

ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS
Boussard & Gavaudan Holding Limited

For the year ended 31 December 2016

Boussard & Gavaudan Holding Limited
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For the year ended 31 December 2016

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Boussard & Gavaudan Holding Limited
Management and Service Providers
For the year ended 31 December 2016

Directors

Christopher Fish (Chairman)
Nicolas Wirz
Andrew Henton

(Directors are non-executive and independent for the purpose of LR15.2.12-A)

Investment Manager

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

Legal Advisors

(English and United States law)

Herbert Smith Freehills LLP
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Legal Advisors

(Dutch law)

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1077 ZZ Amsterdam
The Netherlands

Administrator and Corporate Secretary

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

Registrar and CREST Service Provider

Computershare Investor Services (Guernsey)
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3rd Floor, Natwest House
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St Peter Port, Guernsey
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Legal Advisors

(Guernsey law)

Carey Olsen
Carey House
Les Banques, St Peter Port
Guernsey GY1 4BZ

Independent Auditor

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

Sub-Administrator

SS&C Financial Services LLC
(formally known as Globeop Financial Services LLC)
One South Road, Harrison
NY 10528
USA

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

Listing Agent

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The Netherlands

Custodian

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

Boussard & Gavaudan Holding Limited

Glossary of Terms

For the year ended 31 December 2016

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

Management companies

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

Funds

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

Commonly used terms

AIFMD	The Alternative Investment Fund Managers Directive, Directive 2011/61/EU
AIFM	Alternative Investment Fund Manager for the purposes of the AIFMD
AIF	Alternative Investment Fund for the purposes of the AIFMD
AIFMD Regulations	The Alternative Investment Fund Managers Regulations 2013 made by H.M. Treasury in the United Kingdom
Board	The Board of Directors
Code	The UK Corporate Governance Code published by the UK's Financial Reporting Council
Companies Law	The Companies (Guernsey) Law, 2008, as amended
Exane	Exane BNP Paribas
NAV	Net asset value
Year	The year ended 31 December 2016
IFRS	International Financial Reporting Standards (as adopted by the European Union)
AFM	Authority for the Financial Markets
AUM	Assets Under Management
Financial Statements	Financials Statements for the year ended 31 December 2016

Boussard & Gavaudan Holding Limited
Chairman's Statement
For the year ended 31 December 2016

Dear Shareholders,

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

From 1 January to 31 December 2016, BGHL's NAVs for the Euro and Sterling shares increased by 7.2% and 7.4% respectively, whilst the market price improved by 11.4% and 16.4% respectively.

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

We continue to monitor closely the discounts to the NAVs at which both classes of shares trade. Every reasonable and cost-effective endeavour will continue to be made to narrow the discounts to the NAV at which BGHL's shares trade and to increase the liquidity of the shares. The share buy-back programme is central to this effort, as is the controlled reduction in the weighting of unquoted shares in the portfolio.

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

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

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

Christopher Fish
Chairman

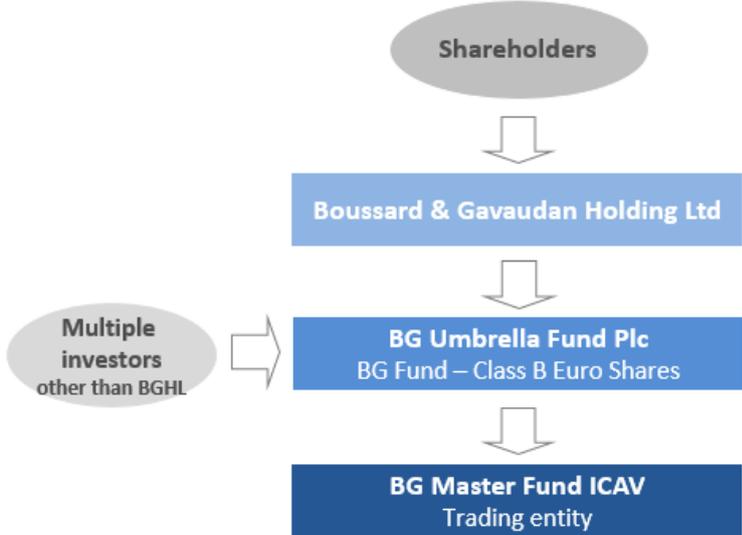
27 April 2017

Boussard & Gavaudan Holding Limited
Investment Manager’s Report and Financial Highlights
For the year ended 31 December 2016

1. Background and Structure

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

The Umbrella Fund, BGF and the Master Fund structure.



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

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

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

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

Boussard & Gavaudan Holding Limited

Investment Manager's Report and Financial Highlights

For the year ended 31 December 2016

2 Investment policies

2.1 BGHL's investment policy

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

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

The Investment Manager may use BGHL's borrowing facilities at its discretion within the limits set out under the heading "Asset Allocation" below. The Investment Manager's ability to use borrowings is subject to the limit on leverage set out under the heading "Gearing" below. Such investments may include the acquisition of minority or majority interests in unlisted companies or listed companies ("Direct Investments"). The Investment Manager may also make private equity investments through investing in funds that have a private equity investment focus ("Indirect Private Equity Investments").

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

Gearing

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

Asset Allocation

Investments in Manager Funds

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

Investments in assets other than Manager Funds

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

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

Boussard & Gavaudan Holding Limited

Investment Manager's Report and Financial Highlights

For the year ended 31 December 2016

2.2 The Master Fund's investment policy

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

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

Volatility strategies:

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

Equity strategies:

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

Credit strategies:

- credit long / short
- capital structure arbitrage

Trading:

- short-term directional trading

3. Highlights and review of the development of the business

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

BGHL (in Euro)	31 December 2016	31 December 2015	Variation %
Net assets	651,166,613	622,667,045	4.6%

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

4. Performance

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

		Price		Performance	
		31 December 2016	31 December 2015	2016	5 years annualised
BGHL	Ticker Bloomberg				
Euro share - Price	BGHL NA Equity	€17.92	€16.08	11.4%	10.5%
Euro share - NAV	-	€22.14	€20.65	7.2%	10.4%
Sterling share - Price	BGHS LN Equity	£15.83	£13.60	16.4%	10.8%
Sterling share - NAV	-	£19.44	£18.09	7.4%	9.6%

HFRX Global Hedge Fund Index	HFRXGL Index	1,203.46	1,174.07	2.5%	1.5%
HFRX Equal Weighted Strategies Index	HFRXEW Index	1,217.15	1,172.79	3.8%	2.0%

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

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

Boussard & Gavaudan Holding Limited

Investment Manager's Report and Financial Highlights

For the year ended 31 December 2016

5. Risks

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

5.1 Risk Management Organisation and Policy

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

5.2 The Master Fund's Risk Management Policy

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

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

5.2.1 Macroeconomic risk

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

Quantitative analysis

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

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

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

Qualitative analysis

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

Boussard & Gavaudan Holding Limited

Investment Manager's Report and Financial Highlights

For the year ended 31 December 2016

5.2.2 Microeconomic risk

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

Quantitative analysis

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

Qualitative analysis

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

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

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

Equity-at-Risk and Excess Margin methodology

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

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

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Investment Manager's Report and Financial Highlights
For the year ended 31 December 2016

6. Capital allocation, risk and risk adjusted returns:

6.1 Capital allocation, risks and risk adjusted returns of BGHL

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

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

	Euro Share	Sterling Share	Holding in % AUM		
			2016 Performance	2016 Performance	31-Dec-16 Exposure End
BGHL	7.2%	7.4%	112.7%	106.5%	116.0%
BGF Euro B Class - NAV	10.3%	10.3%	100.0%	100.0%	100%
BGF Euro B Class – Leverage	0.3%	0.3%	6.5%	0.4%	6.5%
Other Investments	-0.1%	-0.1%	6.2%	6.0%	11.1%
Foreign Exchange	0.0%	0.8%			
Share buy back	0.5%	0.0%			
Fees, miscellaneous	-3.7%	-3.8%			

Source: Boussard & Gavaudan Investment Management LLP

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

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

BGHL % AUM	AIFMD Commitment method		AIFMD Gross method	
	Exposure	Limit	Exposure	Limit
31 December 2016	112.3%	200.0%	113.6%	200.0%
31 December 2015	113.8%	200.0%	115.3%	200.0%

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

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

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

Master Fund (% AUM)	Performance	Equity at risk	
		31 December 2016	31 December 2015
Volatility strategies	4.6%	14.5%	12.2%
Equity strategies	5.2%	27.8%	43.6%
Credit strategies	1.0%	5.0%	5.1%
Trading	-0.5%	4.2%	2.8%
Others	0.0%	2.1%	0.7%
BGF Euro B Class - NAV	10.3%	53.6%	64.4%
	Excess Margin	46.4%	35.6%
	Total Risk	100.0%	100.0%

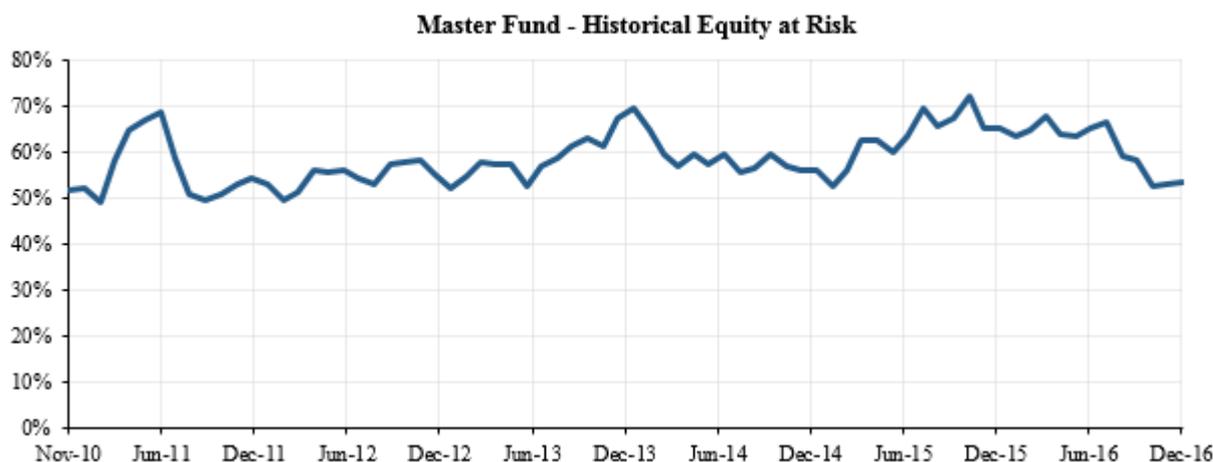
Source: Boussard & Gavaudan Investment Management LLP

Boussard & Gavaudan Holding Limited

Investment Manager's Report and Financial Highlights

For the year ended 31 December 2016

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



Source: Boussard & Gavaudan Investment Management LLP

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

Asset Class	Index	Ticker Bloomberg	Master Fund's beta versus Index (5 years)	Index volatility (5 years)
Equity	Stoxx 600	SXXP index	0.06	15.1%
Credit	FTSE Euro Corporate Bonds All Maturities	FECVCP index	0.15	2.6%
Interest rate	Bloomberg / EFFAS	EUGATR Index	0.14	3.9%
Asset Class	Master Fund's Vega			
Volatility	18 basis point by volatility point			

Source: Boussard & Gavaudan Investment Management LLP

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

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

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

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

Master Fund % AUM	AIFMD Commitment method		AIFMD Gross method	
	Exposure	Limit	Exposure	Limit
31 December 2016	299.8%	700.0%	669.5%	2000.0%
31 December 2015	335.2%	700.0%	478.6%	2000.0%

Source: Boussard & Gavaudan Investment Management LLP

Boussard & Gavaudan Holding Limited

Investment Manager's Report and Financial Highlights

For the year ended 31 December 2016

7. Detailed performance analysis

7.1. Detailed allocation and performance analysis of the Master Fund

All strategies, except trading, contributed positively to the Master Fund's performance which was driven mainly by volatility and equity strategies, and to a lesser extent by credit strategies.

Volatility strategies

Within volatility strategies, all sub-strategies performed very well, in particular volatility trading.

Convertible Bond Arbitrage

Convertible bond arbitrage posted a positive performance during the period, mostly driven by a few specific special situations. In 2016, long only funds faced significant redemptions with AUM declining by approximately 12%, and falling back to 2013 levels. There was no material impact on valuations as net negative new issues partially offset these outflows. Over the course of the year investment in convertibles was limited; the Master Fund ended the year with its weighting at historically low levels, but the Investment Manager is hopeful that more opportunities will arise in 2017.

Mandatory Convertible Bond Arbitrage

Mandatory convertible bond arbitrage was profitable for the Master Fund thanks to an active primary market which created a number of investment opportunities. 2016 saw for instance three issues in Europe totalling €8.1bn. In the secondary market, mandatories were under pressure due to selling by liquidity providers, albeit this was in limited volumes. At current pricing levels, mandatories remain attractive although sourcing them remains difficult.

Volatility Trading

Volatility trading contributed positively. The performance of the strategy was mostly attributable to a long volatility bias on European and Japanese indices, whilst hedging tactically on US indices. In the second half of the year, performance came from a long volatility bias which captured the market stress surrounding the US election. This was extended from long volatility on US indices (US elections) into EU indices (Italian referendum).

Equity Strategies

Equity strategies provided the main positive contribution to the performance of the Master Fund. The primary drivers were financials, special situations and risk arbitrage trades. Equity strategies performed extremely well during the first half of the year but gave back some of the performance toward the end of year, suffering from the strong sector rotation. With this backdrop and levels of uncertainty in the market, the Investment Manager decided to reduce overall risk in order to keep more flexibility and retain capital for deployment into new opportunities.

Credit Strategies

Capital Structure Arbitrage

Capital Structure Arbitrage contributed positively to the performance of the Master Fund thanks to active trading around positions, despite a limited portfolio and well-balanced positioning between credit and equity exposures. The market remained, overall, a very low volatility environment, with continued "dovishness" from all central banks. The Investment Manager expects that monetary policy divergence between US and Europe in 2017 will create some market noise - and therefore opportunities and is ready to ramp up the portfolio as opportunities arise.

Credit Long / Short

European credit markets were buoyant during 2016. Dovish action from central banks, in particular the easing measures announced by the ECB, fuelled a strong rally in both investment grade and high yield, despite renewed concerns on the peripheral European bank sector. The Investment Manager remains cautious overall on credit and has targeted exposure primarily on high conviction trades. Credit long / short contributed positively to performance thanks to trading around these positions.

Credit Special Situations

The contribution from credit special situations was volatile but ended the year in positive territory. Restructuring activity on the primary positions in the Master Fund was on-going at the year end.

Trading

Trading contributed negatively overall for the Master Fund.

Boussard & Gavaudan Holding Limited

Investment Manager's Report and Financial Highlights

For the year ended 31 December 2016

7.2. Detailed performance analysis of assets other than Manager Funds

On top of its investment in the Master Fund, BGHL has other investments. At the end of the Year, the net asset value of these investments represents 6.2% of the net asset value of BGHL.

Rasaland Investors plc (“RLI”)

RLI is a Malta-based holding company structured as a private equity fund in terms of fees and organisation. The contractual exit date is 2020 with a potential two year extension. RLI is managed by BK Partners. RLI is dedicated to investing in land, hotels and high-end resort developments in Mexico.

RLI has a majority stake in Actur (a holding company), in which a large Mexican institutional pension fund is also invested, and which

- fully controls the Mandarin, Xala & Seramai resorts in Mexico which RLI is developing
- has a 26% stake in its hotel subsidiary RLH Properties, (“RLH”) which is listed on Mexico's exchange

RLI is currently focused on the development of the Mandarin One & Only hotel, on which construction will start in the second quarter of 2017. BK Partners has entered into an agreement with Kerzner International Holdings Limited to develop and operate two new One & Only resorts in Mandarin and Xala, on the Pacific Coast of Mexico. This development is likely to generate further liquidity through the sale of land parcels as well as private residential estates in Mandarin.

RLI is also actively developing RLH. In 2016 RLH, owner of the Four Seasons hotel in Mexico City which it acquired in May 2013, raised USD 73 million in cash from Mexican pension funds and family offices. RLH raised an additional USD 167M from its existing shareholders. The proceeds are used to develop the One & Only Mandarin hotel expected to open in 2018, and to acquire a 51% stake in Mayakoba which controls four high end hotels in the Mexican Caribbean. This transaction is an opportunity for RLH to expand and diversify its portfolio of luxury hotels in Mexico.

GFI Informatique (“GFI”)

In addition to BGHL's exposure to GFI through the Master Fund, BGHL has direct exposure to GFI. This is a directional exposure which is not hedged. GFI is a major player in value-added IT services and software in Europe. GFI is listed on the Paris Euronext, NYSE Euronext (Compartment B) - ISIN Code: FR0004038099.

On 23 November 2015, Mannai Corporation (“Mannai”), together with Apax France and Boussard & Gavaudan, announced having entered exclusive negotiations for Mannai to purchase a 51 percent equity stake in GFI at a price of €8.50 per share. The press release is available at

http://www.mannai.com/Mannai/media/General/News/Default%20Company%20News%20Images/Mannai-Corporation_Gfi-Informatique.pdf

On 8 April 2016 Mannai acquired from entities managed by Apax, including Infofin Participations Sarl (“Infofin”) and the Investment Manager, 25% of the GFI share capital and voting rights at €8.50 per share. Mannai, Apax and the Investment Manager entered into a shareholders' agreement providing that they will act in concert. Following this transaction, BGHL received a €43,219,069 repayment of the Infofin bonds which it held. On 19 April 2016 Mannai filed a cash tender offer on GFI which closed on 15 June 2016. On 20 June 2016 Apax and the Investment Manager completed a second block sale to Mannai at €8.50 per share so that currently Mannai holds 51% of the share capital and voting rights of GFI on a fully diluted basis.

As a consequence of the above, BGHL's exposure to GFI has been reduced by approximately 48% during the Year to 4.8% in comparison to 31 December 2015 and GFI contributed approximately -12 basis points to BGHL's performance. GFI's share price closed at €8.16, slightly below Mannai's €8.50 tender offer price.

The public press release refers to a call option granted to Mannai by Boussard & Gavaudan (ie by BGHL). The Investment Manager believes that this option is very likely to result in a mandatory squeeze, in which case this option would also be exercisable against minority shareholders. Consequently, the Investment Manager believes that the value of the call option is already priced into the shares via the market price quoted by the exchange on which GFI equities are publicly traded. The valuation committee values the call option at zero to avoid double accounting (ie reflecting a notional value which is already embedded in the market price).

The public press release also refers to a put option granted by Mannai to Boussard & Gavaudan at the same strike price as the call option. The Investment Manager believes that this option has a negligible value as the option is conditional not only on being “in the money” but also on a combination of two events which taken jointly are very unlikely. Consequently, the Investment Manager also values the put option at zero.

Boussard & Gavaudan Holding Limited

Investment Manager's Report and Financial Highlights

For the year ended 31 December 2016

7.3 Share buy-back

Repurchases under the Share buy-back programme and the Liquidity Enhancement Agreement are made at a discount to the NAV and are therefore accretive to shareholders. They contribute to the outperformance of BGHL's NAV relative to that of BGF. The performance due to the Share buy-back accretion is derived from BGHL's monthly NAV estimations calculated by BGHL's sub-administrator SS&C Financial Services LLC.

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

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

9. Principal Risks and Uncertainties

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

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

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

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

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

In terms of headline risks for 2017, an uncertain and tense political environment inside and outside Europe, instability in currency prices, and a general economic slowdown are seen as the risks most likely to have potentially adverse effects on the performance of the Fund. Risks have been exacerbated following the vote in the UK to leave the European Union. Notably this has resulted in an environment of elevated political, legal and regulatory uncertainty that may lead to a reduction in corporate activity and investment, weaker economic growth, heightened volatility, an increase in the risk premium and potential capital outflows from the region. In addition to Europe, political uncertainty in other regions has raised the growing spectre of economic risk brought on by geo-politics, restructuring of trade deals and shifting alliances. These risks are framed within a backdrop of global asset valuations which are no longer cheap and central bank action which may no longer be pursuing a quantitative easing stance and zero /low interest rate policy.

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

As regards RLI, the illiquid nature of the investment, the status of the Mexican real estate market and the political environment in Mexico are all factors which could potentially push the carrying value below its acquisition cost.

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

27 April 2017

Boussard & Gavaudan Holding Limited

Directors' Report

For the year ended 31 December 2016

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

Principal Activities

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

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

Performance of Investment Manager and Continued Appointment

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

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

Results for the Year and State of Affairs at 31 December 2016

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

Directors

The Directors as at 31 December 2016 and as at the date of this report were:

- Christopher Fish, Chairman;
- Nicolas Wirz; and
- Andrew Henton

Mr. Henton and Mr. Wirz were re-elected at the annual general meeting held in 2015 and Mr. Fish was re-elected at the annual general meeting held in 2014. BGHL's articles of incorporation require that all Directors who held office at the two preceding annual general meetings shall retire and, if willing, offer themselves for re-election. None of the Directors is currently required to stand for re-election by rotation.

Directors' interests in shares

As of 31 December 2016, Mr. Fish had invested, directly or indirectly, in 8,631 ordinary Euro shares of BGHL and Mr. Wirz had invested, directly or indirectly, in 16,168 ordinary Euro shares of BGHL.

Share buy-back programme and Liquidity Enhancement Agreement

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

Since its listing, BGHL has operated a share buy back programme approved in each annual general meeting by its shareholders. The number of shares repurchased during the Year demonstrates the Board's commitment to BGHL's strategy and its efforts to reduce the discount to the prevailing NAV at which BGHL's shares are trading and to improve liquidity in the shares. Although the Board seeks to minimise its level, such discount is largely driven by market forces beyond BGHL's control. BGHL's intention is to maintain the share buy back programme as long as the discount remains greater than 10%. BGHL's share buy-back programme is financed by redemptions of BGF shares. BGF has monthly liquidity, which means that redemptions are payable once in every calendar month. BGHL does not know in advance the volumes and frequency of share buy-backs for any given month. As a result, every month BGHL needs short-term financing, which it meets by issuing variable funding notes to the Master Fund. The terms of the variable funding notes are described in note 11. The timing of and ability to redeem BGF's

Boussard & Gavaudan Holding Limited

Directors' Report

For the year ended 31 December 2016

shares may expose BGHL to liquidity risk if the variable funding notes are recalled by the Master Fund, as described in note 4 section Liquidity risk.

On 28 July 2016, the shareholders renewed BGHL's authority to make market purchases of its shares. Under such authority BGHL is allowed to purchase up to 14.99% of the shares of each class in issue (excluding treasury shares) at the time authority was granted, such shares in issue (excluding treasury shares) being 28,897,272 Euro shares and 494,962 Sterling shares. When making share buy backs, BGHL has been granted an exemption by The Panel on Takeovers and Mergers in the UK from making a mandatory offer for the whole of the share capital in accordance with Rule 9 of The Takeover Code.

In order to increase the liquidity of BGHL's Euro Shares on Euronext Amsterdam, BGHL entered into a liquidity agreement with Exane on 14 August 2008. Under this Liquidity Enhancement Agreement, in accordance with Dutch accepted market practices, Exane acting on behalf of, but independently from, BGHL may effect purchases of BGHL's Euro Shares on Euronext Amsterdam. BGHL limits the amount allocated to the execution of this contract to 2% of its market capitalisation per period. Residual cash allocated to this programme, which has not been used to buy back BGHL's own shares, is invested by Exane in BNP Paribas Mois ISR, a money market fund distributed by BNP Paribas S.A. group.

Repurchases under the Share buy-back programme and the Liquidity Enhancement Agreement are made at a discount to the prevailing NAV and are therefore accretive to the NAV. They contribute to the outperformance of BGHL's NAV relative to that of BGF.

During the Year, BGHL bought back the following number of Euro shares. No Sterling shares were repurchased.

Repurchase of own shares for the Year ended:	31 December 2016	31 December 2015
Treasury Shares	660,881	3,254,683
Average Price	€16.06	€ 15.32
Amount Euro	€10,610,877	€ 49,858,846

The discount of the shares with respect to their NAV was the following.

Discount to NAV	31 December 2016	31 December 2015
Euro Share	-19.1%	-22.2%
Sterling Share	-18.6%	-24.8%

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



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Directors' Report

For the year ended 31 December 2016

Corporate Governance

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

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

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

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

Firstly, no limit has been imposed on the overall length of service of Directors, although each Director stands for re-election every three years. Mr Fish and Mr Wirz were appointed on 3 October 2006 and hence both have served for more than nine years. The Code states that a Director who has served for more than nine years would ordinarily no longer be considered independent, should be subject to annual re-election and that a smaller company should normally have at least two independent Directors. At the most recent annual evaluation of the Board's performance and continuing independence Mr Fish indicated his intention to retire at the next Annual General Meeting in 2017, at which point an identified successor will also be proposed as his successor and put forward for election by shareholders. Mr Wirz has also indicated his intention to retire within the next two years, once the successor to Mr Fish has taken office. The Board will thereafter comprise members with different appointment dates, meaning that the right balance can be struck between maintaining independence and continuity.

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

Thirdly, none of the Directors has been formally appointed as the senior independent Director. Whilst Mr Fish and Mr Wirz have served for more than nine years, they are both considered to remain independent. Mr Fish is physically removed from the operations of the Investment Manager in both Paris and London and has no Director connection with the Investment Manager. All of the Directors derive only a minority of their total remuneration from BGHL and hence have no financial dependency on BGHL. There is also no nominations committee, with all putative Director appointments being considered by the full board.

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

The attendance record of the Directors is set out below:

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

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

Boussard & Gavaudan Holding Limited

Directors' Report

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

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

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

Directors' Interests and Remuneration

Save as disclosed in these financial statements, BGHL is not aware of any potential conflicts of interest between any duty owed to BGHL by any of the Directors and their respective private interests. Each Director is paid an annual fee of €23,000 other than the Chairman, who is entitled to receive €41,500 per annum, and the Chairman of the Audit Committee, who receives an additional fee of €7,500 per annum.

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

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

Directors' Duties and Responsibilities

The Directors' responsibilities are as follows:

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

Committees of the Board

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

Management Engagement Committee

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

Audit Committee

An Audit Committee, with defined terms of reference and duties, has been established and comprised the following members as of 31 December 2016: Andrew Henton, Nicolas Wirz and Christopher Fish, with Mr Henton acting as permanent Chairman of the Audit Committee.

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

Boussard & Gavaudan Holding Limited

Directors' Report

For the year ended 31 December 2016

Principal Risks and Uncertainties

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

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

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

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

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

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

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

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

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

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

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

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

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

Risk Management and Internal Control Systems

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

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

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

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

Long Term Viability

The principal risks facing BGHL are documented in the Business Risk Assessment and described above on page 19. The business model and investment strategy are described and evaluated in the Investment Manager's report. The Board's review of the effectiveness of BGHL's risk management and internal control systems is described in the Audit Committee's report.

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

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

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

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

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

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

Based on BGHL's performance to date and feedback from BGHL's major shareholders, the Board believes that the majority of shareholders intend to continue their investment in BGHL for the foreseeable future, subject to unforeseen future events. Whilst BGHL does repurchase its own Shares in the market, such repurchases are made at a discount to the prevailing NAV and are therefore accretive to NAV.

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

Regulatory Compliance

BGHL keeps abreast of regulatory and statutory changes and responds as appropriate. The Board continues to take advice on AIFMD from external professional advisers and to implement necessary measures to ensure compliance with relevant requirements of the AIFMD Regulations. The Chief Compliance Officer within the Manager is also a resource relied upon by the Board in this regard. Although the majority of the obligations

Boussard & Gavaudan Holding Limited

Directors' Report

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associated with AIFMD are applicable to the AIFM, the Board is satisfied that BGHL as an AIF complies fully with its relevant obligations under the UK's AIFMD and the AIFMD Regulations 2013.

Going Concern

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

Currently BGHL has a debt position, the purpose of which is to finance share buy backs. The debt position is repaid in full using the proceeds from redemptions of a portion of its shares in BGF on a monthly basis. It remains at the discretion of BGHL to continue its share buy back activity in the future.

BGHL has also borrowed €70m (2015: €60m) from Natixis under the committed revolving loan facility agreement described in note 11 to the financial statements.

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

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

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

Relations with Shareholders

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

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

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

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

Statement of Directors' Responsibilities

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

Boussard & Gavaudan Holding Limited

Directors' Report

For the year ended 31 December 2016

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

In preparing those financial statements, the Directors should:

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

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

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

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

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

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

Audit Confirmation

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

By order of the Board

Christopher Fish
Chairman

Andrew Henton
Director

27 April 2017

Boussard & Gavaudan Holding Limited

Report of the Audit Committee

For the year ended 31 December 2016

Role and responsibility

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

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

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

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

Boussard & Gavaudan Holding Limited

Report of the Audit Committee

For the year ended 31 December 2016

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

Composition

The Committee comprised the following members as of 31 December 2016: Andrew Henton, Nicolas Wirz and Christopher Fish, with Mr Henton acting as permanent Chairman of the Committee. The Committee considers that Mr Henton has adequate recent and relevant financial experience, as required by C.3.1 of the Code.

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

Oversight of controls and risk management

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

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

The oversight programme in 2016 reviewed inter alia (i) changes that had taken place within the Investment Manager's operation; (ii) IT systems and controls, including cyber security arrangements; (iii) regulatory compliance; (iv) investor relations; and (v) the risk register, complaints, errors and breaches logs and business continuity arrangements. Performance was assessed as satisfactory with no unacceptable or unanticipated risk exposures. The results of the oversight visit are documented.

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

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

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

Boussard & Gavaudan Holding Limited
Report of the Audit Committee
For the year ended 31 December 2016

Significant issues considered regarding the Annual Financial Report

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

Significant issue	How the issue was addressed
Valuation of BGHL’s investments	<p>The Board reviews portfolio valuations on a regular basis throughout the Year, and at quarterly meetings with the Investment Manager seeks assurance that the pricing basis is appropriate and in line with relevant accounting standards. BGHL’s net asset value is calculated on a daily basis by the Sub-Administrator.</p> <p>Notwithstanding these processes and controls, the Audit Committee noted that certain investment holdings (i) were not immediately realisable and / or; (ii) involved material positions being held and / or; (iii) require valuation based on third party assessments and judgements. Consideration was given as to whether the selected basis of valuation in each instance was appropriate.</p> <p>The Audit Committee concluded that the NAV for the Master Fund was the appropriate basis of valuation. In relation to the GFI shares, a provision has been made to take account of contractual transaction fees that will be payable by BGHL in the event of further planned secondary share sales. Such sales are anticipated as the position is unwound over time, and associated transaction fees will reduce net proceeds received by BGHL</p> <p>With respect to RLI, the valuation used is based on calculations produced by the management of that company. A key input is land valuations produced independently of management by a third party. Consistent application of the valuation mechanic used by RLI management is verified by reporting accountants, although this verification does not of itself opine on the resultant valuation. The Audit Committee concluded that continuing to carry the RLI investment at cost was appropriate for so long as the valuation produced by RLI management was above cost, but no more than 25% above cost. This recommendation balances prudence (marking the valuation down immediately if there is a basis upon which to do so) with fairness (not reflecting a subjective upwards valuation unless that revised valuation is materially above cost).</p>
Completeness and accuracy of the disclosures in the financial statements	<p>The Audit Committee concluded that all appropriate and required disclosures have been incorporated in the financial statements, and drew comfort from the fact that multiple layers of oversight exist to achieve this objective. Specifically, the sub-administrator, administrator, Investment Manager and external auditor have all performed their own checks for completeness.</p> <p>The Audit Committee continues to give particular attention to the extent of disclosures about the underlying portfolio of the Master Fund. Risk measures, sensitivities and performance are driven by the make up of that portfolio and hence additional disclosures about it are appropriate to permit a full understanding of the accounts. However, BGHL does not have direct influence over the Master Fund and the Committee remains concerned to ensure that the correct balance gets struck between disclosing the drivers of performance, without inviting users of the financial statements to conflate BGHL with the Master Fund.</p>

Boussard & Gavaudan Holding Limited
Report of the Audit Committee
For the year ended 31 December 2016

Presentation of financial statements	<p>The Audit Committee considered the complexity of the financial statements in their entirety, and the descriptive narrative supporting the financial disclosures. It was recognised that the sophistication of the investment strategies pursued by BGHL do not lend themselves to description in “plain English” and that the use of technical terminology was not always consistent with the goals of ensuring transparency and maximising ease of understanding.</p> <p>On balance the Audit Committee concluded that the benefits of accurate - but detailed - descriptive narrative outweighed the possible benefit of simplified summaries. The nature of the shareholder base (predominantly sophisticated professional investors) was an important factor in reaching this conclusion.</p>
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Going concern

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

Auditor and audit tenure

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

The Committee does not award any non-audit work other than the review of its interim financial statements for the half year ended 30 June 2016. The full Board would have to approve any other non-audit work. Where non-audit services are provided by the auditor, these engagements are pre-approved by the Committee to ensure that the auditor’s independence and objectivity is not breached and a recommendation is made to the Board. Whilst interim reviews of financial information are considered to be a non-audit service, the Committee did not consider that this role undermined auditor independence. No other non-audit services were provided in 2016 and 2015.

The Committee considered the experience and tenure of the audit partner and staff and the nature and level of services provided. The Committee received confirmation from the auditor that it had complied with the relevant UK professional and regulatory requirements on independence. After 2016 the auditor will have been in office for ten years and the Board will review the merits of putting the audit out to tender during the next financial reporting period. It was not considered necessary or desirable to put the audit out to tender during the current Year. The situation will be reassessed in 2017 prior to the Annual General Meeting.

Assessment of the external audit process

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

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

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

Boussard & Gavaudan Holding Limited
Report of the Audit Committee
For the year ended 31 December 2016

Conclusion in respect of the Annual Report and audited financial statements

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

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

Andrew Henton
Chairman of Audit Committee
27 April 2017

Boussard & Gavaudan Holding Limited

Alternative Investment Fund Managers Directive Report

For the year ended 31 December 2016

Background

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

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

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

1. Material changes in the disclosures to investors

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

At the Master Fund level:

On 6 May 2016, the Master Fund converted into an Irish Collective Asset Management Vehicle.

On 24 August 2016, Credit Suisse transferred its European prime brokerage operation (including financing, securities lending and other services) from Credit Suisse Securities (Europe) Limited to Credit Suisse AG, Dublin Branch.

2. Presentational changes to the income and expenditure account

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

3. Risk management policy note

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

4. Leverage and borrowing

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

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

Collateral and asset re-use

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

Boussard & Gavaudan Holding Limited

Alternative Investment Fund Managers Directive Report

For the year ended 31 December 2016

Leverage limits and usage

BGHL is subject to the following leverage limits:

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

5. Liquidity arrangements

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

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

Within the meaning of AIFMD:

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

6. Disclosures on Securities Financing Transactions and Total Return Swaps

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

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

7. AIFM Remuneration Policy

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

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

Boussard & Gavaudan Holding Limited
Alternative Investment Fund Managers Directive Report
For the year ended 31 December 2016

Total remuneration paid to staff of the AIFM during the financial period ending 31 December 2015:

Fixed remuneration*: €5,427,141

Variable remuneration*: €7,116,408

Number of staff: 61

Aggregate remuneration of senior management*: €3,442,842

Aggregate remuneration of employees whose actions have a material impact on the risk profile of the AIFs managed by the AIFM*: €5,743,953

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

These are the same numbers as the ones disclosed in last year's accounts. The current year amounts are not yet available due to a change in the year end date of the investment manager, now 31 March 2017.

By order of the Board

Christopher Fish
Chairman

Andrew Henton
Director

27 April 2017

Boussard & Gavaudan Holding Limited
Management Report
For the year ended 31 December 2016

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

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

The Directors confirm that to the best of their knowledge:

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

By order of the Board

Christopher Fish
Chairman

Andrew Henton
Director

27 April 2017

Boussard & Gavaudan Holding Limited
Report of Independent Auditor

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

Opinion on the financial statements

In our opinion the financial statements:

- ▶ give a true and fair view of the state of Boussard & Gavaudan Holding Limited’s (the “Company”) affairs as at 31 December 2016 and of its profit for the year then ended;
- ▶ have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (“IFRSs”);
- ▶ have been prepared in accordance with the requirements of the Companies (Guernsey), Law 2008.

What we have audited

We have audited the financial statements of the Company for the year ended 31 December 2016 which comprise:

• Statement of financial position as at 31 December 2016
• Statement of comprehensive income for the year ended 31 December 2016
• Statement of changes in equity for the year ended 31 December 2016
• Statement of cash flows for the year ended 31 December 2016
• Related notes 1 to 18 to the financial statements

The financial reporting framework that has been applied in their preparation is applicable law and IFRS.

Overview of our audit approach

Risks of material misstatement	<ul style="list-style-type: none"> • Valuation of investments • Measurement of management and performance fees
Audit scope	<ul style="list-style-type: none"> • We performed an audit of the complete financial statements of the Company for the year ended 31 December 2016.
Materiality	<ul style="list-style-type: none"> • Overall materiality of €6.5million which represents 1% of net asset value.

Our assessment of risk of material misstatement

We identified the risks of material misstatement described below as those which had the greatest effect on our overall audit strategy, the allocation of resources in the audit and the direction of the efforts of the audit team. In addressing these risks, we have performed the procedures below which were designed in the context of the financial statements as a whole and, consequently, we do not express any opinion on these individual areas.

Boussard & Gavaudan Holding Limited
Report of Independent Auditor

Risk	Our response to the risk	What we concluded to the Audit Committee
<p>Valuation of investments (2016: €734,637,786 2015: €716,071,995)</p> <p><i>Refer to the Audit Committee Report (page 26); Accounting policies in Note 2 (page 45); and Note 3 of the Financial Statements</i></p> <p>98.7% of the fair value of investments relate to the Company's holding in the BG Fund and other quoted equity investments. The remainder relates to the unquoted investment.</p> <p>The valuation of the investments is the principal driver of the Company's net asset value and total comprehensive income. Incorrect valuation could have a significant impact on the net asset value of the Company.</p>	<ul style="list-style-type: none"> • We documented our understanding of the processes, policies and methodologies used by management for valuing investments held by the Company and performed walkthrough tests to confirm our understanding of the process and controls implemented. • We have obtained an analysis of the investments held by the Company and the methods used to value these investments. • We have confirmed the Net Asset Value ("NAV") at the reporting date with the independent administrator of BG Fund. • We have recalculated the fair value of the investment in BG Fund based on the number of units and NAV at the reporting date confirmed by the administrator. • We have observed the liquidity of the Company's Level 2 investments around the year end date by obtaining the issues/redemptions schedule from the administrator for the Investment in the BG Fund. • We have observed the liquidity of the Company's Level 1 investments around the year end by inspecting the daily trading volumes. • We have recalculated the fair value of other quoted equity investments based on the number of units and the price per unit at the reporting date per the last traded market price. • We have determined and challenged the appropriateness of the valuation techniques applied to the unquoted Level 3 investment and obtained support to corroborate the inputs into the valuation models for unquoted investments. 	<p>No significant findings were reported to the audit committee in connection with the valuation of investments.</p>

Boussard & Gavaudan Holding Limited

Report of Independent Auditor

Risk	Our response to the risk	What we concluded to the Audit Committee
	<ul style="list-style-type: none"> We have agreed the valuation inputs to supporting documentation and tested the arithmetical accuracy of the Company's calculation for its unquoted investment. 	
<p>Measurement of management and performance fees (2016: €9,654,496 & €10,961,356 and 2015: €9,328,319 & €22,071,019 respectively)</p> <p><i>Refer to the Accounting policies in Note 2 (page 46); and Note 8 of the Financial Statements</i></p> <p>Due to the inherent complexity of the calculation, management and performance fees may not be calculated correctly in accordance with the Prospectus or Investment Management Agreement.</p>	<ul style="list-style-type: none"> We documented our understanding of the processes, policies and methodologies used by management in calculating the management and performance fees due by the Company and performed walkthrough tests to confirm our understanding of the process and controls implemented. We have reviewed the inputs to the calculation and recalculated the management and performance fee in line with the Prospectus We validated key inputs used in the calculation by agreeing the inputs to corroborating evidence. 	No significant findings were reported to the audit committee in connection with the measurement of management and performance fees.

The scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope. Taken together, this enables us to form an opinion on the financial statements.

Our application of materiality

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

Materiality

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

We determined materiality for the Company to be €6.5 million (2015: €6.2 million), which is 1% (2015: 1%) of Net Asset Value. This provided a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

It was considered inappropriate to determine materiality based on Company profit before tax as the primary focus of the Company is the overall performance of investments held which includes a significant asset revaluation component. In addition, profit is not a key metric reported upon by the Company, with the ability to make dividend payments not limited by the profitability of the Company in any particular period.

Boussard & Gavaudan Holding Limited

Report of Independent Auditor

We believe that net asset value provides us with an appropriate basis for audit materiality as net asset value is a key published performance measure and is a key metric used by management in assessing and reporting on the overall performance of the Company.

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

Performance materiality

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

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgement was that performance materiality was 75% (2015: 75%) of our planning materiality, namely €4.88million (2015: €4.67million). We have set performance materiality at this percentage due to investment strategy remaining consistent with our previous experience and limited identification of audit findings in previous periods.

Reporting threshold

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

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of €325k (2015: €311k), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 22, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Boussard & Gavaudan Holding Limited
Report of Independent Auditor

Matters on which we are required to report by exception

<p>ISAs (UK and Ireland) reporting</p>	<p>We are required to report to you if, in our opinion, financial and non-financial information in the annual report is:</p> <ul style="list-style-type: none"> • materially inconsistent with the information in the audited financial statements; or • apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Company acquired in the course of performing our audit; or • otherwise misleading. <p>In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors’ statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the audit committee which we consider should have been disclosed.</p>	<p>We have no exceptions to report.</p>
<p>Companies (Guernsey), Law 2008 reporting</p>	<p>We are required to report to you if, in our opinion:</p> <ul style="list-style-type: none"> • proper accounting records have not been kept; or • the financial statements are not in agreement with the accounting records; or • we have not received all the information and explanations we require for our audit. 	<p>We have no exceptions to report.</p>
<p>Listing Rules review requirements</p>	<p>We are required to review:</p> <ul style="list-style-type: none"> • The directors’ statement in relation to going concern set out on page 22 and longer-term viability, set out on pages 20 and 21; and • the part of the Corporate Governance Statement relating to the Company’s compliance with the provisions of the UK Corporate Governance Code specified for our review. 	<p>We have no exceptions to report.</p>

Boussard & Gavaudan Holding Limited
Report of Independent Auditor

Statement on the Directors’ assessment of the principal risks that would threaten the solvency or liquidity of the entity

<p>ISAs (UK and Ireland) reporting</p>	<p>We are required to give a statement as to whether we have anything material to add or to draw attention to in relation to:</p> <ul style="list-style-type: none"> • the directors’ confirmation in the annual report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity; • the disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated; • the directors’ statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity’s ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements; and • the directors’ explanation in the Annual Report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions. 	<p>We have nothing material to add or to draw attention to.</p>
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*David Robert John Moore, ACA
for and on behalf of Ernst & Young LLP
Guernsey, Channel Islands*

27 April 2017

Notes:

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

Boussard & Gavaudan Holding Limited
Statement of Financial Position
As at 31 December 2016

	Note	2016 €	2015 €
Assets			
Investments at fair value through profit or loss Cost € 461,898,700 (2015: € 464,808,960)	3	734,637,786	716,071,995
Due from brokers	15	2,393,004	1,663,669
Total assets		737,030,790	717,735,664
Equity and liabilities			
Liabilities			
Loans payable	11	70,000,000	69,500,000
Unrealised loss on foreign exchange forward derivatives contracts	3	820,806	844,958
Due to brokers	15	-	114,503
Provision for transaction fees	16	1,478,300	-
Performance fees payable	8	10,961,356	22,071,019
Management fees payable	8	2,451,854	2,356,405
Other liabilities		39,184	69,151
Interest payable	11	112,677	112,583
Total liabilities		85,864,177	95,068,619
Equity			
Share capital		511,878,078	511,878,144
Treasury shares		(2,393,250)	(10,513,775)
Retained earnings		141,681,785	121,302,676
Total equity		651,166,613	622,667,045
Total equity and liabilities		737,030,790	717,735,664
Net asset value per share:			
Class A EURO shares outstanding 28,862,115 (2015: 29,558,153)		€22.1449	€ 20.6546
Class A GBP shares outstanding 528,912 (2015: 494,962)		£19.4401	£18.0947

The financial statements on pages 39 to 57 were approved by the Board of Directors on 27 April 2017 and signed on its behalf by:

Christopher Fish
Chairman

Andrew Henton
Director

The accompanying notes on pages 43 to 57 form an integral part of these financial statements

Boussard & Gavaudan Holding Limited
Statement of Comprehensive Income
For the year ended 31 December 2016

	Note	2016 €	2015 €
Income			
Net realised gain on financial assets and liabilities at fair value through profit or loss	13	40,902,933	19,469,771
Net change in unrealised gain on financial instruments at fair value through profit or loss	13	21,500,199	89,573,479
Net gain on financials assets at fair value through profit or loss		62,403,132	109,043,250
Other realised and unrealised foreign currency gain/(loss)		2,800	(4,877)
Interest income		-	417,933
Dividend income		402,386	171,678
Total income		62,808,318	109,627,984
Interest expense		1,067,533	1,194,880
Interest expense on cash equivalent		9,235	1,568
Performance fees	8	10,961,356	22,071,019
Management fees	8	9,654,496	9,328,319
Administrative fees	7	109,088	125,308
Directors fees	6	96,771	102,040
Transaction fees	16	1,478,300	-
Professional fees		97,721	40,991
Audit fees		70,533	78,981
Other expenses		152,840	139,852
Total expenses		23,697,873	33,082,958
Net profit before tax		39,110,445	76,545,026
Taxation			
Withholding tax		-	(51,503)
Net Profit and total comprehensive income		39,110,445	76,493,523
Basic and diluted earnings per share			
Class A EURO €40,018,163 Profit / 28,894,526 shares (2015: €74,225,394 Profit / 31,313,332 shares)		€1.3850	€ 2.3704
Class A GBP £(804,168) Loss / 497,791 shares, (2015: £1,619,575 Profit / 534,812 shares)		£(1.6155)	£3.0283

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

All activities are of a continuing nature.

The accompanying notes on pages 43 to 57 form an integral part of these financial statements

Boussard & Gavaudan Holding Limited
Statement of Changes in Equity
For the year ended 31 December 2016

	Share Capital	Distributable Reserve	Treasury Shares	Retained Earnings	Total Equity
	€	€	€	€	€
2016					
Balance as at 1 January 2016	511,878,144	-	(10,513,775)	121,302,676	622,667,045
Total comprehensive income	-	-	-	39,110,445	39,110,445
Treasury Shares acquired	-	-	(10,610,877)	-	(10,610,877)
Treasury Shares cancelled	(66)	(18,731,336)	18,731,402	-	-
Transferred from retained earnings	-	18,731,336	-	(18,731,336)	-
Balance as at 31 December 2016	511,878,078	-	(2,393,250)	141,681,785	651,166,613
	Share Capital	Distributable Reserve	Treasury Shares	Retained Earnings	Total Equity
	€	€	€	€	€
2015					
Balance as at 1 January 2015	511,878,469	-	(8,489,125)	92,643,024	596,032,368
Total comprehensive income	-	-	-	76,493,523	76,493,523
Treasury Shares acquired	-	-	(49,858,846)	-	(49,858,846)
Treasury Shares cancelled	(325)	(47,833,871)	47,834,196	-	-
Transferred from retained earnings	-	47,833,871	-	(47,833,871)	-
Balance as at 31 December 2015	511,878,144	-	(10,513,775)	121,302,676	622,667,045

The accompanying notes on pages 43 to 57 form an integral part of these financial statements

Boussard & Gavaudan Holding Limited
Statement of Cash Flows
For the year ended 31 December 2016

	Note	2016 €	2015 €
Cash flows from operating activities			
Net Profit and total comprehensive income		39,110,445	76,493,523
<u>Adjustments to reconcile net profit to net cash used in operating activities:</u>			
Unrealised gain on financial instruments at fair value through profit and loss	13	(21,500,199)	(89,573,479)
Realised gain on financial instruments at fair value through profit and loss	13	(40,902,933)	(19,469,771)
Increase in due from brokers		(729,335)	(1,011,414)
Increase/(decrease) in interest payable		94	(5,704)
Decrease in due to brokers		(114,503)	(82,829)
(Decrease)/increase in performance fee payable		(11,109,663)	12,029,459
Increase in management fee payable		95,449	53,091
Increase in provision for transaction fees	16	1,478,300	-
Decrease in other liabilities		(29,967)	(52,501)
Net cash used in operating activities		<u>(33,702,312)</u>	<u>(21,619,625)</u>
Cash flows from investing activities			
Purchase of investments at fair value through profit or loss		(54,747,402)	(162,146)
Sales of investments at fair value through profit or loss		100,654,110	67,325,180
Net cash provided by investing activities		<u>45,906,708</u>	<u>67,163,034</u>
Cash flows from financing activities			
Treasury shares acquired		(10,610,877)	(49,858,846)
Net settlements of foreign exchange forward derivative contracts		(2,093,519)	465,437
Repayment of other loan payable	11	(28,100,000)	(55,500,000)
Proceeds from other loan payable	11	28,600,000	59,350,000
Net cash used in financing activities		<u>(12,204,396)</u>	<u>(45,543,409)</u>
Net movement in cash and cash equivalents		-	-
Cash and cash equivalents at 01 January		-	-
Cash and cash equivalents at 31 December		<u>-</u>	<u>-</u>
Supplementary information			
Interest received		-	417,933
Interest paid		(1,076,674)	(1,202,152)
Dividend received		402,386	171,678

The accompanying notes on pages 43 to 57 form an integral part of these financial statements

Boussard & Gavaudan Holding Limited

Notes to the Financial Statements

For the year ended 31 December 2016

1. General information

1.1 BGHL

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

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

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

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

1.2 The Investment Manager

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

The Investment Manager also manages BGF and the Master Fund.

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

As of 31 December 2016 and 31 December 2015 neither of BGHL and BGF had any employees or owned any facilities.

2. Accounting policies

Basis of preparation and statement of compliance

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

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

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

Boussard & Gavaudan Holding Limited

Notes to the Financial Statements

For the year ended 31 December 2016

New standards, amendments and interpretations issued but not effective for the financial Year beginning 1 January 2016 and not early adopted by BGHL

IFRS 9, 'Financial Instruments', effective for annual periods beginning on or after 1 January 2018 (endorsed by European Union), specifies how an entity should classify and measure financial assets and liabilities, including some hybrid contracts. The standard improves and simplifies the approach for classification and measurement of financial assets compared with the requirements of IAS 39. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged. The standard applies a consistent approach to classifying financial assets and replaces the numerous categories of financial assets in IAS 39, each of which had its own classification criteria. BGHL is in the process of assessing the impact of standard on its financial position or performance, however it is expected that BGHL will continue to classify its financial assets and financial liabilities (both long and short) as being at fair value through profit or loss.

Disclosure Initiative (Amendments to IAS 7) are intended to clarify IAS 7 to improve information provided to users of financial statements about an entity's financing activities. They are effective for annual periods beginning on or after 1 January 2017, with earlier application being permitted. BGHL is in the process of assessing the impact of standard on its financial statements.

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

Use of estimates and judgement

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the amounts in the financial statements and accompanying notes.

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using a variety of valuation techniques that include the use of valuation models.

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

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

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

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

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

BGHL also applies judgement when selecting the method of valuation of other investments and uses estimates while assessing their fair value (please refer to note 3 for description of methods and assumptions used).

Management believes that the estimates utilised in preparing its financial statements and management judgements applied are reasonable. However, actual results could differ from these estimates.

Boussard & Gavaudan Holding Limited

Notes to the Financial Statements

For the year ended 31 December 2016

Functional and presentation currency

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

Financial assets and liabilities at fair value through profit or loss

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

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

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

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

Recognition/derecognition of financial assets and liabilities at fair value

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

Loans payable

Loans payable are carried at amortised cost.

Forward currency contracts

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

Due from and due to brokers

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

Offsetting of financial instruments

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

Cash and cash equivalents

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

Boussard & Gavaudan Holding Limited

Notes to the Financial Statements

For the year ended 31 December 2016

Taxation

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

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

Income and expenses

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

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

Interest income and expense

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

Dividend income

Dividend income is recognised on ex-dividend date.

Investment entity

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

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

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

Basic and diluted earnings per share, and NAV per share

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

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

Treasury shares

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

Provision

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

Boussard & Gavaudan Holding Limited
Notes to the Financial Statements
For the year ended 31 December 2016

3. Fair value of financial instruments

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

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

31 December 2015

Financial assets at fair value through profit & loss	Level 1	Level 2	Level 3	Total Fair Value	Total Cost
	€	€	€	€	€
BG Fund	-	650,496,332	-	650,496,332	432,559,890
Private equity investments	-	-	51,129,899	51,129,899	26,714,426
Money market fund	162,146	-	-	162,146	162,146
Listed equity investments	14,283,618	-	-	14,283,618	5,372,498
Total	14,445,764	650,496,332	51,129,899	716,071,995	464,808,960
Financial liabilities at fair value through profit & loss					
Derivatives					
Forward Foreign exchange contracts	-	(844,958)	-	(844,958)	-
Total	14,445,764	649,651,374	51,129,899	715,227,037	464,808,960

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

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

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

Level 2 – valuations based on other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment spreads, credit risk, etc.) or quoted prices from inactive exchanges.

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

3.1 Level 3 investments

Financial assets	31 December 2016	31 December 2015
	€	€
Opening Balance	51,129,899	35,813,510
Sales	(43,219,068)	-
Unrealised (loss)/gain	(21,294,413)	15,316,389
Realised gain	22,855,043	-
Closing Balance	9,471,461	51,129,899

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

Boussard & Gavaudan Holding Limited
Notes to the Financial Statements
For the year ended 31 December 2016

Rasaland Investors Plc (“RLI”)

RLI is classified as a Level 3 asset for valuation purposes since its fair value uses significant unobservable inputs. RLI is administered by Francis J. Vassallo & Associates, a Maltese company. RLI management value the net assets of the company using a documented valuation procedure. The key significant unobservable input used in this process is land values in Mexico sourced from independent professional advisers, Cushman & Wakefield. These “area based” land values are applied without adjustment to individual properties, the existence and ownership of which is also independently verified by law firm Baker & Mackenzie. Consistent and accurate application of the agreed valuation methodology is verified by PricewaterhouseCoopers on an annual basis. The administrator, Francis J. Vassallo & Associates, performs an annual valuation on 31 December. The value of RLI has remained almost unchanged, slightly above cost, since BGHL made its investment in June 2008. Change in unrealised gain on RLI investment for the year amounted to €264,658 (2015: €944,755).

RLI	31 December 2016	31 December 2015	Variation %
NAV per share (USD)	1.0308	1.0296	0.1%

Source: Francis J. Vassallo & Associates

In accordance with BGHL’s valuation policy, this investment is treated as a private equity fund which should be valued at fair value which is considered by the Investment Manager’s valuation committee to be the NAV per share, however, given the illiquid nature of the investment, the Investment Manager’s valuation committee made use of its judgment when establishing the fair value and has decided to maintain the investment at cost (\$1.00) for as long as the NAV per share calculated by RLI’s administrator remains between \$1.00 and \$1.25. The impact of this decision is not material. The method of calculating the net asset value of RLI, and the methodology applied by BGHL of carrying the holding at cost whilst the parameters above are met, did not change during the Year and is consistent with that applied in prior years.

The valuation produced by the administrator is sensitive to the assets and land values used and there is a direct correlation between those values and the net asset value of RLI. As of 31 December 2016, a 10% increase in the inputs (price of land and real estate assets) used to value the position would result in a gain of €0 (2015: €0) in the NAV of BGHL. A 10% decrease in the inputs used would result in a loss of €947,146 (2015: €920,680).

Infopin Participation Bond (“Infopin Bond”)

During the Year, as part of the Mannai offer described in the Investment Manager’s Report, BGHL has decreased its exposure to GFI by approximately -48.1% (Infopin Bond & GFI listed equity) to 4.8% of its AUM. BGHL has cut its exposure to the Infopin Bond and increased, to a lesser extent, its exposure to GFI listed equity classified as Level 1. BGHL received a €43,219,068 repayment for the entire Level 3 Infopin Bond position as part of the Mannai transaction, this resulted in a realised gain of €22,855,043 and a reversal of unrealised gains previously recognised of €21,559,072.

BGHL has granted a call option to Mannai. The Investment Manager believes that the exercise of this option is very likely to result in a mandatory squeeze, in which case this option would also be exercisable against minority shareholders. The Investment Manager believes that the value of the call option has already been embedded in the price of the shares via the market price quoted by the exchange on which GFI equities are publicly traded. The call option is valued at zero to avoid double accounting.

The public press release also refers to a put option granted by Mannai to Boussard & Gavaudan at the same strike price as the call option. The Investment Manager believes that this option has a negligible value as the option is conditional not only on being “in the money” but also on a combination of two events which taken jointly are very unlikely. Consequently, the Investment Manager also values the put option at zero.

3.2 Level 2 investments

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

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

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

Master Fund % AUM (*)	31 December 2016	31 December 2015	Variation %
Level 3	3.99%	1.68%	2.31%
of which Investment Manager's Valuation	0.30%	0.22%	0.08%

Source: Administrator, SS&C Financial Services LLC

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

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

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

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

Umbrella Fund

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

BGHL's holdings	31 December 2016	31 December 2015
Voting shares - Umbrella Fund	34.71%	46.53%

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

Investment by BGHL into BGF in €	31 December 2016	31 December 2015
Subscriptions	36,600,000	-
Redemptions	(57,270,000)	(67,150,000)
Change in holding	(20,670,000)	(67,150,000)

As at 31 December 2016 there were no capital commitment obligations and no amounts due to BGF for unsettled purchases.

4. Financial instruments and associated risks

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

Risk management structure

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

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Risk measurement and reporting system

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

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

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

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

(a) Market Risk

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

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

Price risk

Price risk is the risk of changes in the fair values of equities or equity-linked financial instruments as the result of changes in the levels of equity indices and the value of individual shares. Price risk exposure arises from BGHL's investments in equity securities. BGHL takes significant equity price risk from the investments it makes. At 31 December 2016, should the price of BGF and investments other than BGF have increased/decreased by 10% with all other variables remaining constant, the effect on profit and loss for the Year and on net assets would result in an increase/decrease of approximately €73,463,779 (2015: €71,748,125).

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

Interest rate risk

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

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

In Euro	31 December 2016	31 December 2015
Short Term Financing	70,000,000	69,500,000
Cost of 1% interest rate increase to profit/equity	700,000	695,000
Cost of 1% interest rate decrease to profit/equity	(700,000)	(695,000)

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

Foreign currency risks

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

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Currency hedge of the Sterling Shares

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

Portfolio currency hedge

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

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

Forward foreign exchange contracts settle on a net basis and the net amount at 31 December 2016 was payable €820,806 (2015: payable € 844,958). The table below summarises BGHL's exposure to foreign currency risks:

Portfolio Currency Exposure - Amounts in EURO				
	31 December 2016		31 December 2015	
	GBP	USD	GBP	USD
Investments at fair value through profit or loss	-	9,471,461	-	9,206,802
Due from brokers	15,398	114	(57,727)	174
Foreign exchange forward derivatives contracts	11,920,061	(9,470,318)	12,082,271	(9,206,381)
Net FX exposure of the portfolio	11,935,459	1,257	12,024,544	595
Net assets effect -5% change in currency	(596,773)	(63)	(601,227)	(30)

Sterling Share Currency Exposure - Amounts in EURO		
	31 December 2016	31 December 2015
	GBP	GBP
Foreign exchange forward derivatives contracts - hedge	11,920,061	12,082,271
Value of sterling shares	(12,017,056)	(12,156,356)
Net FX exposure	(96,995)	(74,084)
Sterling Share Net Assets effect -5% change in currency	4,850	3,704

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

Purchase Currency	Unit	Sale Currency	Unit	Settlement Date	Unrealised gain/(loss) (€)
GBP	10,200,000	EUR	(12,141,019)	5 January 2017	(220,958)
EUR	8,870,124	USD	(9,470,318)	5 January 2017	(599,848)
Total					(820,806)

At 31 December 2015, BGHL had contracted to buy and sell the following amounts:

Purchase Currency	Unit	Sale Currency	Unit	Settlement Date	Unrealised gain/(loss) (€)
GBP	2,000	EUR	(2,723)	5 January 2016	(9)
GBP	8,900,000	EUR	(12,632,619)	6 January 2016	(553,062)
USD	10,000,000	EUR	(8,918,645)	6 January 2016	287,736
EUR	(20,000,000)	USD	17,833,577	6 January 2016	(579,624)
Total					(844,958)

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

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(b) Credit risk

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

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

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

31 December 2015	Due from Brokers	Due to Brokers	Gross amount due
	€	€	€
Unsettled trades	-	(114,503)	(114,503)
Cash held with custodians	1,663,669	-	1,663,669
Loss on forward contract	-	(844,958)	(844,958)
Total	1,663,669	(959,461)	704,208

Unsettled trades

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

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

Cash held with custodian

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

In addition, BGHL has opened a cash and securities account with BPSS in order to enable Exane to operate the liquidity enhancement programme. Because the assets in custody, other than cash, are segregated from the assets of the custodian, the credit risk exposure of BGHL to BPSS is limited to the amount of cash deposited by BGHL with this bank.

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

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

Transactions entered into directly between two counterparties generally do not benefit from these protections, which in turn may subject BGHL to the risk that counterparty will not settle a transaction in accordance with agreed terms and conditions because of a dispute over the terms of the contract or because of a credit or liquidity problem. Counterparty risk is increased for contracts with longer maturities when events may intervene to prevent settlement. The ability of BGHL to transact business with any one or any number of counterparties, the lack of any independent evaluation of the counterparties or their financial capabilities, and the absence of a regulated market to

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facilitate settlement, may increase the potential for losses to BGHL. BGHL's exposure to counterparty risk associated with counterparty non-performance on over-the-counter derivatives is generally limited to the fair value of over the counter contracts reported as assets which are not covered by an equivalent collateral amount and to the independent amounts requested by counterparties to cover the risk of a derivative contract. Counterparty risk exposure is monitored daily. The risk management system gives real time marked to market position, collateral and risk exposure. All of BGHL's exposures to counterparties are with reputable financial institutions which are at least single A investment grade rated from the major rating agencies.

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

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

(c) Liquidity risk

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

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

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

BGHL manages its ability to fulfill these commitments by combining:

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

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

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

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

All financial liabilities of BGHL at 31 December 2016 are shown on an undiscounted basis in the following maturity table.

In EURO	At 31 December 2016				At 31 December 2015			
	< 1 month	1 month to 6 months	6 months to 1 year	> 1 year	< 1 month	1 month to 6 months	6 months to 1 year	> 1 year
Bank loan	-	-	-	(70,000,000)	-	-	(60,103,192)	-
Provision for Transaction fee	-	-	-	(1,478,300)	-	-	-	-
Other short term loan	-	-	-	-	(9,500,000)	-	-	-
Forwards	(820,806)	-	-	-	(844,958)	-	-	-
Due to brokers	-	-	-	-	(114,503)	-	-	-
Performance fees payable	-	(10,961,356)	-	-	-	(22,071,019)	-	-
Management fee payable	-	(2,451,854)	-	-	-	(2,356,405)	-	-
Other payables	(39,184)	-	-	-	(69,151)	-	-	-
Interest payable	-	-	(112,677)	-	(9,391)	-	-	-
Total financial liabilities	(859,990)	(13,413,210)	(112,677)	(71,478,300)	(10,538,003)	(24,427,424)	(60,103,192)	-

5. Capital management

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

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

	Fair value at 31 December 2016	Fair value at 31 December 2015
	€	€
External Debt	70,000,000	69,500,000
Equity	651,166,613	622,667,045
Ratio = External Debt / Equity	10.75%	11.16%

6. Related Party transactions

The relationship between BGHL and the Investment Manager and the fees earned are disclosed in note 8. Each Director is entitled to an annual fee of €23,000 (2015: €23,000) for an annual total of €46,000 (2015: €46,000); the Chairman is entitled to receive €41,500 (2015: €41,500) per annum and the Chairman of the audit committee receives an additional fee of €7,500 (2015: €7,500) per annum.

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

7. Administration fees

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

8. Management fees and Performance fees

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

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

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

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

	2016		2015	
	Expense during the Year	Payable at the end of the Year	Expense during the Year	Payable at the end of the Year
	€	€	€	€
Management Fees	9,654,496	2,451,854	9,328,319	2,356,405
Performance Fees	10,961,356	10,961,356	22,071,019	22,071,019

9. Total Expense Ratio

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

Year ended	AUM Year Average	Management Fees	Administration & Depository Fees	Other Fees	Total Expense Ratio
31 December 2016	€639,093,200	1.51%	0.02%	0.07%	1.59%
31 December 2015	€614,682,547	1.52%	0.02%	0.06%	1.60%

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10. Share Capital and Treasury Shares

Authorised share Capital

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

Allotted, issued and fully paid

The share capital detail as of 31 December 2016 is as follows:

Class A Shares	Euro Shares				Sterling Shares
	Share balances	Issued and fully paid	Treasury Shares	Outstanding Shares	
At 1 January 2015	33,515,140	(756,621)	32,758,519	2.3%	538,435
Repurchase of own shares	-	(3,254,683)	(3,254,683)	-	-
Share Cancelled	(3,181,889)	3,181,889	-	-	-
Share Conversions	54,317	-	54,317	-	(43,473)
At 31 December 2015	30,387,568	(829,415)	29,558,153	2.7%	494,962
Repurchase of own shares	-	(660,881)	(660,881)	-	-
Share Cancelled	(1,167,454)	1,167,454	-	-	-
Share Conversions	(35,157)	-	(35,157)	-	33,950
At 31 December 2016	29,184,957	(322,842)	28,862,115	1.1%	528,912

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

Voting

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

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

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

11. Loans payable

	31 December 2016	31 December 2015
	€	€
Beginning cost	(69,500,000)	(65,650,000)
Repayments	28,100,000	55,500,000
Drawdown	(28,600,000)	(59,350,000)
Ending Cost	(70,000,000)	(69,500,000)
Accrued interest	(112,677)	(112,583)
Loans payable at fair value	(70,112,677)	(69,612,583)

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

Over the year, BGHL has borrowed money in Euro at a variable rate plus a spread rate that has ranged from 1.141% and 1.286%.

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Variable Funding Notes

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

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

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

VFN	31 December 2016	31 December 2015
	€	€
Principal	-	9,500,000
Accrued Interest	-	9,391

Bank Facility

On 22 November 2013, BGHL and Natixis SA entered into a facility agreement under which Natixis made available to BGHL a €60 million committed credit facility with a one-year maturity (the “Facility”).

On 17 November 2016, the Facility’s maturity was extended by two years to 22 November 2018 and increased by €10 million to €70 million. BGHL has the right to prepay and cancel the Facility at any time.

At the end of the Year, the €70 million Facility was utilised in full and all the proceeds were used to invest in BGF.

The total amount due under the Facility was as follows:

Bank Facility - Natixis	31 December 2016	31 December 2015
	€	€
Principal	70,000,000	60,000,000
Accrued Interest	112,677	103,192

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

Security Interest	31 December 2016	31 December 2015	Variation %
BGF – Euro B Class – Shares	2,800,000	3,338,187	(16.1%)
BGF – Euro B Class – Price	171.205955	155.248561	10.3%
Value in Euro	€479,376,673	€518,248,728	(7.5%)

12. Segment information

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

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

	31 December 2016	31 December 2015
	€	€
Ireland	63,905,729	88,812,524
France	704,505	20,162,886
United Kingdom	(2,066,567)	(287,540)
Rest of the world	264,651	940,114
Total	62,808,318	109,627,984

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

	31 December 2016	31 December 2015
	€	€
Equity securities	63,578,918	95,130,829
Debt instruments	1,295,966	14,789,572
Derivative financial instruments	(2,069,366)	(287,540)
Foreign exchange gains on financial instruments not at fair value through profit or loss	2,800	(4,877)
Total	62,808,318	109,627,984

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

Realised gain on financial assets and liabilities at fair value through profit or loss	31 December 2016	31 December 2015
	€	€
Equity securities	20,141,414	19,004,334
Debt securities	22,855,038	-
Derivatives - Foreign Exchange Forward	(2,093,519)	465,437
Net realised gain	40,902,933	19,469,771
Change in unrealised gain or loss on financial assets and liabilities at fair value through profit or loss		
Change in unrealised gain		
Equity securities	44,030,801	75,958,030
Debt securities	-	15,780,894
Change in unrealised loss		
Equity securities	(995,683)	(3,213)
Debt securities	(21,559,072)	(1,409,255)
Derivatives - Foreign Exchange Forward	24,153	(752,977)
Net change in unrealised gain or loss	21,500,199	89,573,479

14. Taxation

BGHL has been granted exemption under the Income Tax (Exempt Bodies) (Guernsey) Ordinance, 1989 from Guernsey Income Tax, and is charged the annual fee of £1,200 (2015: £1,200). As a result, no provision for income tax has been made in the financial statements.

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

15. Due from brokers and due to brokers

Amount due from brokers include €1,960,000 (2015: €Nil) of cash pledged as collateral on forward foreign exchange contracts.

16. Transaction fees

As at 31 December 2016, a provision has been recognised for a transaction fee due by BGHL. There is uncertainty on the payment date which is likely to be in more than a year. Please refer to the option mentioned in note 3.

17. Post balance sheet events

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

18. Approval of financial statements

The financial statements were approved and authorized for issue by the Board on 27 April 2017, at which date these financial statements were considered final.