IFRS 9 (7.2.15), comparative figures have not been restated.

Classification and measurement

On 1 January 2018 (the date of initial application of IFRS 9), the Board has assessed which business models apply to the financial assets held by the Company and has classified its financial instruments into the appropriate IFRS 9 categories.

Cash Settlement Warrants

Under IAS 39, CSWs were classified as financial assets designated at fair value through profit or loss. This is due to the fact that these debt instruments are managed, and their performance is evaluated on a fair value basis in accordance with the Company's documented investment strategy. Under IFRS 9 and the current business model, these debt instruments are classified as financial assets at fair value through profit or loss. There was no impact on the amounts recognised in the Statement of Financial Position in relation to these assets from the adoption of IFRS 9.

Shares (Class A and Class B shares held in the Lux Subsidiary)

Under IAS 39, the shares were classified as financial assets at fair value through profit or loss. Under IFRS 9, equity investments are required to be held at fair value through profit or loss. There was therefore no impact on the amounts recognised in relation to these assets from the adoption of IFRS 9.

2 Significant accounting policies (continued)

2.5 Changes in accounting policies (continued)

(c) IFRS 9 Financial Instruments – Accounting policies applied from 1 January 2018

Investments and other financial assets

(i) Initial recognition

The Company recognises a financial asset or a financial liability in its Statement of Financial Position when, and only when, the Company becomes party to the contractual provisions of the instrument.

Purchases and sales of investments are recognised on the trade date – the date on which the Company commits to purchase or sell the investment.

(ii) Classification

From 1 January 2018, the Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI, or through profit or loss); and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses are either to be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the company has made an irrevocable election at the time of initial recognition to account for the equity instrument at FVOCI.

The Company reclassifies debt instruments when and only when its business model for managing those assets changes.

(iii) Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. The Company's business model is to manage its debt instruments and to evaluate their performance on a fair value basis. 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. Consequently, these debt instruments are measured at fair value through profit or loss.

Equity instruments

The Company subsequently measures all equity investments at fair value. Dividends from such investments are recognised in profit or loss as other income when the Company's right to receive payments is established, a requirement which remains unchanged from IAS 39.

Changes in fair value of financial assets at FVPL are recognised in "net gain / (loss) on financial assets at fair value through profit or loss" in the Statement of Comprehensive Income.

(iv) Derecognition

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.

2 Significant accounting policies (continued)

2.5 Changes in accounting policies (continued)

(c) IFRS 9 Financial Instruments – Accounting policies applied from 1 January 2018 (continued)

Investments and other financial assets (continued)

(v) 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 2018, the Company held 291,343,213 CSWs, 2,000,000 Class A shares and 1 Class B share issued by the Lux Subsidiary (the "Investments") (31 December 2017: 337,374,822 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.

(vi) Valuation process

The Directors have held discussions with DFME 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 US and European corporate environment on the valuation of the CSWs, PPNs and the BGCF portfolio.

BGCF Portfolio

The Directors discuss BGCF's valuation process to understand the methodology regarding the valuation of its underlying portfolio comprising Level 3 assets. The majority of Level 3 assets in BGCF are comprised of 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.

The Investments

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 IFRS 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)

2.5 Changes in accounting policies (continued)

(c) IFRS 9 Financial Instruments – Accounting policies applied from 1 January 2018 (continued)

Financial liabilities

(vii) 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.

(viii) 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.

2.6 Interest income and expense

Interest income and expense is recognised separately through profit or loss in the Statement of Comprehensive Income, on an effective interest rate yield basis.

2.7 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.

2.8 Fees and charges

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

2.9 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 investment 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 2018 (31 December 2017: €Nil).

2 Significant accounting policies (continued)

2.10 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 gain 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 2018 and 31 December 2017.

2.11 Taxation

Profit arising in the Company for the 2018 year of assessment will be subject to Jersey tax at the standard corporate income tax rate of 0% (31 December 2017: 0%).

2.12 Dividends

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

2.13 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 2.5 and Note 12 for further details on the significant estimates applied in the valuation of the companies' financial instruments and the underlying financial instruments in BGCF.

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 2018

2 Significant accounting policies (continued)

2.13 Critical accounting judgements and estimates (continued)

Judgements (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.

(d) Presentation and functional currency

As outlined in Note 2.2, the Directors have used their judgement to determine that the Company's presentation and functional currency is Euro.

For the year ended 31 December 2018

3 Operating expenses

	Year ended 31 December 2018	Year ended 31 December 2017
	€	€
Professional fees	466,806	430,968
Administration fees	323,379	321,102
Brokerage fees	176,878	308,003
Regulatory fees	27,448	221,194
Directors' fees and other expenses (see Note 4)	214,116	204,585
Audit fees and audit related fees	129,582	195,771
Non-audit fees	38,158	85,375
Registrar fees	22,603	28,267
Sundry expenses	32,851	10,667
	1,431,821	**1,805,932**

Administration fees

Under the administration agreement, the Administrator is entitled to receive variable fees based on the Published 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 2018 was €323,379 (31 December 2017: €321,102) and the amount due at 31 December 2018 was €47,573 (31 December 2017: €49,273).

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 2018 was €Nil (31 December 2017: €Nil).

Audit and non-audit fees

The Company incurred €129,582 (31 December 2017: €195,771) in audit and audit-related fees during the year of which €81,333 (31 December 2017: €50,696) was outstanding at the year end.

The Company incurred €38,158 (31 December 2017: €85,375) in non-audit fees during the year of which €Nil (31 December 2017: €Nil) was outstanding at the year end. The table below outlines the audit, audit related and non-audit services received during the year.

	Year ended 31 December 2018	Year ended 31 December 2017
	€	€
Audit of the Company	84,366	79,880
Audit related services – review of interim financial report	45,216	39,939
Other audit related services - Reporting Accountant	-	75,952
Total audit and audit related services	**129,582**	**195,771**
Tax compliance services	38,158	32,809
Tax advisory services	-	52,566
Other non-audit services	-	-
Total non-audit services	**38,158**	**85,375**
Total fees to Deloitte LLP and member firms	**167,740**	**281,146**

3 Operating expenses (continued)

Audit and non-audit fees (continued)

In addition, the Company incurred EUR 83,561 in respect of audit related services (Reporting Accountant services) in connection with the Rollover Offer. These costs are included in "other receivables" in Note 5.

Professional fees

Professional fees comprise €338,033 in legal fees and €128,773 in other professional fees. In 2017, professional fees comprised €227,084 in legal fees and €203,884 in other professional fees.

4 Directors' fees and interests

The Directors were remunerated for their services per the table below:

	Year ended 31 December 2018	Year ended 31 December 2017
	£	£
Charlotte Valeur	55,500	50,000
Gary Clark	43,000	40,000
Heather MacCallum	42,250	12,137
Steven Wilderspin	42,250	14,726
Philip Austin	-	26,178
Joanna Dentskevich	-	33,315
Total (£)	**183,000**	**176,356**
Total (€)	**209,140**	**201,218**

The Chairs of the Management Engagement Committee, NAV Review Committee, Remuneration and Nomination Committee, Audit Committee and Risk Committee each received additional fees, which were included in the amounts above, for the additional responsibilities and time commitment required in undertaking these roles. Additionally, the Senior Independent Director received additional fees for the additional responsibilities and time commitment required in undertaking this role.

The Company has no employees. The Company incurred €209,140 (31 December 2017: €201,218) in Directors' fees (consisting exclusively of short-term benefits) during the year of which €54,593 (31 December 2017: €47,316) was outstanding at the year end. Charlotte Valeur, Steven Wilderspin and Gary Clark held beneficial interests in the shares of the Company during the year ended 31 December 2018. Charlotte Valeur held 11,500 Euro shares as at 31 December 2018 (31 December 2017: 11,500). Steven Wilderspin held 20,000 Euro shares as at 31 December 2018 (31 December 2017: Nil). Gary Clark held 73,700 Euro shares as at 31 December 2018 (31 December 2017: 73,700).

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

5 Other receivables

	As at 31 December 2018	As at 31 December 2017
	€	€
Prepayments	31,040	29,625
Other assets	780,635	-
	811,675	**29,625**

Other assets relate to costs incurred in connection with the Rollover Offer Proposal as detailed in the "Strategic Report – Corporate Activity" on page 21 and are expected to be recovered upon completion of the Rollover Offer. These costs were allocated to the C Share class on 7 January 2019 upon completion of the Rollover Offer and subsequent issue of C Shares.

For the year ended 31 December 2018

6 Financial assets at fair value through profit or loss

	As at 31 December 2018	As at 31 December 2017
	€	€
Financial assets at fair value through profit or loss	315,890,482	377,137,378

Financial assets at fair value through profit or loss consists of 291,343,213 CSWs, 2,000,000 Class A shares and 1 Class B share issued by the Lux Subsidiary (31 December 2017: 337,374,822 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.

The redemption price is the amount payable by the Lux Subsidiary 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 (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).

For the year ended 31 December 2018

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

Class A and Class B shares held in the Lux Subsidiary (continued)

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.

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 2018	**Level 1**	**Level 2**	**Level 3**	**Total**
	€	**€**	**€**	**€**
Financial assets at fair value through profit or loss	-	-	315,890,482	**315,890,482**

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

For the year ended 31 December 2018

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

Fair value hierarchy (continued)

During the years ended 31 December 2018 and 31 December 2017, 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.

Financial assets 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 2018	**Total**
	€
Balance as at 1 January 2018	377,137,378
Movements:	
Purchases – CSWs	-
Sale proceeds – CSWs	(50,045,105)
Realised gain on financial assets at fair value through profit or loss	6,072,647
Unrealised loss on financial assets at fair value through profit or loss	(17,274,438)
Balance as at 31 December 2018	**315,890,482**
Realised gain on financial assets at fair value through profit or loss	6,072,647
Total change in unrealised loss on financial assets for the year	(17,274,438)
Net loss on financial assets at fair value through profit or loss	**(11,201,791)**

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 at fair value through profit or loss	3,912,884
Unrealised gain on financial assets at fair value through profit or loss	3,632,554
Balance as at 31 December 2017	**377,137,378**
Realised gain on financial assets at fair value through profit or loss	3,912,884
Total change in unrealised gain on financial assets for the year	3,632,554
Net gain on financial assets at fair value through profit or loss	**7,545,438**

Please refer to Note 2.5 for valuation methodology of financial assets at fair value through profit and loss.

For the year ended 31 December 2018

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

Financial assets 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.

Further financial information on BGCF has been presented in Note 12. This includes information regarding the sensitivity of the fair value measurement of the Level 3 holdings in BGCF to unobservable inputs and consequently the sensitivity of the fair value measurement of the Level 3 holdings of the Company.

7 Intercompany loan

	As at 31 December 2018	As at 31 December 2017
	€	€
Payable to the Lux Subsidiary	**237,057**	**-**

The intercompany loan is a revolving loan between the Company and the Lux Subsidiary. The intercompany loan has a maturity date of 13 September 2033 and is repayable at the option of the Company up to the maturity date. Interest is accrued at a rate of 1.6% per annum and is payable annually only when a written request has been provided to the Company by the Lux Subsidiary.

8 Payables

	As at 31 December 2018	As at 31 December 2017
	€	€
Professional fees	1,090,305	-
Administration fees	47,573	49,273
Directors' fees	54,593	47,316
Audit fees	81,333	50,696
Intercompany loan interest payable	1,402	-
Other payables	21,974	26,366
Total payables	**1,297,180**	**173,651**

All payables are due within the next twelve months.

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 Ordinary shares	Number of shares	Stated capital
		€
Total issued share capital as at 31 December 2018	**404,700,446**	**404,962,736**

Euro Ordinary 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**

For the year ended 31 December 2018

9 Stated capital (continued)

Euro Ordinary shares

As at 31 December 2018, the Company had 404,700,446 Euro Ordinary shares in issue (31 December 2017: 404,700,446 Euro Ordinary shares).

At the 2018 AGM, held on 22 June 2018, the Directors were granted authority to repurchase 60,664,597 Euro Ordinary shares (being equal to 14.99% of the aggregate number of Euro Ordinary 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 Ordinary Shareholders.

At the 2018 AGM, the Directors were granted authority to allot, grant options over or otherwise dispose of up to 40,470,044 Euro Ordinary shares (being equal to 10.00% of the aggregate number of Euro Ordinary shares in issue at the date of the AGM). This authority will expire at the 2019 AGM.

The Company did not make any market purchases of Euro Ordinary shares during the years ended 31 December 2018 and 31 December 2017.

Voting rights

Holders of Euro Ordinary shares participate in the profits of the Company. Ordinary 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 Euro Ordinary 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 Euro Ordinary 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 Euro Ordinary shares, all dividends shall be apportioned and paid pro rata according to the amounts paid on the Euro Ordinary 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 an Euro Ordinary share shall bear interest against the Company.

The Directors may deduct from any dividend or other monies payable to an Ordinary 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 Euro Ordinary 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 6.

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

9 Stated capital (continued)

Share buybacks

The Board intends to seek annual renewal of this authority from the Ordinary Shareholders at the Company's AGM, to make one or more on-market purchases of Euro Ordinary 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 Ordinary 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 Ordinary 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, to be applied to the Ordinary Shareholders equally pro rata to their holdings of Euro Ordinary 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 and other Underlying Companies;
- 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 10 C 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.

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.

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.

For the year ended 31 December 2018

10 Financial risk management (continued)

10A Market risk (continued)

A sensitivity analysis is shown below disclosing the impact on the IFRS 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%. This level of change is considered to be reasonably possible based on observations of past and possible market conditions.

Current value	Year ended 31 December 2018 Total	Increase by 5%	Decrease by 5%
	€	€	€
Financial assets held at fair value through profit or loss:			
CSWs	310,753,454	326,291,127	295,215,781
Class A and Class B shares	5,137,028	5,393,879	4,880,177
	315,890,482		

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
	377,137,378		

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 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 in Note 12 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.

The following tables detail the Company's interest rate risk as at 31 December 2018 and 31 December 2017:

31 December 2018	Interest bearing	Non-interest bearing	Total
	€	€	€
Assets			
Cash and cash equivalents	11,219,224	-	11,219,224
Other receivables	-	811,675	811,675
Financial assets at fair value through profit or loss	-	315,890,482	315,890,482
Total assets	**11,219,224**	**316,702,157**	**327,921,381**
Liabilities			
Intercompany loan	(237,057)	-	(237,057)
Payables	-	(1,297,180)	(1,297,180)
Total liabilities	**(237,057)**	**(1,297,180)**	**(1,534,237)**
Total interest sensitivity gap	**10,982,167**		

For the year ended 31 December 2018

10 Financial risk management (continued)

10A Market risk (continued)

i. Interest rate risk (continued)

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 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**		

As at 31 December 2018, 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.

Refer to Note 12 which details BGCF's exposure to interest rate risk.

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 and the Lux Subsidiary are not subject to significant foreign currency risk since their investments are denominated in Euro and their share capital are also denominated in Euro.

Refer to Note 12 which details BGCF's exposure to currency risk.

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 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.

For the year ended 31 December 2018

10 Financial risk management (continued)

10A Market risk (continued)

iii. Price risk (continued)

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 over-paid 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.

DFME monitors for the Company, the Lux Subsidiary, BGCF and its subsidiaries the creditworthiness of financial institutions with whom cash is held, or with whom investment or derivative transactions are entered into, on a regular basis.

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 2018	As at 31 December 2017
	€	€
Cash and cash equivalents	11,219,224	2,546,969
Other receivables	811,675	29,625
Financial assets at fair value through profit or loss	315,890,482	377,137,378
Total assets	**327,921,381**	**379,713,972**

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.

For the year ended 31 December 2018

10 Financial risk management (continued)

10B Credit risk (continued)

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 2018 and 31 December 2017 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.

Refer to Note 12 which details BGCF's exposure to credit risk.

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/or the market price of the shares.

For the year ended 31 December 2018

10 Financial risk management (continued)

10C Liquidity risk (continued)

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 and results of operations.

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 and/or the market price of the shares.

The liquidity profile of BGCF as at 31 December 2018 is in Note 12.

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 BGCF also meets the definition of a structured entity.

11 Interests in other entities (continued)

Interests in subsidiary

As at 31 December 2018, 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 2017: 2,000,000 Class A shares and one Class B share).

The Lux Subsidiary's principal place of business is Luxembourg.

Other than the investments noted above, the Company did not provide any financial support for the years ended 31 December 2018 and 31 December 2017, nor had it any intention of providing financial or other support.

The Company has an intercompany loan payable to the Lux Subsidiary as at 31 December 2018. Refer to Note 7 for further details.

12 Financial and other information on BGCF

The Board has provided the following information on BGCF, which has been extracted from its audited financial statements for the year ended 31 December 2018, as it believes this will provide further insight to the Company's Shareholders into the operations of BGCF, the asset mix in its portfolio and the risks to which BGCF is exposed.

As at 31 December 2018, the Lux Subsidiary held a 40.1% (31 December 2017: 55.4%) 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.

Principal activities

BGCF was established as an originator vehicle under European risk retention rules for CLO securitisations. It may also invest in senior secured loans, either directly or indirectly through CLO warehouses, and underlying companies. BGCF is funded by proceeds from the issuance of PPNs together with other financial resources available to it, such as the BGCF Facility.

Investment policy

BGCF's investment policy is to invest (directly, or indirectly through one or more Underlying Companies) in a diverse portfolio of senior secured loans (including broadly syndicated, middle market or other loans) (such investments being made by the Underlying Companies directly or through investments in Loan Warehouses), bonds and CLO Securities, and generate attractive risk-adjusted returns from such portfolios. BGCF intends to pursue its investment policy by using the proceeds from the issue of PPNs (together with proceeds from other financial resources available to it) to invest in such assets.

BGCF may invest (directly or through other underlying companies) predominantly in European or US senior secured loans, CLO Income Note securities, loan warehouses and other assets. Investments in loan warehouses will typically be in the form of an obligation to purchase preference shares or a subordinated loan. There is no limit on the maximum European or US exposure. BGCF is not expected to invest (directly or through other underlying companies) in senior secured loans domiciled outside North America or Western Europe.

A CLO is a pooled investment vehicle which may invest in a diversified group of debt securities, in this case predominantly senior secured loans. To finance its investments, the CLO vehicle issues debt in the form of senior Notes and CLO Income Notes to investors. The servicing and repayment of these notes is linked directly to the performance of the underlying portfolio of assets.

For the year ended 31 December 2018

12 Financial information on BGCF (continued)

Investment policy (continued)

The portfolio of assets underlying the CLO Notes consist mainly of senior secured loans, mezzanine loans, second lien loans and high yield bonds. The portfolio of assets within the underlying company consists mainly of CLO Income Notes. Distributions on the CLO Notes, by way of interest payments, are payable on a quarterly basis on dates established in the formation documents of the CLOs.

As at 31 December 2018 and 31 December 2017, BGCF had no exposure to CLOs held as a vertical strip (as defined in the Company's Investment Strategy)

Subsidiaries

BGCF has acquired the majority, or all, of the CLO Income Notes issued by a number of European CLO issuers. CLO Income Noteholders are entitled to the residual cash flows arising from the underlying assets of the CLOs. In accordance with IFRS 10 Consolidated Financial Statements ("IFRS 10"), the CLOs are deemed to be subsidiaries of BGCF. The seventeen CLO subsidiaries are presented below:

Name of subsidiary	Currency	Deal Size (million)	*% Subordinated Equity Notes Held 31 December 2018*
Phoenix Park CLO DAC	EUR	€419	51.38%
Sorrento Park CLO DAC	EUR	€517	51.75%
Castle Park CLO DAC	EUR	€415	80.43%
Dartry Park CLO DAC	EUR	€411	51.12%
Dorchester Park CLO DAC	USD	$533	73.00%
Orwell Park CLO DAC	EUR	€415	51.00%
Tymon Park CLO DAC	EUR	€414	51.01%
Elm Park CLO DAC	EUR	€558	56.09%
Griffith Park CLO DAC	EUR	€459	59.55%
Palmerston Park CLO DAC	EUR	€414	62.22%
Clarinda Park CLO DAC	EUR	€415	51.22%
Clontarf Park CLO DAC	EUR	€414	66.93%
Willow Park CLO DAC	EUR	€412	60.92%
Marlay Park CLO DAC	EUR	€413	60.00%
Milltown Park CLO DAC	EUR	€411	64.96%
Richmond Park CLO DAC	EUR	€550	68.32%
Sutton Park CLO DAC	EUR	€409	69.44%

BGCF also holds CLO Income Notes in certain US CLOs and preferences shares in US CLO warehouses, which BGCF was not responsible for originating. At the year-end, BGCF had holdings in Buckhorn Park CLO warehouse, Southwick Park CLO warehouse, Fillmore Park CLO Limited, Myers Park CLO Limited and Harbor Park CLO Limited.

In addition, BGCF holds Class A preference shares in the US MOA to gain exposure to certain US CLO securitisations. The US MOA was established for the sole purpose of managing DFM's compliance with the Risk Retention Rules established by the 2010 Dodd–Frank Wall Street Reform and Consumer Protection Act (the "US Risk Retention Rules"). DFM is the sponsor to US CLO securitisations under the US Risk Retention Rules. The US MOA invests in the CLO Income Notes of US CLOs whose investments are focused predominantly in US senior secured loans. As at 31 December 2018, the US MOA held the following US CLOs: Gilbert Park CLO Limited, Dewolf Park CLO Limited, Grippen Park CLO Limited, Stewart Park CLO Limited, Long Point Park CLO Limited, Thayer Park CLO Limited, Catskill Park CLO Limited, Greenwood Park CLO Limited and Cook Park CLO Limited.

For the year ended 31 December 2018

12 Financial information on BGCF (continued)

Regulatory Update

On 9 February 2018, the US Court of Appeals for the D.C. Circuit ruled in favour of the Loan Syndications and Trading Association ("LSTA") in its lawsuit against the US Securities and Exchange Commission ("SEC") and the Federal Reserve, determining that US 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-days during which the US government agencies were able to appeal the ruling. As there was no appeal, the ruling became effective on 2 April 2018. This ruling does not impact the risk retention rules for European CLO managers.

There is no intended change to BGCF's investment activity in the near-term as a result of the ruling.

Valuation of financial instruments

As at 31 December 2018 and 31 December 2017, all of the loan assets were broker priced through Markit. Bond investments were valued by prices provided by IDC as at 31 December 2018 and 31 December 2017. The majority of these assets were classified as Level 2 since the input into the Markit price consisted of at least two quotes. However, a small number of holdings as at 31 December 2018 and 31 December 2017 were priced through Markit where the input into the Markit price was only one quote and therefore they were classified as Level 3. Both loans and bonds are priced at current mid prices.

The CLO Income Notes issued by BGCF's subsidiaries are listed on Euronext and are valued by a third party. The approach to valuing the CLO Income Notes incorporates CLO specific information and modelling techniques. Factors include (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. Pricing includes checks on all structural features of each CLO, such as the credit enhancement of each bond and various performance triggers (including over-collateralisation tests, interest coverage and diversion tests). Furthermore, reinvestment language specific to each CLO deal is assessed, as well as DFME's performance and capabilities.

Investments in the CLO Income Notes held directly or those held indirectly through the US MOA are valued using an equivalent methodology. Similar to the above, the interest in such CLO Income Notes, the valuation of which uses significant unobservable inputs are classified as Level 3. Investments in the preference shares of Buckhorn Park CLO warehouse and Southwick Park CLO warehouse and the CLO Income Notes of Fillmore Park Limited, Myers Park Limited and Harbor Park Limited are measured at fair value and classified as Level 3.

The PPNs and debt issued by the subsidiaries are categorised as Level 3, as they are valued using a model which is based on the fair value of the underlying assets and liabilities of the relevant entity.

For the year ended 31 December 2018

12 Financial information on BGCF (continued)

Valuation of financial instruments (continued)

The following tables analyse with the fair value hierarchy BGCF's financial instruments carried at fair value as at 31 December 2018 and 31 December 2017:

31 December 2018	Level 1	Level 2	Level 3	Total
	€	€	€	€
Financial assets measured at fair value through profit or loss:				
- Investments in senior secured loans and bonds	-	420,018,973	9,672,269	429,691,242
- Investments in CLO Income Notes	-	-	386,155,935	386,155,935
- Investment in US MOA	-	-	227,651,995	227,651,995
Total financial assets	**-**	**420,018,973**	**623,480,199**	**1,043,499,172**
Financial liabilities measured at fair value through profit or loss:				
- PPNs	-	-	(787,146,684)	(787,146,684)
- BGCF Facility	-	(294,757,675)	-	(294,757,675)
- Derivative financial liabilities	-	(13,953,422)	-	(13,953,422)
Total financial liabilities	**-**	**(308,711,097)**	**(787,146,684)**	**(1,095,857,781)**

31 December 2017	Level 1	Level 2	Level 3	Total
	€	€	€	€
Financial assets measured at fair value through profit or loss:				
- Investments in senior secured loans and bonds	-	440,673,037	17,134,402	457,807,439
- Investments in CLO Income Notes	-	-	331,685,575	331,685,575
- Investment in US MOA	-	-	145,272,658	145,272,658
- Derivative financial assets	-	3,077,243	-	3,077,243
Total financial assets	**-**	**443,750,280**	**494,092,635**	**937,842,915**
Financial liabilities measured at fair value through profit or loss:				
- PPNs	-	-	(679,650,521)	(679,650,521)
- BGCF Facility	-	(331,477,924)	-	(331,477,924)
Total financial liabilities	**-**	**(331,477,924)**	**(679,650,521)**	**(1,011,128,445)**

For the year ended 31 December 2018

12 Financial information on BGCF (continued)

Valuation of financial instruments (continued)

The following table shows the movement in Level 3 of BGCF's fair value hierarchy for the years ended 31 December 2018 and 31 December 2017:

BGCF	Financial assets measured at fair value through profit or loss	Financial liabilities measured at fair value through profit or loss
	€	€
Opening balance	494,092,635	(679,650,521)
Net (loss)/gain on financial assets and liabilities measured at fair value through profit or loss	(116,621,709)	136,795,409
Purchases/Issuances	614,869,040	(244,291,572)
Sales/Redemptions	(364,958,693)	-
Movement in to Level 3	7,287,142	-
Movement out of Level 3	(11,188,216)	-
Closing Balance	**623,480,199**	**(787,146,684)**

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

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. There were no transfers between Level 1 and Level 2 of the fair value hierarchy during the years ended 31 December 2018 or 31 December 2017.

Sensitivity of BGCF Level 3 holdings to unobservable inputs

A number of holdings as at 31 December 2018 and 31 December 2017 were priced through Markit 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 classified as Level 3 because the valuation technique incorporates significant unobservable inputs. The CLO prices are determined independently by consideration of several factors including the following: 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. These metrics are accumulated from various market sources independent of DFME. Additionally, valuation incorporates a review of each CLO indenture and the latest underlying CLO loan portfolio forming various projections based on the quality of the collateral, DFME's capabilities and general macroeconomic conditions.

The assets classified as Level 3 represented 59.75% (2017: 52.70%) 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 31,174,010 (2.99% of the total financial assets) (2017: EUR 24,704,632 (2.63% of the total financial assets)). There also would be an equal and opposite effect on the valuation of the PPNs (3.59%) (2017: (3.63%)).

For the year ended 31 December 2018

12 Financial information on BGCF (continued)

Valuation of financial instruments (continued)

Sensitivity of BGCF Level 3 holdings to unobservable inputs (continued)

The CLO Income Notes and the US MOA are valued by a third party using a CLO intrinsic calculation methodology. The key input assumptions to the CLO Income Notes valuation model are the loan prepayment rates, discount rates, loan default rates, loan recovery given default rates and reinvestment rates. These metrics are accumulated from various market sources independent of DFME. Additionally, valuation incorporates a review of each CLO indenture and the latest underlying CLO loan portfolio forming various projections based on the quality of the collateral, the collateral manager's capabilities and general macroeconomic conditions.

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. 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.

If the valuation of the CLO Income Notes had increased or decreased by 5%, the value of the CLO Income Notes would move by EUR 19,307,797 (2017: EUR 16,584,279) and EUR 11,382,600 (2017: EUR 13,019,734) in the US MOA.

Financial instruments and associated risks

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 and consequently that of the Company. 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.

Market risk

Market risk is the current or prospective risk to earnings or capital of BGCF arising from changes in interest rates, foreign exchange rates, commodity prices or equity prices. Market risk embodies the potential for both losses and gains.

Market price risk arises mainly from uncertainty about future prices of financial instruments held. It represents the potential loss BGCF might suffer through holding market positions in the face of price movements caused by factors specific to the individual investment or factors affecting all instruments traded in the market.

As all of the financial instruments are carried at fair value through profit or loss, all changes in market conditions will directly impact the valuation of the PPNs.

(i) Currency risk

Foreign currency risk arises as the value of future transactions, recognised monetary assets and monetary liabilities denominated in other currencies may fluctuate due to changes in foreign exchange rates. Foreign exchange exposure relating to non-monetary assets and liabilities is considered to be a component of market price risk, not foreign currency risk.

BGCF's financial statements are denominated in Euro, though investments in the US MOA, US CLO warehouses, US CLOs are made and realised in US Dollars, and senior secured loans and bonds are 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.

DFME monitors foreign currency risk on a periodic basis. Typically, derivative contracts serve as components of BGCF's asset hedging program and are utilised primarily to reduce foreign currency risk to BGCF's investments. Foreign currency risk on non-base currency loans and bonds is minimised by the leveraged structure of BGCF and by the use of the multi-currency BGCF Facility to draw down funds. Non-base GBP and USD investments are funded by use of the corresponding currency leverage of the BGCF Facility which creates a matching of asset and liability currency risk and minimising the impact of fluctuations in exchange rates. Rolling currency forwards are used to manage the foreign currency exposure of the preference shares of the

For the year ended 31 December 2018

12 Financial information on BGCF (continued)

Financial instruments and associated risks (continued)

Market risk (continued)

(i) Currency risk (continued)

US MOA and the US CLO warehouses, and the CLO Income Notes of the US CLOs held directly by BGCF and the CLO subsidiaries denominated in foreign currencies. The market value of these USD positions is hedged by offsetting USD forward notional amounts to ensure BGCF is fully hedged.

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 2018 and 31 December 2017:

31 December 2018	British Pound	United States Dollars	Euro	Total
	€	€	€	€
Investments in senior secured loans and bonds	35,301,146	-	394,390,096	429,691,242
Investments in CLO Income Notes	-	114,595,191	271,560,744	386,155,935
Investment in US MOA	-	227,651,995	-	227,651,995
BGCF Facility	(43,583,090)	(28,094,832)	(223,079,753)	(294,757,675)
Derivative financial assets and liabilities	-	(13,953,422)	-	(13,953,422)
Cash and cash equivalents	1,646,363	15,242,023	53,666,468	70,554,854
PPNs	-	-	(787,146,684)	(787,146,684)
Other assets and liabilities	8,010,575	(302,592,381)	276,390,021	(18,191,785)
Net exposure	**1,374,994**	**12,848,574**	**(14,219,108)**	**4,460**
Sensitivity 10%	**137,499**	**1,284,857**		

31 December 2017	British Pound	United States Dollars	Euro	Total
	€	€	€	€
Investments in senior secured loans and bonds	76,391,279	23,303,552	358,112,608	457,807,439
Investments in CLO Income Notes	-	77,599,295	254,086,280	331,685,575
Investment in US MOA	-	145,272,658	-	145,272,658
BGCF Facility	(80,613,947)	(37,451,557)	(213,412,420)	(331,477,924)
Derivative financial assets and liabilities	-	3,077,243	-	3,077,243
Cash and cash equivalents	538,681	23,489,418	24,810,335	48,838,434
PPNs	-	-	(679,650,521)	(679,650,521)
Other assets and liabilities	5,308,963	(214,019,639)	233,161,332	24,450,656
Net exposure	**1,624,976**	**21,270,970**	**(22,892,386)**	**3,560**
Sensitivity 10%	**162,498**	**2,127,097**		

Sensitivity analysis - BGCF

At 31 December 2018, had the Euro strengthened by 10% (2017: 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.

For the year ended 31 December 2018

12 Financial information on BGCF (continued)

Financial instruments and associated risks (continued)

Market risk (continued)

(i) Currency risk (continued)

Sensitivity analysis - BGCF (continued)

A 10% weakening of the base currency, against GBP and US 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.

(ii) Interest rate risk

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

The PPNs issued by BGCF are limited recourse obligations and are valued based on the fair value of the underlying assets and liabilities. As the interest attached to the PPNs is based on the income earned by BGCF, any fluctuations in the prevailing level of market interest rates that negatively affect the fair value of the underlying financial assets will result in an offsetting decrease in the fair value of the PPNs.

The interest rate risk associated with cash and cash equivalents is deemed to be insignificant.

The following table details BGCF's exposure to interest rate risk. It includes BGCF's assets and 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 2018:

31 December 2018	Floating rate	Fixed rate	Non-interest bearing	Total
	€	€	€	€
Financial assets measured at fair value through profit or loss:				
- Investments in senior secured loans and bonds	429,691,242	-	-	429,691,242
- Investments in CLO Income Notes	386,155,935	-	-	386,155,935
- Investment in US MOA	-	-	227,651,995	227,651,995
Receivable for investments sold	-	-	179,473,198	179,473,198
Other receivables	-	-	28,829,516	28,829,516
Cash and cash equivalents	70,554,854	-	-	70,554,854
Total assets	**886,402,031**	**-**	**435,954,709**	**1,322,356,740**
Financial liabilities measured at fair value through profit or loss:				
- PPNs	(787,146,684)	-	-	(787,146,684)
- BGCF Facility	(294,757,675)	-	-	(294,757,675)
- Derivative financial liabilities	-	-	(13,953,422)	(13,953,422)
Payable for investments purchased	-	-	(224,077,820)	(224,077,820)
Other payables and accrued expenses	-	-	(2,416,679)	(2,416,679)
Total financial liabilities	**(1,081,904,359)**	**-**	**(240,447,921)**	**(1,322,352,280)**
Total interest sensitivity gap	**(195,502,328)**	**-**		

For the year ended 31 December 2018

12 Financial information on BGCF (continued)

Financial instruments and associated risks (continued)

Market risk (continued)

(ii) Interest rate risk (continued)

The following table details BGCF's exposure to interest rate risk. It includes BGCF's assets and 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:

31 December 2017	Floating rate	Fixed rate	Non-interest bearing	Total
	€	€	€	€
Financial assets measured at fair value through profit or loss:				
- Investments in senior secured loans and bonds	403,894,106	53,913,333	-	457,807,439
- Investments in CLO Income Notes	331,685,575	-	-	331,685,575
- Investment in US MOA	-	-	145,272,658	145,272,658
- Derivative financial assets	-	-	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 measured at fair value through profit or loss:				
- PPNs	(679,650,521)	-	-	(679,650,521)
- BGCF Facility	(331,477,924)	-	-	(331,477,924)
Payable for investments purchased	-	-	(340,574,806)	(340,574,806)
Other payables and accrued expenses	-	-	(2,140,260)	(2,140,260)
Total financial liabilities	**(1,011,128,445)**	**-**	**(342,715,066)**	**(1,353,843,511)**
Total interest sensitivity gap	**(226,710,330)**	**53,913,333**		

Sensitivity analysis

At 31 December 2018, had the base interest rates strengthened/weakened by 2% (2017: 2%) in relation to all holdings subject to interest with all other variables held constant, the finance income would increase/decrease by EUR 3,910,047 (2017: EUR 4,534,207) 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 historical data. Future price movements and correlations between securities could vary significantly from those experienced in the current financial year.

(iii) Price risk

Price risk is the risk that the value of investments will fluctuate as a result of changes in market prices (other than those arising from currency risk and interest rate risk) whether caused by factors specific to an individual investment, its issuer or all factors affecting all investments traded in the market.

BGCF attempts to mitigate asset pricing risk by using external pricing and valuation sources and by permitting DFME, subject to certain requirements, to sell collateral obligations and reinvest the proceeds. DFME actively monitors the assets within each CLO to ensure that they do not breach the collateral quality tests and portfolio profile tests. Where possible, prices are received from brokers on a monthly basis. Broker prices are sourced from Markit, a composite price provider.

For the year ended 31 December 2018

12 Financial information on BGCF (continued)

Financial instruments and associated risks (continued)

Credit risk

Credit risk is the current or prospective risk to earnings and capital arising from a counterparty's failure to meet the terms of any contract with BGCF, or otherwise fail to perform as agreed. The receipt of monies owed will be subject to and dependent on the counterparty's ability to pay such monies.

BGCF is therefore open to risks relating to the creditworthiness of the counterparty. If the counterparty fails to make any cash payments required to settle an investment, BGCF may lose principal as well as any anticipated benefit from the transaction.

Credit risk in 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, through its investment strategy, will endeavor 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 mis-pricing. 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 industry 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.

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

BGCF	**2018**	**2017**
	€	€
Financial assets measured at fair value through profit or loss	1,043,499,172	**934,765,672**
Derivative financial assets	-	**3,077,243**
Receivables for investments sold	179,473,198	**348,346,724**
Other receivables	28,829,516	**18,818,998**
Cash at bank	70,554,854	**48,838,434**
Total	**1,322,356,740**	**1,353,847,071**

Amounts in the above tables are based on the carrying value of the financial assets as at the reporting date.

Financial assets measured at fair value through profit or loss

BGCF's investment policy is to invest predominantly in:
(i) a diverse portfolio of senior secured loans (including broadly syndicated, middle market or other loans);
(ii) CLO Income Notes issued by the Issuer CLOs whose investments will be focused predominantly in European and US senior secured loans; and
(iii) US CLO Income Notes (directly or through the US MOA which invests in the CLO Income Notes of US CLOs) whose investments are focused predominantly in US senior secured loans.

For the year ended 31 December 2018

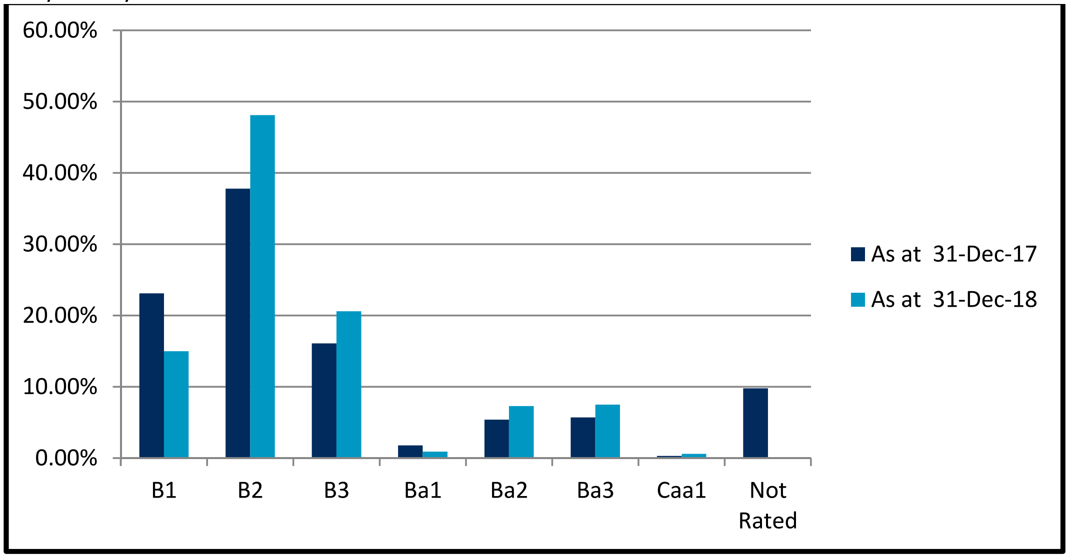
12 Financial information on BGCF (continued)

Financial instruments and associated risks (continued)

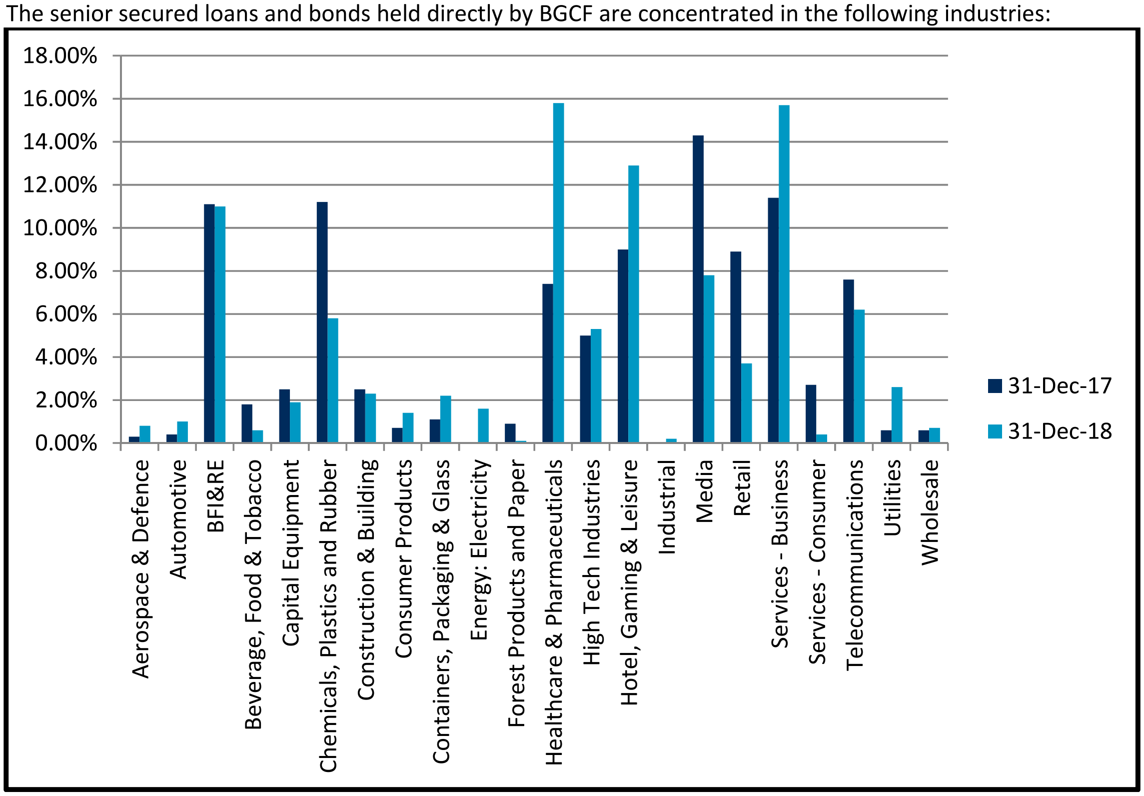
Credit risk (continued)

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

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



The senior secured loans and bonds held directly by BGCF are concentrated in the following industries:



BFI&RE – Banking, Finance, Insurance and Real Estate

For the year ended 31 December 2018

12 Financial information on BGCF (continued)

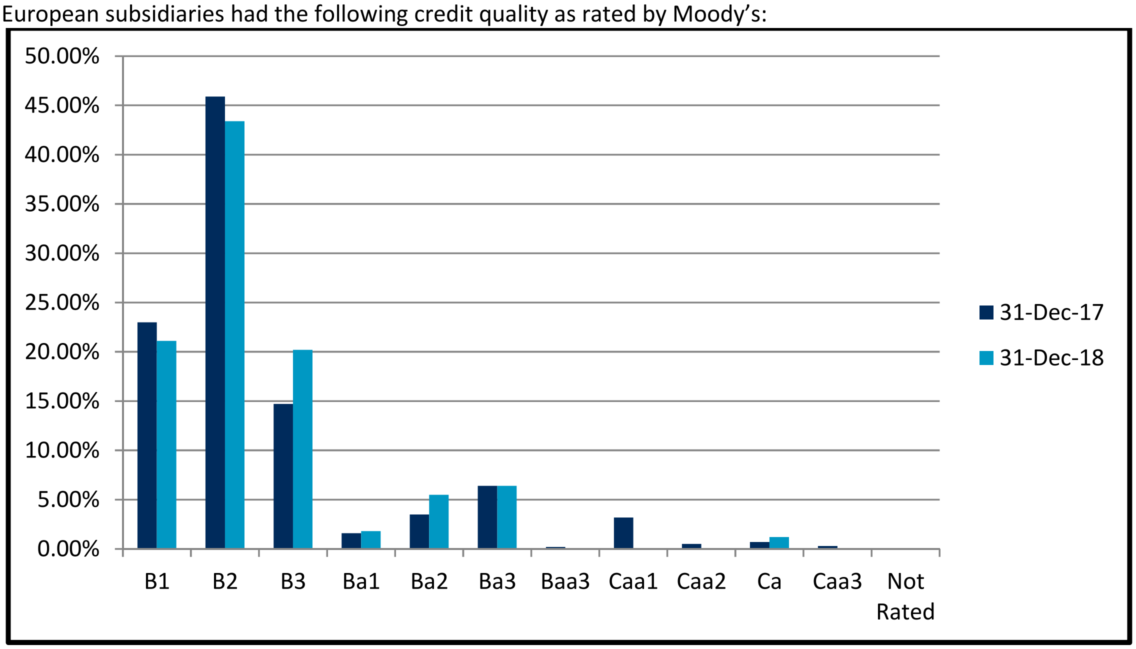
Financial instruments and associated risks (continued)

Credit risk (continued)

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

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) whose investments will be focused predominantly in European senior secured loans. BGCF also invests directly in US CLOs whose investments will be focused predominantly in US senior secured loans. Each CLO's investment activities are restricted by its prospectus and the CLOs have narrow and well-defined objectives to provide investment opportunities to investors. In order to avoid excessive concentration of risk, the policies and procedures of each CLO include specific guidelines to focus on maintaining a diversified portfolio. As CLO Income 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 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.

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:



For the year ended 31 December 2018

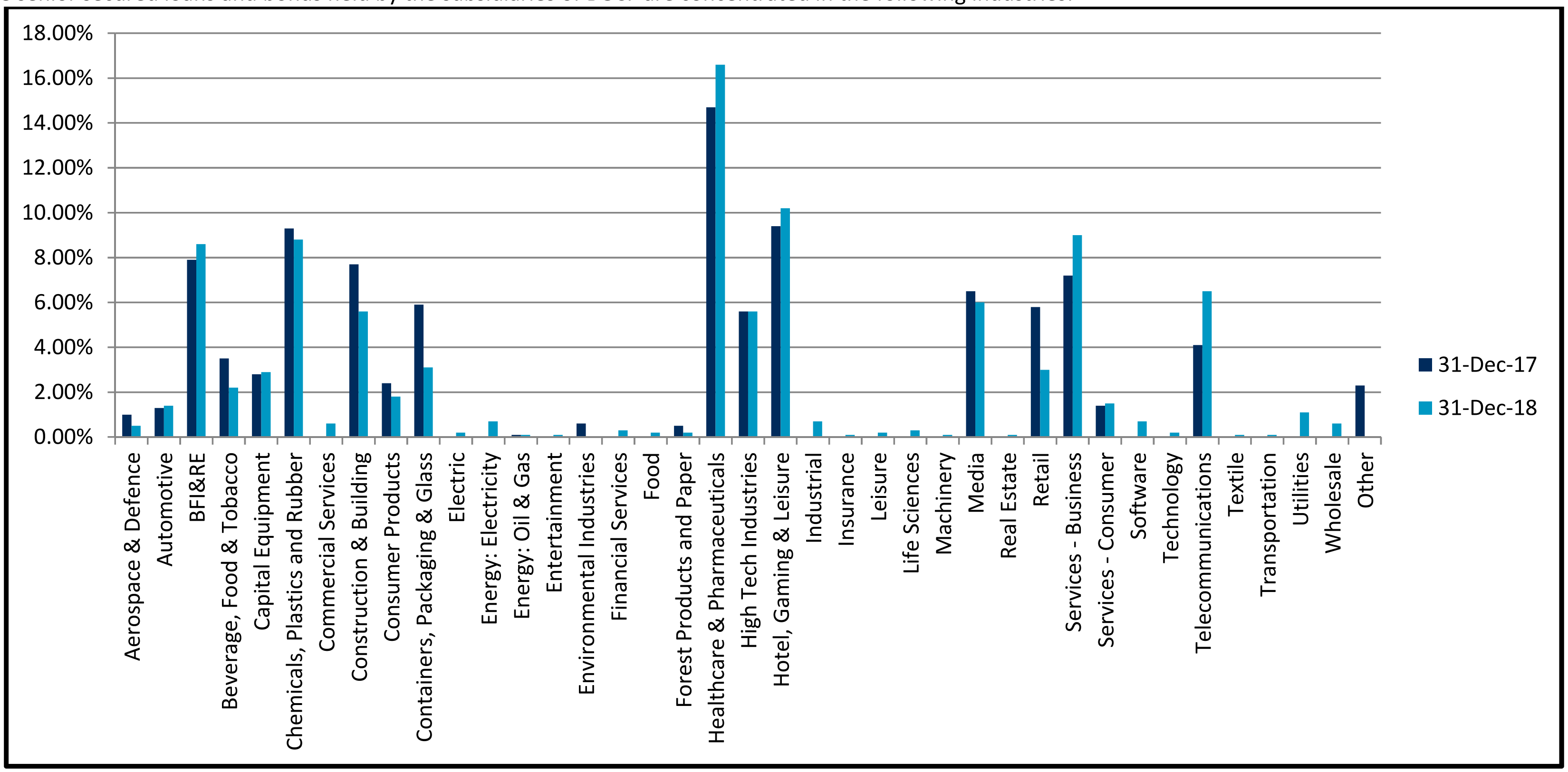
12 Financial information on BGCF (continued)

Financial instruments and associated risks (continued)

Credit risk (continued)

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

The senior secured loans and bonds held by the subsidiaries of BGCF are concentrated in the following industries:



BFI&RE – Banking, Finance, Insurance and Real Estate

Please note that the list of BGCF's subsidiaries included in the charts on page 90 and above can be found on page 80

For the year ended 31 December 2018

12 Financial information on BGCF (continued)

Financial instruments and associated risks (continued)

Credit risk (continued)

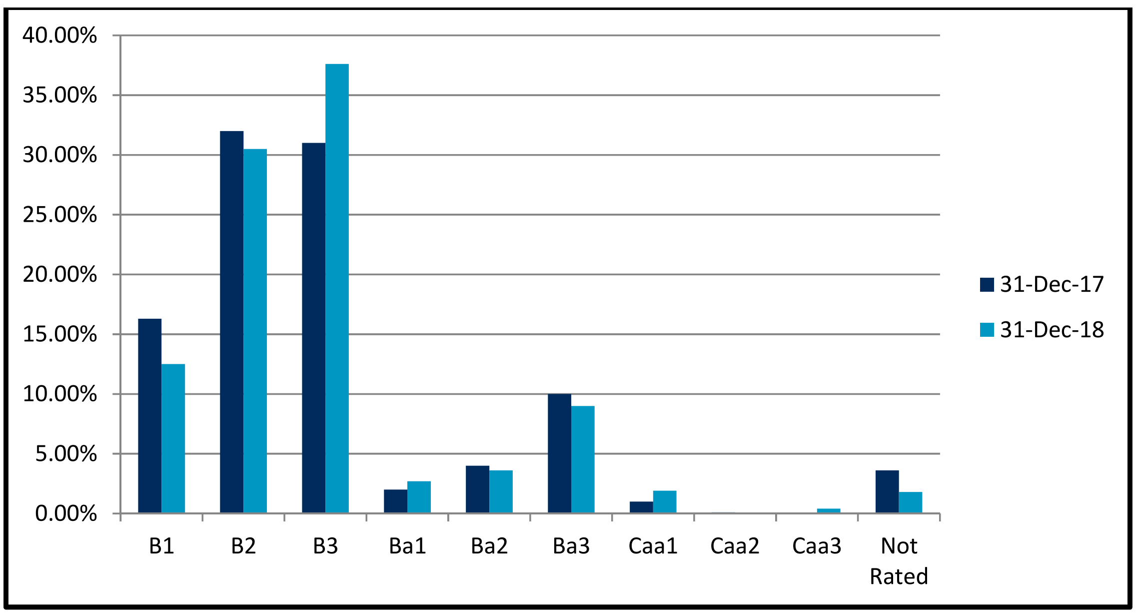
Financial assets measured at fair value through profit or loss (continued)

During the financial year, BGCF held Class A preference shares issued by the US MOA, and CLO Income Notes issued by the directly held US CLOs.

BGCF increased its investment in the US MOA by USD 29,337,651 in January 2018, USD 56,426,810 in March 2018 and USD 55,091,100 in April 2018. As at 31 December 2018, the total investment value is EUR 227,651,995 (2017: EUR 145,272,658) which is 17.22% (2017: 10.73%) of BGCF's total assets. The US MOA invests in the CLO Income Notes of US CLOs.

The US CLOs, held directly by BGCF and indirectly through the US MOA, hold investments focused predominantly in US senior secured loans. Given BGCF's direct and indirect interest in the CLO Income Notes of US CLOs, BGCF is exposed to the credit risk on the underlying senior secured loans and bonds held by those US CLOs. In addition, the CLO Income Notes are limited recourse obligations of the US CLOs which are payable solely out of amounts received by the US CLO in respect of the financial assets held.

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



Please note that the above chart includes those US CLOs owned directly by BGCF, as detailed on page 80, and those US CLOs owned directly through the US MOA

For the year ended 31 December 2018

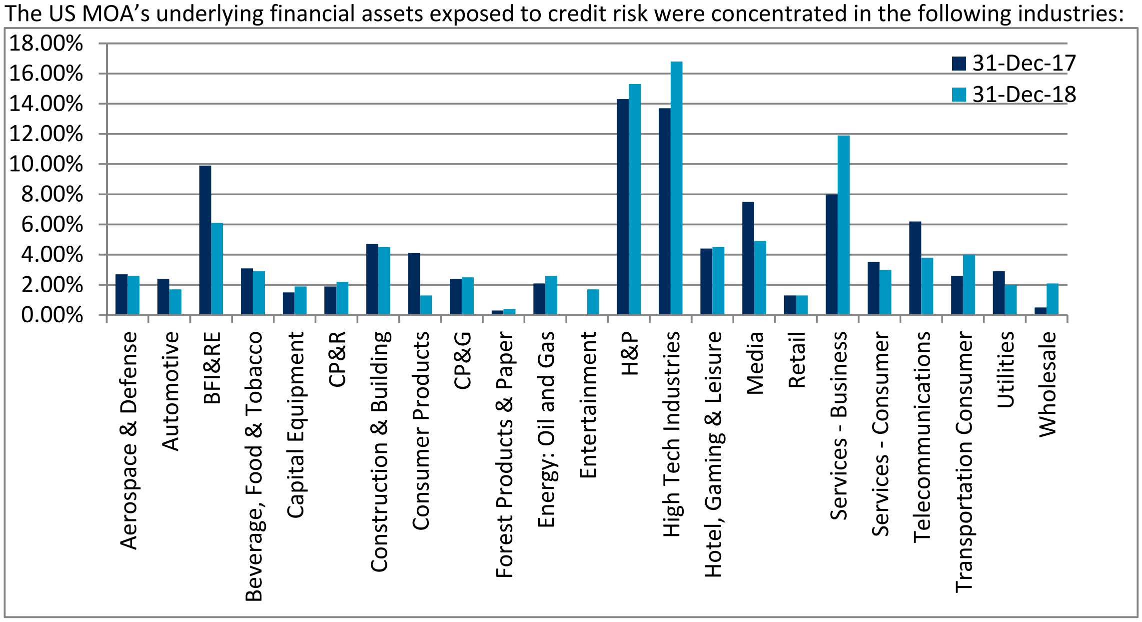
12 Financial information on BGCF (continued)

Financial instruments and associated risks (continued)

Credit risk (continued)

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

The US MOA's underlying financial assets exposed to credit risk were concentrated in the following industries:



BFI&RE – Banking, Finance, Insurance and Real Estate
CP&R – Chemicals, Plastic and Rubber
CP&G – Containers, Packaging and Glass
H&P – Healthcare and Pharmaceuticals
Please note that the above chart includes only those US CLOs owned indirectly through the US MOA

Cash

All the cash held by BGCF is held with Citibank N.A., London Branch which has a credit rating of A3 from Moody's as at 31 December 2018 (31 December 2017: Baa1).

Liquidity risk

Liquidity is the risk that BGCF may not be able to meet its financial obligations as they fall due. The ability of BGCF to meet its obligations is dependent on the receipt of interest and principal from the underlying collateral portfolios. Obligations may arise from: financial liabilities at fair value, payable for investments purchased, variable funding notes, interest payable on CLO Notes, derivative financial liabilities, other payables and accrued expenses.

At reporting date, the financial obligations exposed to liquidity risk are as follows:

Financial liabilities measured at fair value through profit or loss

Financial liabilities at fair value comprise PPNs issued by BGCF.

All PPNs issued are limited recourse. The recourse of the noteholders, which includes BGLF, is limited to the proceeds available to unsecured creditors at such time from the debt obligations, CLO Income Notes and other obligations which comply with the investment policy. Therefore, from the perspective of BGCF, the associated liquidity risk of the PPNs is reduced.

For the year ended 31 December 2018

13 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 2018 and 31 December 2017. The only share class in issue during the years ended 31 December 2018 and 31 December 2017 is the Euro Ordinary share class.

For the years ended 31 December 2018 and 31 December 2017, the Company's primary exposure was to the Lux Subsidiary in Europe. The Lux Subsidiary's primary exposure is to BGCF, an Irish entity. BGCF's primary exposure is to the US and Europe.

14 Basic and diluted (loss) / earnings per Euro Ordinary share

	As at 31 December 2018	**As at 31 December 2017**
	€	**€**
Total comprehensive (loss) / income for the year	(12,683,130)	5,729,994
Weighted average number of shares during the year	404,700,446	390,896,434
Basic and diluted (loss) / earnings per Euro share	**(0.0313)**	**0.0147**

15 Net asset value per Euro Ordinary share

	As at 31 December 2018	**As at 31 December 2017**
	€	**€**
IFRS Net asset value	326,387,144	379,540,321
Number of Euro Ordinary shares at year end	404,700,446	404,700,446
IFRS Net asset value per Euro Ordinary share	**0.8065**	**0.9378**

16 Reconciliation of Published NAV to IFRS NAV per the financial statements

	As at 31 December 2018		**As at 31 December 2017**	
	NAV	**NAV per share**	**NAV**	**NAV per share**
	€	**€**	**€**	**€**
Published NAV attributable to Shareholders	362,725,238	0.8963	379,540,321	0.9378
Adjustment - valuation	(36,028,424)	(0.0890)	-	-
Adjustment – accrued expenses	(309,670)	(0.0008)	-	-
NAV per the financial statements	**326,387,144**	**0.8065**	**379,540,321**	**0.9378**

As noted on page 4, there can be a difference between the Published NAV and the IFRS NAV per the financial statements, mainly because of the different bases of valuation. The above table reconciles the Published NAV to the IFRS NAV per the financial statements.

For the year ended 31 December 2018

17 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 2018, Blackstone Asia Treasury Pte held 43,000,000 Euro shares in the Company (31 December 2017: 43,000,000).

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 2018, current employees of the Portfolio Adviser and its affiliates, and accounts managed or advised by them, hold 24,875 Euro shares (31 December 2017: 24,875) which represents 0.006% (31 December 2017: 0.006%) 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 has been appointed as the collateral manager to Dorchester Park CLO Designated Activity Company and US CLOs securitised through the US MOA. In addition, it has entered into a management agreement with the US 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 held 291,343,213 CSWs as at 31 December 2018 (31 December 2017: 337,374,822) following the redemption of 44,169,444 and cancellation of 1,862,165 CSWs by the Lux Subsidiary. Refer to Note 6 for further details.

As at 31 December 2018, 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 2017: 2,000,000 Class A shares and 1 Class B share in the Lux Subsidiary with a nominal value of €2,000,001).

As at 31 December 2018, the Company held an intercompany loan payable to the Lux Subsidiary amounting to €237,057 (31 December 2017: €Nil).

18 Controlling party

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

19 Events after the reporting period

The Board has evaluated subsequent events for the Company through to 30 April 2019, 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.

Following the announcements made on the 23 November 2018 and 21 December 2018, the Company announced on 3 January 2019 that new C Shares would be allotted and admitted to trading on 7 January 2019. Allotment and admission were completed on 7 January 2019.

On 8 January 2019, the Company announced that Mark Moffat had been appointed as a non-executive director with effect from 8 January 2019.

On 22 January 2019, the Board declared a dividend of €0.025 per Euro Ordinary share in respect of the period from 1 October 2018 to 31 December 2018 with an ex-dividend date of 31 January 2019. A total payment of €10,117,511 was processed on 1 March 2019.

On 22 January 2019, the Board declared a dividend of €0.01452 per C share in respect of the period from 1 October 2018 to 31 December 2018 with an ex-dividend date of 31 January 2019. A total payment of €1,937,710 was processed on 1 March 2019.

On 23 January 2019, the Company announced that, under the general authority to buy back shares conferred by the Company's Ordinary Shareholders at its AGM on 22 June 2018, it intends to buy back shares in the market using available cash.

On 18 April 2019, the Company declared a dividend of €0.025 per Euro Ordinary share in respect of the period from 1 January 2019 to 31 March 2019. This dividend is payable on 31 May 2019 to Shareholders on the register as at the close of business on 3 May 2019, and the corresponding ex-dividend date will be 2 May 2019.

On 18 April 2019, the Company declared a dividend of €0.0205 per C share in respect of the period from 1 January 2019 to 31 March 2019. This dividend is payable on 31 May 2019 to Shareholders on the register as at the close of business on 3 May 2019, and the corresponding ex-dividend date will be 2 May 2019.

Company Information

Directors	**Registered Office**
Ms Charlotte Valeur (Chair) Mr Gary Clark Ms Heather MacCallum Mr Steven Wilderspin Mr Mark Moffat *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 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 Gaspé 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

Glossary

"AGM"	Annual General Meeting
"AIC"	the Association of Investment Companies, of which the Company is a member
"AIC Code"	the AIC Code of Corporate Governance for Jersey companies
"Articles"	the Articles of Incorporation of the Company
"BGCF"	Blackstone / GSO Corporate Funding Designated Activity Company
"BGCF Facility"	BGCF entered into a facility agreement dated 1 June 2017, as amended, between (1) BGCF (as borrower), (2) Citibank Europe plc, UK Branch (as administration agent), (3) Bank of America N.A. London Branch (as an initial lender), (4) BNP Paribas (as an initial lender), (5) Deutsche Bank AG, London Branch (as initial lender), (6) Citibank N.A. London Branch (as account bank, custodian and trustee) and (7) Virtus Group LP (as collateral administrator)
"BGLF" or the "Company"	Blackstone / GSO Loan Financing Limited
"BGLP"	Ticker for the Company's Sterling Quote
"Board"	the Board of Directors of the Company
"CSWs"	Cash Settlement Warrants
"CLO"	Collateralised Loan Obligation
"DFM"	GSO / Blackstone Debt Funds Management LLC
"DFME" or the "Portfolio Adviser"	Blackstone / GSO Debt Funds Management Europe Limited
"DTR"	Disclosure Guidance and Transparency Rules
"Discount" / "Premium"	calculated as the NAV per share as at the period end less BGLF's closing share price on the London Stock Exchange, divided by the NAV per share as at that date
"Dividend yield"	calculated as the last four quarterly dividends declared divided by the share price as at the period end
"ECB"	European Central Bank
"EU"	European Union
"FCA"	Financial Conduct Authority (United Kingdom)
"Fed"	Federal Reserve
"FRC"	Financial Reporting Council (United Kingdom)
"FVPL"	Fair value through profit or loss
"FVOCI"	Fair value through other comprehensive income
"GSO"	GSO Capital Partners LP
"IDC"	International Data Corporation
"IFRS"	International Financial Reporting Standards
"IFRS NAV"	Gross assets less liabilities (including accrued but unpaid fees) determined in accordance with IFRS as adopted by the EU
"LCD"	S&P Global Market Intelligence's Leveraged Commentary & Data provides in-depth coverage of the leveraged loan market through real-time news, analysis, commentary, and proprietary loan data
"Loan Warehouse"	A special purpose vehicle incorporated for the purposes of warehousing US and/or European floating rate senior secured loans and bonds
"LSE"	London Stock Exchange

Glossary

“LTM”	Last twelve months
“Lux Subsidiary”	Blackstone / GSO Loan Financing (Luxembourg) S.à r.l
“NAV”	Net asset value
“NAV total return per Euro Ordinary share”	Calculated as the increase / decrease in the NAV per Euro Ordinary share plus the total dividends paid per Euro Ordinary share during the period, with such dividends paid being re-invested at NAV, as a percentage of the NAV per Euro Ordinary share
“NIM”	Net interest margin
“OCI”	Other Comprehensive Income
“PPNs”	Profit Participating Notes
“Published NAV”	Gross assets less liabilities (including accrued but unpaid fees) determined in accordance with the section entitled “Net Asset Value” in Part I of the Company’s Prospectus and published on a monthly basis
“Return”	Calculated as the increase /decrease in the NAV per Euro Ordinary share plus the total dividends paid per Euro Ordinary share, with such dividends paid being re-invested at NAV, as a percentage of the NAV per Euro Ordinary share. LTM return is calculated over the period January 2018 to December 2018.
“SFS”	Specialist Fund Segment
“UK Code”	UK Corporate Governance Code 2016
“US MOA”	United States Majority Owned Affiliate
“Underlying Company”	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 of CLO Securities
“WA”	Weighted average
“WAS”	Weighted average spread