ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS

Boussard & Gavaudan Holding Limited

For the year ended 31 December 2013

Directors

Christopher Fish
Nicolas Wirz
Andrew Henton
Sameer Sain (resigned 11 July 2013)

Advisors

Investment Manager
Boussard & Gavaudan Asset Management, LP
9-10 Saville Row
London W1S 3PF

Legal Advisors
(as to English and United States law)
Herbert Smith Freehills LLP
Exchange House, Primrose Hill
London EC2A 2HS

Advocates
(as to Guernsey law)
Carey Olsen
Carey House
Les Banques, St Peter Port
Guernsey GY1 4BZ

Legal Advisors
(as to Netherlands law)
Stibbe N.V.
Strawinskylaan 2001
1077 ZZ Amsterdam
The Netherlands

Auditor
Ernst & Young LLP
Royal Chambers
St Julian's Avenue
St. Peter Port
Guernsey GY1 4AF

Administrator
Kleinwort Benson (Channel Islands) Fund Services
Dorey Court
Admiral Park, St. Peter Port
Guernsey GY1 2HT

Custodian
BNP Paribas Securities Services
PO Box 158
Liberte House
19-23 La Motte Street, St Helier
Jersey JE4 5RL

Sub-Administrator
GlobeOp Financial Services LLC
One South Road
Harrison
NY 10528
USA

Registrar
Computershare Investor Services (Jersey) Limited
Hilgrove Street
St Helier Jersey
JE1 1ES

I am pleased to present to shareholders the annual report and audited financial statements of Boussard & Gavaudan Holding Limited ("BGHL") for the year ended 31 December 2013.

During the year, the price of BGHL's Euro shares (+10.4%) and Sterling shares (+7.2%) outperformed both the HFRX Global Hedge Fund Index (+6.72%) and the HFRX Equal Weighted Strategies Index (+6.29%). The net asset value ("NAV") of BGHL's Euro shares increased by 13.6% and the NAV of the Sterling shares increased by 13.0%.

We closely monitor the discount of the share price to the NAV of the Euro shares as well as the discount of the share price to the NAV of the Sterling shares, both currently above 20%.

The determinants of share price are the NAV (reflecting the performance of the underlying investment fund BG Master Fund Plc (the "BG Fund"), and the degree of discount or premium to NAV at which the shares trade, which in turn is driven by the supply and demand in the market place, the liquidity of the underlying shares and the general market sentiment.

With regard to the performance of the NAV and the review of recent developments, I refer you to the Directors' Report and the Investment Manager's Report, which highlight the main features of the results of the business over the year. For your information, BGHL also publishes on its website (www.bgholdingltd.com) daily and monthly NAVs and monthly newsletters based on data provided to BGHL by the Sub-Administrator, the Administrator and the Investment Manager.

In order to offer sufficient liquidity to the investors, BGHL has been buying back its own shares since early 2008. In 2013, BGHL bought back 1,745,133 Euro shares and no Sterling shares. As at 31 December 2013, 424,975 Euro shares were held in Treasury, representing 1.15 % of the total issued share capital.

We will continue to make every endeavour to seek viable measures to narrow the discount to NAV and increase the liquidity of the shares. The share buy back programme is central to this effort, as is the consciously reduced weighting of unquoted shares in the portfolio.

On behalf of the Board, I wish to thank the shareholders and advisors to BGHL for their continued support.

Christopher Fish
Chairman
29 April 2014

The Directors present their annual report and audited financial statements for the year ended 31 December 2013.

Principal Activities

From 1 January to 31 December 2013, BGHL had invested substantially all of its assets in BG Fund, a feeder fund fully invested in BG Master Fund Plc. BG Master Fund Plc, an Irish Qualified Investor Fund, is a Europe-focused multi-strategy fund, which aims primarily at arbitraging instruments with non-linear pay-offs in special situations. BG Master Fund Plc implements diversified investment strategies, including volatility, equity and credit strategies. The overall investment objective of BG Master Fund Plc 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 BG Fund and as described in BGHL's offering memorandum, BGHL enters into other investments, including private equity investments.

Boussard & Gavaudan Asset Management LP ("BGAM" or the "Investment Manager") is the Investment Manager of BGHL, BG Fund and BG Master Fund Plc.

BGHL sold two unlisted investments during the reporting period and realised total profit of €12,593,276:

- DSO Interactive (March 2013); and
- Compagnie des Minquiers, the holding company of Cofigeo (December 2013).

The sale proceeds (net of fees) were re-invested by BGHL in BG Fund.

As of 31 December 2013, BGHL was exposed to:
- BG Fund as to approximately 106% of its net asset value (from 94.4% as of 31 December 2012),
- Investments other than in BG Fund as to approximately 7% of its net asset value (from 5.06% as of 31 December 2012).

Investments other than in BG Fund and exposures above 100% in BG Fund are financed through a €60 million bank committed secured credit facility borrowed from Natixis S.A.

As of 31 December 2013, BGHL's net assets were approximately €612 million, up from €565 million as of 31 December 2012.

<u>GFI Informatique</u>
On 7 June 2013 BGHL signed a shareholders' agreement in order to act "in concert" with the other two main shareholders of GFI Informatique. GFI Informatique is one of the leading IT services firms in France and Southern Europe, employing 10,000 people at the end of 2013.

In compliance with applicable regulations, the parties acting in concert through Infofin Participations (an entity created for this purpose, hereafter "Infofin"), filed a mandatory public tender offer with the French Autorité des Marchés Financiers (AMF) for all of the outstanding shares and bonds giving access to GFI's share capital or voting rights not yet held by the concert party.

Under the shareholders' agreement BGHL agreed to invest - after completion of the public offer - in bonds to be issued by Infofin which are exchangeable into GFI shares. On 29 August 2013 BGHL completed its subscription for Infofin exchangeable bonds in an amount of €20,364,030.

In addition, BGHL has a direct investment in GFI's equity shares representing approximately €8.1 million as of 31 December 2013.

The Board expects this transaction to realise profit for the benefit of BGHL's shareholders in the medium to long term.

Review of Recent Developments

BGHL's performance

During the year, the performance of the Euro shares and the Sterling shares was as follows:

	31 December 2013	31 December 2012	Variation
Euro share price[1]	€12.70	€11.50	+10.4%
Euro share NAV	€16.71	€14.71	+13.6%
Discount to NAV	24.0%	21.8%	

	31 December 2013	31 December 2012	Variation
Sterling share price[2]	£10.56	£9.85	+7.2%
Sterling share NAV	£15.06	£13.33	+13.0%
Discount to NAV	29.9%	26.1%	

During the year from 1 January 2013 to 31 December 2013, BGHL's Euro share price outperformed both the HFRX Global Hedge Fund Index (+6.72%) and the HFRX Equal Weighted Strategies Index (+6.29%).

The performance of BGHL is driven primarily by the financial results of BG Fund and, to a lesser extent, from the accretive effect of its share buy back programme.

BGHL continued to seek to improve the liquidity of the shares in the market by repurchasing its own shares.

BG Fund's performance

From 1 January to 31 December 2013, the NAV of BG Fund's Euro A share class posted a +11.32% return with an annualised volatility of 2.58%, while European equity markets went up, with the EURO STOXX 50® at +17.9%. Volatility on stock markets decreased, with the VDAX index ending at +13.2% from +16.1%, the VSTOXX® index at +17.2% from +21.4%, and credit spreads reduced, with the Itraxx Crossover finishing at 286 bps from 484 bps.

Over the five year period ended on 31 December 2013, the NAV of BG Fund's Euro A share posted an annualised return of 9.39% with an annualised volatility of 5.22%. This compares with the HFRI Fund Weighted Composite Index, which posted an annualised return of 7.79% with an annualised volatility of 5.83%.

The Directors are satisfied with BG Fund's strategies and performance.

Performance of Investment Manager and Continued Appointment

BGHL has appointed Boussard & Gavaudan Asset Management, LP as Investment Manager pursuant to an investment management agreement entered into on 13 October 2006. The Board has reviewed the performance of the Investment Manager and is satisfied that the continuing appointment of the Investment Manager on the terms agreed is in the interests of the Shareholders. Please refer to the above section entitled "Review of Recent Developments" of this report for a review of the performance of BGHL. Also, please refer to note 9 to the financial statements for further details on the terms of the investment management agreement.

Results for the year and State of Affairs at 31st December 2013

The Statement of Financial Position and the Statement of Comprehensive Income for the year ended 31 December 2013 are set out on pages 29 and 30 of financial statements.

[1] Amsterdam (AEX) market close for Euro share
[2] London (LSE) market close for Sterling share

Directors

The Directors at 31 December 2013 were:

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

Mr Christopher Fish was re-elected at the annual general meeting held in 2011 and Mr Andrew Henton and Mr Nicolas Wirz were re-elected at the annual general meeting held on 5 July 2012. As recommended in section B.7.1 of the UK Corporate Governance Code (the "Code") and in accordance with BGHL's Articles of incorporation, Mr Fish will at the forthcoming annual general meeting retire and, being eligible, offer himself for re-election.

Mr Sameer Sain retired at the last annual general meeting held on 11 July 2013 and did not offer himself for re-election.

The Board expresses its thanks to Mr Sain for his contribution to BGHL during his tenure.

Save as disclosed in these financial statements, BGHL is not aware of any potential conflicts of interest between any duty of any of the Directors owed to it and their respective private interests. For the year under review, each Director other than the Chairman was paid an annual fee of €23,000, the Chairman was entitled to receive €41,000 per annum and the Chairman of the Audit Committee received an additional fee of €7,500 per annum. Mr. Sameer Sain's fee for the period to 11 July 2013 was €11,500.

Directors' interests in shares

As of 31 December 2013, Christopher Fish had invested, directly or indirectly, in 8,631 ordinary Euro shares of BGHL. Nicolas Wirz had invested, directly or indirectly, in 16,168 ordinary Euro shares of BGHL

Share buy-backs

During 2013, BGHL bought back 1,745,133 Euro shares and no Sterling shares. As at 31 December 2013, 424,975 Euro shares were held in Treasury representing 1.15% of the total issued share capital.

On 11 July 2013 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 in issue (excluding treasury shares) at the time authority was granted, i.e. 5,604,437 shares. Between 11 July 2013 and 31 December 2013, BGHL purchased 695,612 Euro shares of BGHL, representing 1.88% of the shares in issue at the time of granting of the authority.

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 reports 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 Directors place a high degree of importance on ensuring that high standards of corporate governance are maintained and have adopted the Code which sets out principles of good governance and a code of best practice for 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 against the UK Corporate Governance 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 two exceptions. Firstly, no limit has been imposed on the overall length of service of Directors. However, each director stands for reelection every three years. Secondly, there is no "Chief Executive" position within BGHL. Being a closed-ended investment company BGHL has no employees and therefore no Chief Executive.

Corporate Governance (continued)

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 Meeting	Ad hoc Board Meeting	Audit Committee
Number of Meetings	4	3	2
Meetings Attended :			
Christopher Fish	4	3	2
Nicolas Wirz	4	1	2
Andrew Henton	3	3	2
Sameer Sain (*)	1	1	1

(*)Mr Sain retired at the last annual general meeting held on 11 July 2013.

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 discussion.

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.

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.

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;
- 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.

Audit Committee

An Audit Committee, with defined terms of reference and duties, has been established and comprised the following members as of 31 December 2013: Andrew Henton, Nicolas Wirz and Christopher Fish. On 2 February 2012, Mr Henton was appointed as Chairman of the Audit Committee.

A separate Report of the Audit Committee setting out its duties and how it has fulfilled them is included from page 11 of this annual report. BGHL considers that the Audit Committee's performance of its duties fulfils the requirements of C.3.2 of the Code.

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 identify, evaluate and manage the primary operating risks faced by BGHL. The framework specifies an ongoing review timetable that ensures at least an annual review of BGHL's system of internal controls, including financial, operational, compliance and risk management.

The Board has delegated the management of BGHL's investment portfolio, the provision of custody services, the administration, registrar and corporate secretarial functions (including the independent calculation of BGHL's Net Asset Value); and the production of the annual financial reports, which are independently audited. The Board retains accountability for the functions it delegates and is responsible for the system of internal controls. 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.

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.

Principal risk and Uncertainties

BGHL is exposed to various types of risks. They are extensively described in the prospectus, in the accompanying Financial Statements (note 4) and in the report of the Investment Manager (note C and F). BGHL is exposed to market, credit and liquidity risks directly from the investment it makes and indirectly as a result of the types of investments BG Fund makes.

Corporate Responsibility

BGHL considers the ongoing concerns of investors on the basis of open and regular dialogue with the Investment Manager.

BGHL keeps abreast of regulatory and statutory changes and responds as appropriate. The Directors are cognisant of the Alternative Investment Fund Managers Directive (the "AIFMD") as implemented by each EU Member State and are actively working with the Investment Manager to ensure compliance with relevant requirements of the AIFMD by the deadline of 21 July 2014.

Going Concern

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

Currently BGHL has a small debt position, whose purpose is to finance acquisitions of its own shares. The debt position is repaid in full using the proceeds from redemptions of BG Fund shares on a monthly basis. It remains at the discretion of BGHL to continue its share buy back activity in the future.

In addition, BGHL has borrowed €60m from Natixis under the committed revolving loan facility agreement described in note 12 on pages 56 and 57 of the financial statements.

Other than these debt positions, the only financial commitments of BGHL are its ongoing fees and expenses.

After making enquiries, the Directors have a reasonable expectation that BGHL has adequate resources to continue in operational existence for the foreseeable future. Thus the financial statements have been prepared on a going concern basis.

Relations with 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 communication, investment philosophy, risk management policies, Investment Manager's reports, statistical information and corporate governance guidelines. Additionally, shareholders are welcome to contact the Directors of BGHL in writing via the Secretary, should they wish to have a dialogue and/or provide any feedback. Finally, if required, BGHL can also make available representatives of the Investment Manager to shareholders.

By order of the Board

Christopher Fish	Andrew Henton
Chairman	Director

29 April 2014

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.

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 and prudent;
- 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 (Guernsey) Law, 2008, as amended. 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.

The Directors are also responsible for ensuring that the annual report includes information required by the rules of the UK Listing Authority.

Furthermore, the Directors are responsible for ensuring that BGHL complies with the provisions of the Listing Rules 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.

The Directors confirm that to the best of their knowledge:

(a) The annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and give a true and fair view of the financial position and profit or loss of BGHL as at and for the year ended 31 December 2013;

(b) The annual financial report includes information detailed in the Chairman's Report, Investment Manager's and Directors' Reports and Notes to the Annual Financial Statements , which provides a fair review of the information required by:

(i) DTR 4.1.8 of the Disclosure and Transparency Rules, being a fair review of BGHL business and a description of the principal risks and uncertainties facing BGHL; and

(ii) DTR 4.1.11 of the Disclosure and Transparency Rules, being an indication of important events that have occurred since the end of the financial year and the likely future development of BGHL.

The Directors also confirm that they consider that the annual report and accounts, 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.

By order of the Board

Christopher Fish	Andrew Henton
Chairman	Director

29 April 2014

Role and responsibility

This is the report of the Audit Committee which has been prepared with reference to the UK Corporate Governance Code and describes the work of the Committee in discharging its responsibilities.

BGHL has established an Audit Committee in compliance with the Financial Conduct Authority's (FCA's) Disclosure and Transparency Rule 7.1 and the UK Corporate Governance Code. The Committee meets formally twice each year and reports to the main 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 www.bgholdingltd.com

The Audit 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 accounts, 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 Financial Conduct Authority, the London Stock Exchange, the Guernsey Financial Services Commission, The Companies (Guernsey) Law, 2008, as amended, 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) reviewing from time to time the appropriateness of audit reporting by BGHL's agents;

i) considering the major findings of internal investigations and management's response;

j) reviewing BGHL's operating, financial and accounting policies and practices;

k) considering any other matters specifically delegated to the Committee by the Board from time to time; and

Role and responsibility (continued)

l) confirming to the Board as to whether the annual financial report and accounts, 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.

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 Audit Committee comprised the following members as of 31 December 2013: Andrew Henton, Nicolas Wirz and Christopher Fish. On 2 February 2012, Andrew Henton was appointed as Chairman of the Audit Committee. The Committee considers that Mr Henton has more than adequate recent and relevant financial experience, as required by C.3.1 of the Code.

Only independent non-executive Directors serve on the Audit 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. The Audit Committee meets formally no less than twice a year in Guernsey and on an *ad hoc* basis if required. In addition, it meets the external auditor at least twice a year. The membership of the Audit 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 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 Audit Committee visits the 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. BGHL's external auditors also attend this meeting at its request and report if BGHL has not kept proper accounting records, or if they have not received all the information and explanations required for their audit.

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. The Committee considers the need for such a function at least annually.

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.

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**
Early adoption of IFRS 10	BGHL reflected proposed amendments to IFRS 10 for Investment Entities in preparing its interim accounts for the six month period ended 30 June 2013. As at the point in time when interim accounts were prepared (August 2013) the IFRS 10 amendments had been incorporated into International Financial Reporting Standards but not adopted by the EU. The Audit Committee considered whether adoption of a standard not endorsed by the EU was an appropriate accounting policy to adopt. It was recognised that the main effect of the proposed amendments was not having to consolidate the trading results of an investment which was in the process of being sold (and was subsequently disposed of in December 2013). Non consolidation was considered to make the financial statements more transparent, balanced and understandable for investors. The amendments to IFRS 10 for Investment Entities have since been adopted by the EU, which action was anticipated by the Audit Committee based on advice taken from its professional advisors.
Completeness and accuracy of the disclosures in the financial statements	The Audit Committee concluded that all appropriate and required disclosures have been incorporated in the financial statements, and drew comfort from the fact that multiple layers of oversight exist to achieve this objective. Specifically, the sub-administrator, administrator, manager and external auditor have all performed their own checks for completeness. However, the Audit Committee also considered the resulting 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 did not lend themselves to description in "plain English" and that the use of technical terminology was not always consistent with the goals of ensuring transparency and maximising ease of understanding. On balance the Audit Committee concluded that the benefits of accurate - but detailed - descriptive narrative outweighed the possible benefit of simplified summaries. The nature of the shareholder base (predominantly sophisticated professional investors) was an important factor in reaching this conclusion.
Valuation of the Company's investments	The Board reviews portfolio valuations on a regular basis throughout the year and at quarterly meetings with the Investment Manager seeks assurance that the pricing basis is appropriate and in line with relevant accounting standards. BGHL's net asset value is calculated on a daily basis by the Sub-Administrator. Notwithstanding these processes and controls, the Audit Committee noted that certain investment holdings were not immediately realisable (eg investments in BG Master Fund Plc) and / or involved material positions being held (eg GFI Informatique, where BGHL and associated concert parties hold a controlling position). Consideration was given as to whether the NAV and / or quoted market prices were the appropriate basis of valuation in such circumstances. The Audit Committee concluded that, whilst BGHL's activities in transacting might influence prices, there was no basis upon which to adjust observable market prices either upwards or downwards in a fair and consistent way.

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, Ernst & Young LLP, has acted in this role since 2006. 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 we are 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 Audit Committee does not award any non-audit work. The full Board would have to approve any 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. The Committee does not consider interim reviews of financial information to be a non-audit service. No non-audit services were provided in the year ended 31 December 2013 (2012: £nil).

The Audit 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. In view of the length of the auditor's time in office to date, it was not considered necessary or desirable to put the audit out to tender at this juncture. The Committee recommended to the Board that Ernst & Young LLP be re-appointed as auditor and a resolution for its re-appointment will be proposed at the forthcoming annual general meeting.

Assessment of the external audit process

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

Conclusion in respect of the Annual Financial Report

The production of BGHL's annual financial report is a comprehensive process requiring input from a number of different parties. One of the key governance requirements is that BGHL's annual financial report 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 has concluded that the annual financial report for the year ended 31 December 2013, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholder's 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 on page 10.

Andrew Henton
Chairman of Audit Committee
29 April 2014

Background and Highlights

A.1 Background

Boussard & Gavaudan Holding Limited ("BGHL") is a closed-ended investment vehicle, registered and incorporated under the laws of Guernsey on 3 October 2006. BGHL's shares are listed and traded on the Eurolist Market operated by Euronext Amsterdam by NYSE Euronext, and are 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. 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 net asset value ("NAV") per Euro share at 30 June 2008. Shareholders can convert their existing holding of shares in BGHL from one class into another class on a yearly basis, subject to satisfying certain requirements.

Through its investment in BG Fund (formerly "Boussard & Gavaudan Fund Plc") managed by Boussard & Gavaudan Asset Management, which constitutes its main investment, BGHL is sensitive to equity and volatility prices as well as to credit spreads. BGHL is exposed to other market factors but to a lesser extent.

From 1 January to 31 December 2013 European equity markets rallied, with the Eurostoxx® 50 up 17.9%. Volatility on stock markets decreased: the VDAX index moved from 16.1% to 13.2% and the VStoxx® index from 21.4% to 17.2%. Credit spreads tightened, the iTraxx Crossover (Generic) index finished at 286bps from 484bps.

A.2 Highlights

As of 31 December 2013, BGHL's assets under management were approximately €612 million, up from €565 million at 31 December 2012.

A.2.1 Performance

During the year, the performance of the Euro and the Sterling shares was as follows:

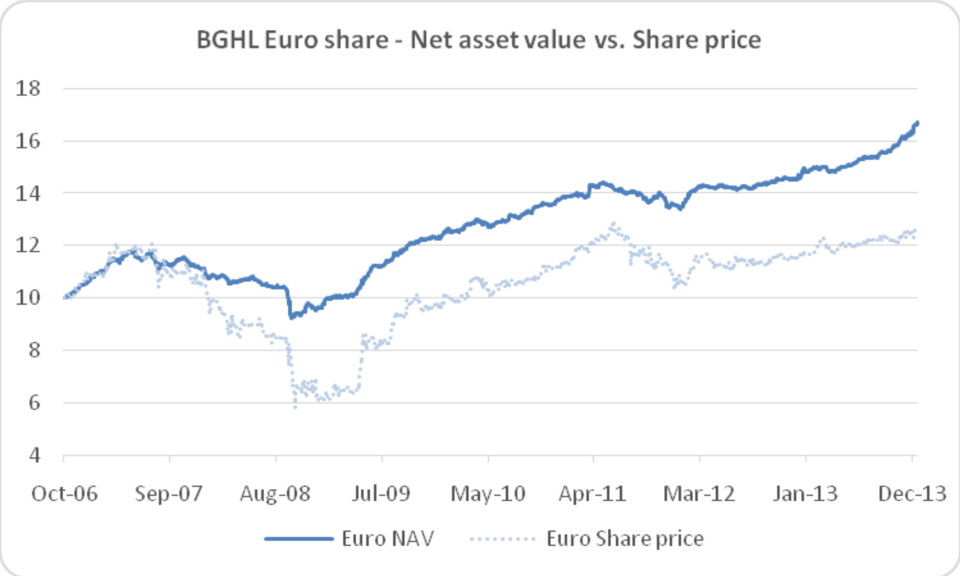
	31 December 2013	31 December 2012	Variation
Euro share price[1]	€12.70	€11.50	+10.4%
Euro share NAV	€16.71	€14.71	+13.6%

	31 December 2013	31 December 2012	Variation
Sterling share price[2]	£10.56	£9.85	+7.2%
Sterling share NAV	£15.06	£13.33	+13.0%

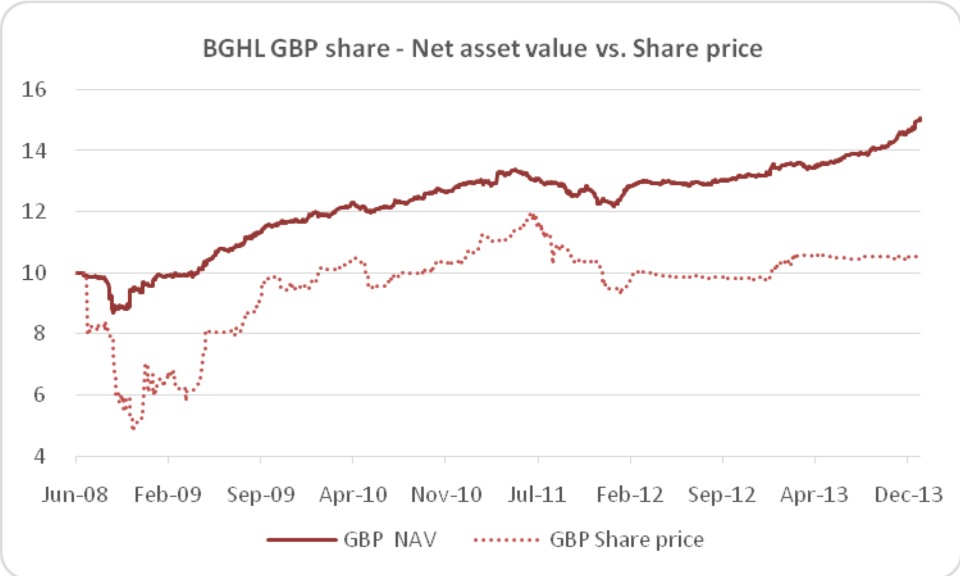
Euro and Sterling share prices underperformed the Eurostoxx 50® index which was up 17.9%.

[1] Amsterdam (AEX) market close for euro share
[2] London (LSE) market close for sterling share

Below is the performance evolution of the share prices relative to their respective NAVs since inception.



Graph 1 (source BGAM estimates / Bloomberg)



Graph 2 (source BGAM estimates / Bloomberg)

A.2.2 Share buy back and discount to NAV

Share buy back programme

Since its listing, BGHL has set up a share buy back programme approved in general meeting by its shareholders. The volume of the share buy back programme during the year shows the Investment Manager's commitment to BGHL's strategy and its efforts to reduce the discount to NAV.

Liquidity enhancement agreement

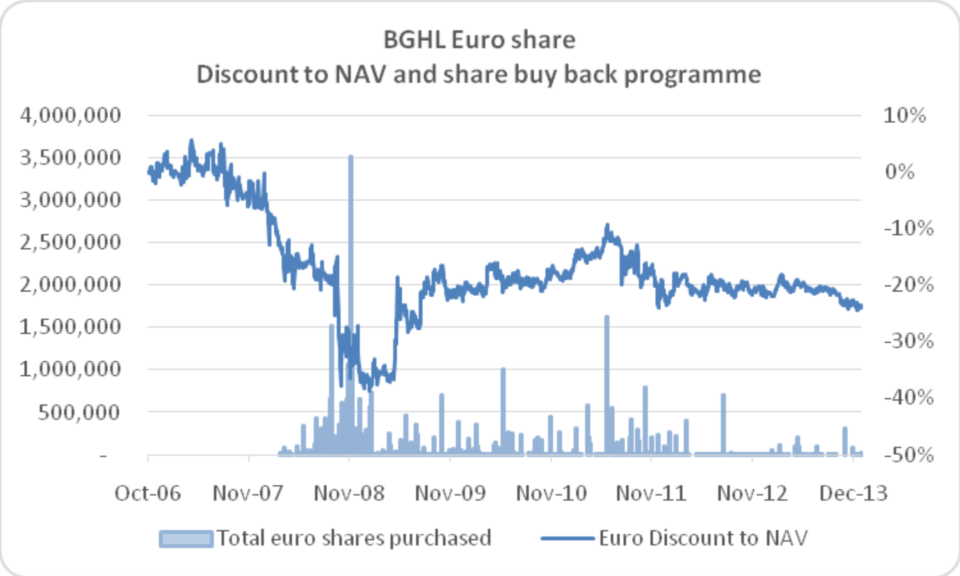
To increase the liquidity of BGHL's shares, BGHL set up a liquidity contract with Exane BNP Paribas on 14 August 2008. Exane BNP Paribas handles the execution of the liquidity enhancement agreement of BGHL in accordance with the Dutch accepted market practice. BGHL intends to limit the amount allocated to the execution of this contract to 2% of its market capitalisation per year.

Liquidity enhancement agreement (continued)

Share buy backs from both programmes are accretive to shareholders; they contribute to the outperformance of BGHL's net asset value with respect to that of BG Fund.

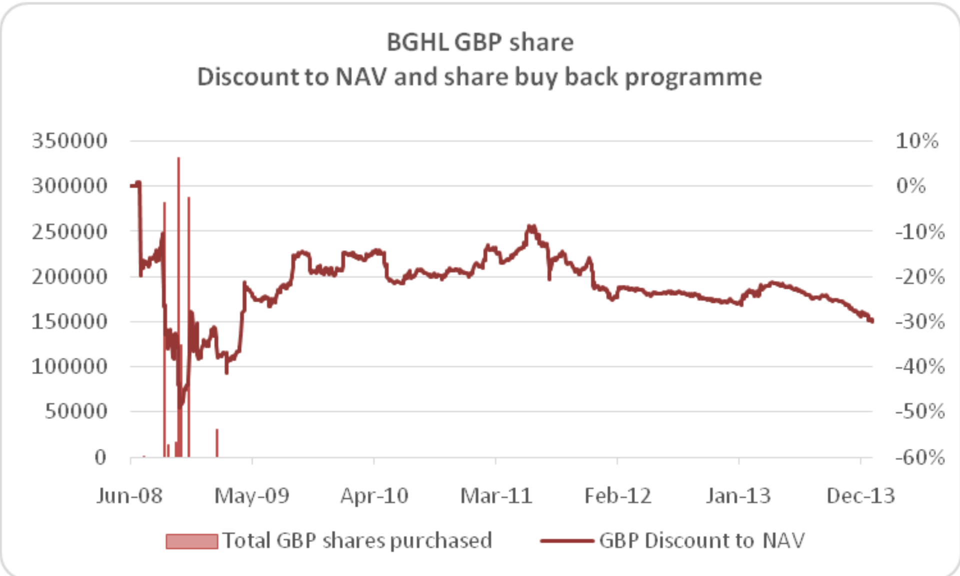
Discount to NAV	**31 December 2013**	**31 December 2012**
Euro share	-24.0%	-21.8%
Sterling share	-29.9%	-26.1%

Euro Share (discount and share buy back)



Graph 3 (source BGAM estimates)

Sterling Share (discount and share buy back)



Graph 4 (source BGAM estimates / Bloomberg)

B- Review of the development of the business

From 1 January to 31 December 2013, BGHL had most of its total assets invested in BG Fund, a feeder fund fully invested in BG Master Fund Plc. BG Master Fund Plc, an Irish Qualified Investor Fund, is a Europe-focused multi-strategy fund, which aims primarily at arbitraging instruments with non-linear pay-offs in special situations. The Master Fund implements diversified investment strategies, including volatility, equity and credit strategies.

In addition to its investment in BG Fund and as described in BGHL's offering memorandum, BGHL may enter into other investments including private equity investments.

BGHL sold its investments in

- DSO Interactive in March 2013 and realized total loss of €776,428.
- Compagnie des Minquiers, the holding company of Cofigeo, in December 2013 and realized total profit of €13,639,704

The proceeds (net of fees) were invested in BG Fund.

As of 31 December 2013, BGHL was exposed to:
- BG Fund up to approximately 106% of its net asset value (from 94.4% as of 31 December 2012)
- Investments other than in BG Fund up to approximately 7% of its net asset value (from 5.06% as of 31 December 2012)

These investments are financed through BGHL's equity in addition to a €60 Mios credit facility borrowed with Natixis SA since 29 November 2013.

Part of the cash allocated to the liquidity enhancement programme, which has not yet been used to buy back the shares of BGHL, is invested by the liquidity provider (Exane) in "BNP Paribas Cash Invest", a pure money market fund distributed by a subsidiary of the BNP Paribas SA group.

C- Risks

C.1 Investments other than in BG Fund

As of 31 December 2013, BGHL was approximately 7% invested in investments other than in BG Fund.

<u>Rasaland</u>
BGHL puchased its investment in Rasaland in June 2008 for $10 million. Rasaland is a Maltese company structured as a private equity fund in terms of fees and organisation, dedicated to investing in land and high-end resort developments in Mexico. The EUR/USD exposure is hedged by an FX forward which is rolled on a 3 month basis.

<u>GFI Informatique</u>
On 7 June 2013 BGHL signed a shareholders' agreement in order to act in concert with the two main shareholders of GFI Informatique. GFI Informatique is one of the leading IT services firms in France and Southern Europe, employing 10,000 people at the end of 2012.

In compliance with applicable regulations, the concert through Infofin Participations (an entity created for this purpose, hereafter "Infofin"), filed a mandatory public tender offer with the French Autorité des Marchés Financiers (AMF) for all of the outstanding shares and bonds giving access to GFI's share capital or voting rights not yet held by the concert.

Under the shareholders' agreement BGHL agreed to invest - after completion of the public offer - in bonds to be issued by Infofin and exchangeable into GFI shares. BGHL completed on 29 August 2013 its subscription of Infofin exchangeable bonds for an amount of €20,364,030.

In addition, the Company has a direct equity investment in GFI Informatique (FR0004038099) representing approximately €8.1 million as of 31 December 2013.

C.2 Investment in BG Fund

As of 31 December 2013, BGHL was approximately 106% invested in BG Fund. BGHL's maximum possible exposure to BG Fund is 110% of its net asset value

Strategies

The Master Fund has three main strategies which can be split into the following sub-strategies.

Volatility strategies include:
- mandatory convertible bond arbitrage ("mandatories")
- convertible bond arbitrage (including credit convertible bonds)
- gamma trading

Equity strategies include:
- merger arbitrage & special situations
- long / short trading with short-term catalyst & value

Credit strategies include:
- credit long / short
- capital structure arbitrage

In addition, the Master Fund has a fourth "trading strategy" with smaller risk allocations dedicated to short-term directional trading.

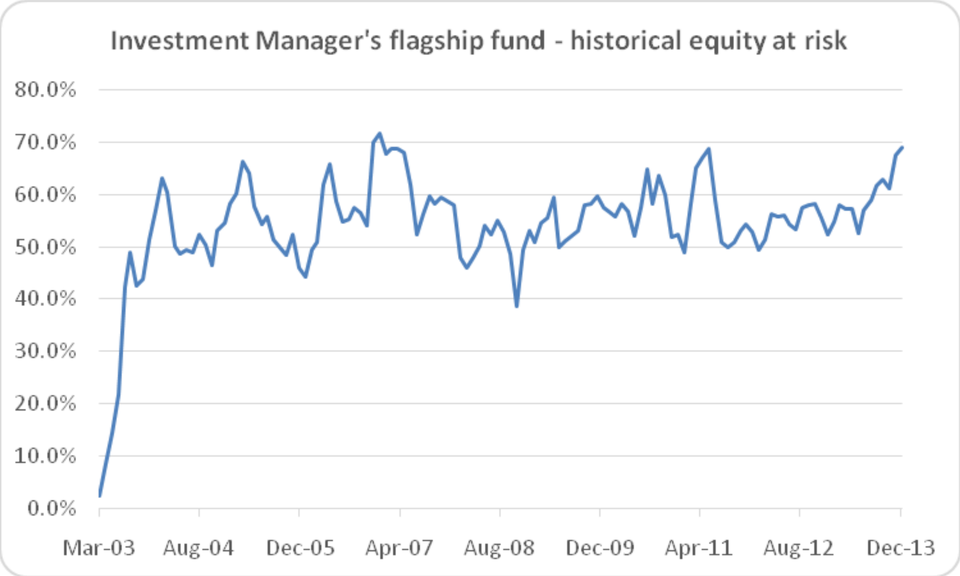
Risk and Capital allocation

Prime brokers, when providing financing and leverage to hedge funds, take a risk that they assess using their own methodologies. Risk measurement is achieved by the use of "haircuts". "Haircuts" reflect the level of risk attributed by a prime broker to a position. The higher the level, the higher the risk. According to this model, 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 Master Fund's portfolio it holds in custody.

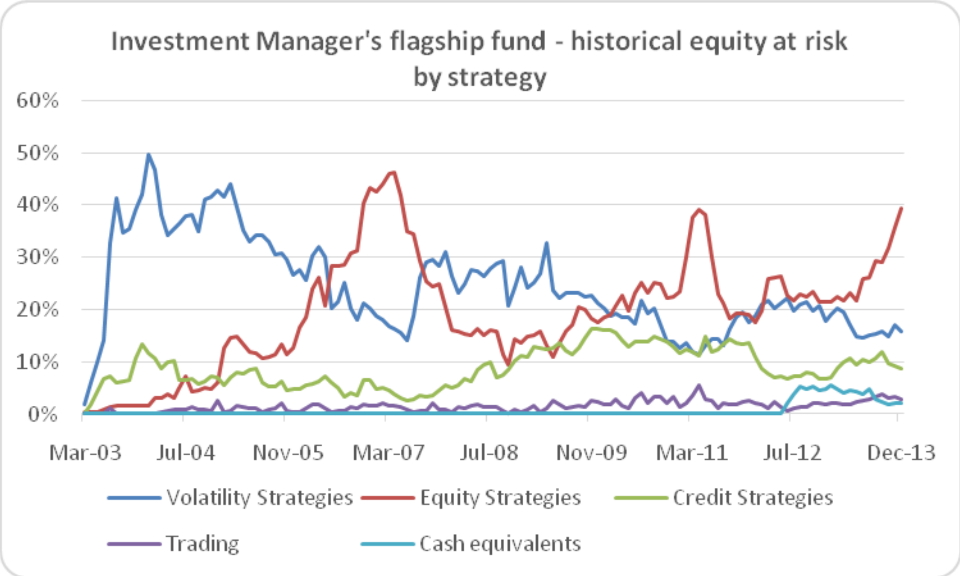
The Investment Manager replicates the methodology applied by prime brokers through a model, named "equity at risk". This model, applied to the entire portfolio, is a proxy for the calculations of the prime brokers with a conservative bias.

Haircuts condition the level of excess margin, which is the level of risk left to increase positions or enter into additional ones. 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 the portfolio by approximately 33% without having to raise further cash. The model provides an estimation of the Master Fund's potential for additional leverage across all its prime brokers. Excess margin is a key indicator, used by the Investment Manager to monitor the solvency of the Master Fund. A large level of excess is maintained at any time. The excess margin corresponds to the remaining capacity that the Master Fund can deploy without having to raise additional cash. The Investment Manager intends to be very selective when deploying equity at risk.

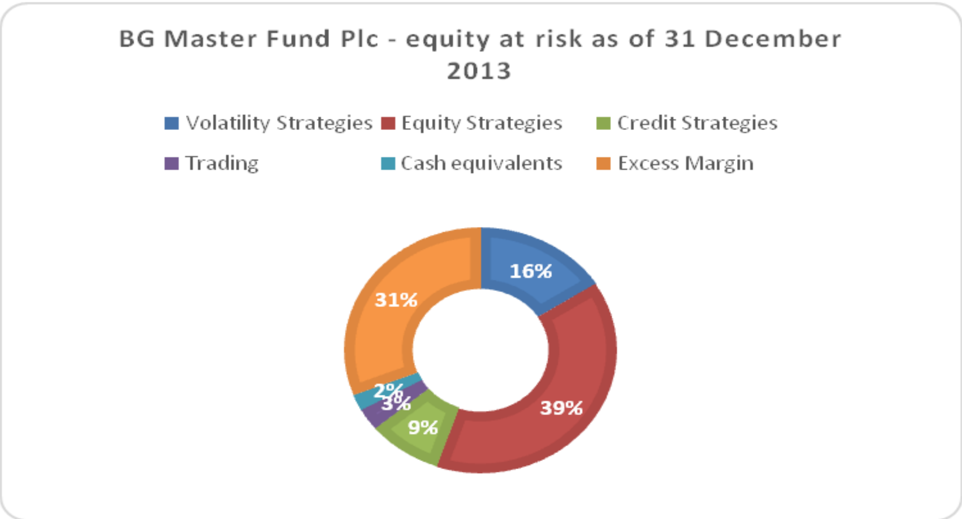
The graphs below illustrate the evolution of the equity at risk of the flagship fund since inception (combination of data from Sark Fund, Boussard & Gavaudan Fund and BG Master Fund until 30 October 2010, BG Master Fund Plc since 1 November 2010) and the allocation of the equity at risk across strategies.



Graph 5 (source BGAM estimates)



Graph 6 (source BGAM estimates)

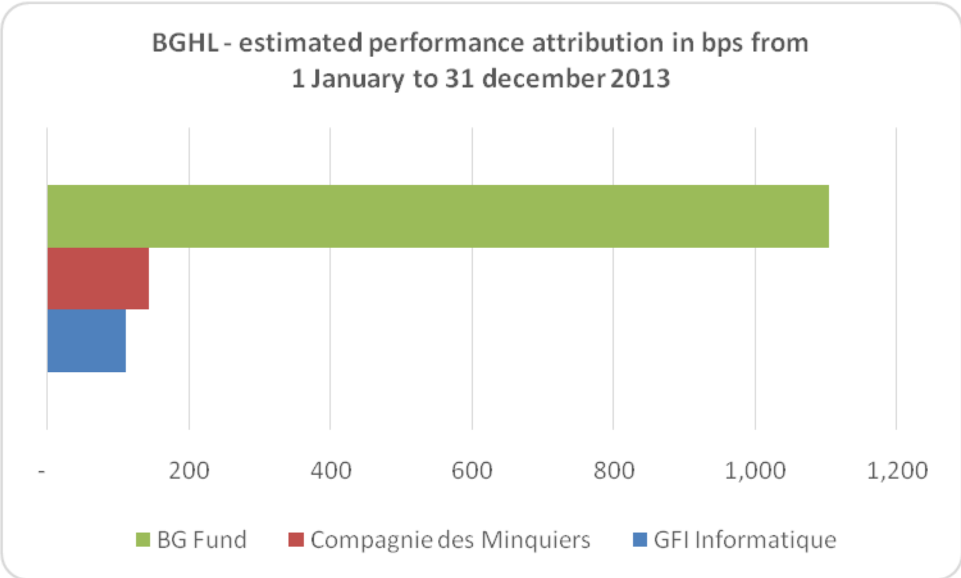


Graph 7 (source BGAM estimates)

Risk and Capital allocation (continued)

At 31 December 2013, the equity at risk of BG Master Fund Plc stood at 69% of capacity versus 53% at 31 December 2012. BG Master Fund Plc has largest allocation into equity strategies followed by volatility strategies. The allocation is smaller in credit strategies and trading remains minimal. Cash equivalents[1] use 2% of the equity at risk.

D- Results



Graph 8 (source BGAM estimates)

D.1 Results in investments other than in BG Fund from 1 January to 31 December 2013

BGHL sold:
- DSO Interactive, in March 2013, at its book value
- Compagnie des Minquiers, in December 2013, with a positive contribution to the performance

The proceeds were invested in BG Fund.

Over the year, GFI Informatique also contributed positively to the performance of BGHL while Rasaland was flat.

D.2 Results in BG Fund from 1 January to 31 December 2013

The performance of BG Fund (Euro Class B), the main investment of BGHL, was as follows:

NAV per share	**31 December 2013**	**31 December 2012**	**Variation**
Euro Class B[2]	€126.26	€108.97	+15.9%

[1] Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. For an investment to qualify as a cash equivalent it must be readily convertible to a known amount of cash and be subject to an insignificant risk of changes in value. Therefore, an investment normally qualifies as a cash equivalent only when it has a short maturity of, say, three months or less from the date of acquisition.

[2] Euro Class B bears no management and performance fees. Management and performance fees are charged at BGHL level.

D.2 Results in BG Fund from 1 January to 31 December 2013

Volatility strategies

Volatility strategies performed well, accounting for approximately 25% of the fund's performance. The bulk of it came from convertible bond arbitrage. Mandatory convertible bond arbitrage posted a positive contribution whilst gamma trading was almost flat.

Convertible bond arbitrage
Convertible bonds (excl. mandatories) were among the best performers during this period with most of the trades generating profits.

Net issuance of European convertibles was positive in 2013: €18bn were issued through 56 deals and €15bn were redeemed /disappeared.

As last year, flows continued to be dominated by outright investors in 2013. Valuations went up, especially for issues included in convertible indices. Those issues were oversubscribed which led to expensive, and sometimes incongruous, initial valuations. During the summer, the rally in Europe continued to be dominated by long only funds raising assets and chasing balanced names. However, market liquidity was very limited which led to a significant richening of some names. September, which is traditionally an active month in terms of issuance, was disappointing both in terms of quantity and quality. Investors were under pressure to invest their cash as opposed to managing their risk. New issues accelerated in November. Demand was strong for the first few deals, allowing issuers to obtain low coupons and high premiums. As demand ebbed later in the month, long only funds were seen selling existing holdings in order to participate in new issues. Cash reserves appeared to have abated, reducing pressure to invest. Over the month, CB prices dropped the equivalent of 4 vega points. Nevertheless, CBs were still somewhat expensive from an arbitrage standpoint but the Investment Manager was starting to find some interesting opportunities. This trend was, however, short lived as valuations jumped significantly in December, driven by lower stock levels and appetite from long only funds.

In this environment, the Investment Manager participated selectively in some of the new issues. In the secondary market, few deals were found with value to extract. For instance, a position was taken in Nokia convertible bond. Some opportunities also occurred thanks to the misunderstanding of prospectuses or on some poorly placed primary issues such as the Caixa convertible into Caixa Bank. The portfolio was mostly concentrated on some high delta names and on some special situations.

The overall squeeze in valuations over 2013 was profitable to the fund's positions which drifted higher; the Investment Manager took profit on positions which reached their fair value. Aside from this trend, the fund benefited particularly from some special situations: Faurecia, Theolia and Nokia.

The position in Faurecia performed very well thanks to the stock re-rating (+136.4% in 2013) and the ratchet value (in case of change of control) starting to be understood by the market. The Investment Manager started to take profit on this position at the end of the year.

On 8 July, Macquarie launched a takeover of Theolia, with the support of the management and recommendation from the board. This came as a surprise to the market, the Investment Manager included; having built the position based on a restructuring of the CB with the belief that Theolia's assets were undervalued by market participants. Prior to the deal being announced, the CB was trading at 60%. The prospectus allowed reimbursement at par + accrued. Unexpectedly, the tender did not reach the 2/3 trigger but only 64% of the voting rights. As a consequence both shares and CBs collapsed. Macquarie did not comment on the situation. The CB was puttable at par on 1 January 2015. While unsuccessful, Macquarie's proposal convinced all players of Theolia's valuable asset ownership. At the end of the year, the liquidity on the name was very limited.

The Nokia position was also a significant contributor. On 3 September, Nokia announced that Microsoft was to acquire its Devices & Services business for $7.2bn. The share price rallied (+60%) and the credit spread strongly tightened (5-year CDs from 540bps to 225bps). The Investment Manager hedged this CB with a higher delta than the market and with no CDS protection. Thanks to these parameters, the negative impact of a higher delta was minimal compared to the tightening of the credit. The valuation then continued to drift higher following M&A speculation and as it was more in-the-money (93% delta). The Investment Manager took some profit on this core position.

Mandatory convertible bond arbitrage

2013 saw the reopening of the mandatory convertible bond market: €5bn were issued through 3 deals and 1 "retap".

ArcelorMittal benefited opportunistically from the large amount of capital available in the very beginning of the year by issuing a US$2.25bn mandatory convertible bond, which was well received by the market, especially from US accounts. It was priced on the worst terms for investors. Allocations were scarce and fair value was quickly reached. It led the Investment Manager to sell the position.

In June, Volkswagen re-taped €1.3bn in mandatory convertible bonds, which came on top of the similar issue that the company placed in November 2012. Whilst the fund's existing holdings initially cheapened because of the placement, it was also an opportunity for the Investment Manager to buy additional Volkswagen mandatory bonds in the secondary market at the cheaper level. The decision was taken not to subscribe to this second issue, which was done on an outright basis, as the Investment Manager determined that the discount was not attractive enough to offset the potential risk on the delta hedging.

In November, new issues amounted to €2bn: Telecom Italia (€1.3bn) and Caixa / Repsol (€750m). Surprisingly, European long only investors participated in both deals. Telecom Italia opportunistically issued a mandatory convertible early in the month, capitalizing on still strong investor demand to extract an attractive valuation. Its bonds initially traded around 101.5%, but later slumped to 100.5% (at equivalent stock level), as investors took profits on this expensive issue. The Investment Manager did not participate meaningfully in this new issue. The Caixa/Repsol exchangeable appeared more attractive.

Over the year, mandatory convertible bonds contributed positively to the performance of the fund, mostly due to the Volkswagen position. Well supported by US outright managers and surprisingly by some European outright investors, the mandatory convertible bond appreciated and gravitated towards fair value during the first part of the year. Nevertheless, the Investment Manager believed that the valuation still offered a discount to the "fair price". Then, the mandatory convertible drifted lower as long only funds sold some of their holdings, following the rally in the shares. The Investment Manager used this decline in valuations to increase its position.

At the end of the year, Volkswagen's valuation drifted higher as long only funds completed the sale of their positions and investors recognised the mandatory to be the cheapest in Europe.

Another significant contributor was the Publicis' Orane position. On 28 July, Publicis' and Omnicom's management agreed on a merger of equals. The Orane position could be seen as a sum of 10 forwards on the stocks (one per year), until September 2022. The prospectus allowed for an accelerated conversion in case of a merger. As this position was quite illiquid, the Investment Manager marked it at the bid price found on the electronic market. There remained a similar profit to be made from this mark in the near future, including a special dividend of €1, which was not protected by the prospectus. In accordance with the Investment Manager's fundamental analysis and the estimated probability for the deal to complete, the position was managed with a delta of 100%. The position was closed at the end of the year.

Gamma trading

Gamma trading contributed a marginal positive performance during this period. In the beginning of the year, following low realised volatilities, implied volatilities fell to a 6-year low but remained expensive both for index and for single stock options. However, as equity risk premiums were historically high, the Investment Manager believed that implied volatility remained a good investment given the strong discrepancy between both markets.

Entering into February and until the end of the year, the gamma book was kept to a minimum from a gamma/theta standpoint. The gamma book compensated theta, thanks to volatility around earnings announcements and to trading around investor days. Implied volatility remained at historically low levels. However, as realised volatility continued to be subdued, implied volatility in the short term was not deemed attractive by the Investment Manager.

The fund, as a whole, continued to be well protected during the year. The Investment Manager traded naked equity options extensively in equity strategies to express these directional views while capturing depressed volatility levels.

The Investment Manager is continuously monitoring the downside risk in order to raise the gamma exposure, should BG Master Fund Plc need more protection.

Equity strategies

The net exposure of the equity strategies was kept to a minimum during the first part of the year and the Investment Manager focused on the liquidity of the portfolio, using options to hedge the exposures. In the second half of the year, the equity market rallied as the equity risk premium reduced, given the low interest rate environment and a very accommodative monetary policy from the European Central Bank. Global, and in particular, European equity markets, witnessed substantial inflows, especially in the last months of 2013. In an environment where investors seemed more inclined to take risk and where share price movements seemed driven predominantly by fundamentals rather than macro sentiment, the decision was taken to deploy more capital in equity strategies. The Investment Manager remained focused on liquidity, and, for this purpose, extensively utilised the convexity provided by options. At the end of the year, the equity at risk of the strategy was increased to 39% of AUM (especially in the biggest convictions) and most of the portfolio theta spending of about 1% per month now occurred in equity strategies.

During the year, this strategy was the best performer (contributing to approximately 60% of the fund's performance), having benefited from catalysts on various positions. On the positive side, the Investment Manager's expectation of further consolidation within the telecommunications sector was confirmed and the fund's overweight position in the sector contributed significantly to the performance. In particular, the investments in Vodafone and KPN performed strongly. Vodafone shares rallied following rumours at the end of August that the company was close to selling its 45% stake in Verizon Wireless for US$130bn to its US partner Verizon. The deal was confirmed on 2 September and the stock continued its positive trend until the end of the year. KPN stock rallied 24% in July, following an attractive offer from Telefonica to merge its German subsidiary E-plus with Telefonica Deutschland. These transactions could serve as catalysts for a rerating of the entire telco sector in Europe.

Corporate activity was on the rise in 2013, capital markets being very active, both for IPOs and for secondary block placements. As opposed to convertible bonds where new issues seemed to be weighing on the market, especially towards the end of the year, equity blocks still attracted strong demand and performed fairly well in the after-market. The Investment Manager selectively participated in those blocks and IPOs, but remained disciplined in the investment process.

It is worth noting that the performance of the equity strategies in 2013 was helped by the significant long gamma profile. Thanks to the extensive use of options, the Investment Manager managed to increase some of the convictions after some negative moves, and take partial profits into the year-end rally. The Investment Manager believes this to be the best way to use options as it helps protect the portfolio and trade more actively around events.

Going into 2014, the Investment Manager expects to be active in equities. As the European crisis appears to be over for the time being, investors will increasingly focus on fundamentals, with companies beginning to use their strong balance sheets either to return cash to shareholders or for M&A. The Investment Manager will continue to extensively use options to express its views.

Credit strategies

Credit strategies performed well, contributing to about 15% of the fund's performance, evenly split between Credit Long/Short and Capital Structure Arbitrage.

Credit Long/Short

The year was positive for European credit markets thanks to a better macro-environment. The year saw continued outperformance of high beta names (high yield, financials and peripherals) vs. core names more exposed to rate moves. Technicals were strong in the market and credit spreads ended the year close to their lows.

European high yield primary markets were set for a record year with circa €45bn issued in 2013, supported by continued inflows. Transactions were well received by the market but, towards the end of the year, the Investment Manager started to note greater selection from investors as well as performance dispersion between weaker names (single-Bs) and more frequent or better rated issuers.

Credit strategies (continued)

Credit Long/Short (continued)
In financials, issuance remained subdued with negative net supply this year, despite a pick-up in new subordinated issues in H2 2013. Activity was indeed picking up both via traditional Lower Tier 2 structures, and more innovative instruments such as Contingent Capital / Additional Tier 1. The Investment Manager expects increasing investors' appetite and granularity with the growing pipeline, despite the junior structure, given the yields offered in those instruments. The environment is also favourable as the banking sector is expected to continue to deleverage and enhance capital positions ahead of upcoming stress tests and the AQR.

The fund's positioning remained principally focused on special situations. Credit Long/Short contributed positively to the performance of the fund, mostly thanks to the long special situations in subordinated financials. The long position in Groupama subordinated bonds performed throughout the year. Groupama improved its credit perception through continued derisking of the balance sheet, as illustrated by the sale of its stake in Société Générale and Eiffage, respectively, in August and September. On the negative side, the fund suffered in its Solocal position. The bonds declined along with the rest of the company's debt and its shares following the publication of the company's Q3 results. This decline was not so much due to the Q3 numbers, but mainly due to the forward guidance given by management, which expects a further decline in results in 2014. The valuation stabilised somewhat from mid-December.

For 2014, the Investment Manager expects the primary market to be equally active as 2013, especially in Subordinated Financials and Contingent Capital, as well as in High Yield.

Capital Structure Arbitrage
Capital structure positions contributed positively to the performance of the fund.

During the year, the Investment Manager maintained a balanced portfolio between "long credit-long put" and "short credit-long equity" trades.

Throughout the year, the Investment Manager traded actively around the existing positions. With a high degree of conviction in the trades, the Investment Manager did not hesitate to use market discrepancies to increase some positions to their target size (especially on high beta names and cyclicals), extract value on some trades and increase again the sizes on lower spreads between credit and equity.

Positive contributions were well spread between long credit-long put and short credit-long equity trades. In particular, the Investment Manager benefited from the long Rallye credit trade position which converged to fair value on emerging market macro improvement and good Casino results.

The fund had less success on the Arcelor long equity-short credit trade which suffered from concerns over a slowdown in China. Arcelor remains one of the Investment Manager main equity convictions and it used the widening gap between its debt and equity to increase the position.

For 2014, the Investment Manager aims to maintain a balanced portfolio between long equity / long CDS (especially on European core investment grade names), and on short equity/short CDS trades where the Investment Manager would identify strong catalysts for change.

Trading

Trading posted a positive return for the year spread across the board.

E - Review of important events since the year end

The Investment Manager continues to be fully committed to the strategies of BGHL. Financial prospects will be linked to the level of opportunities created across BGHL's strategies in the European corporate environment.

F - Principal Risks and Uncertainties

BG Fund, the main investment of BGHL, is fully invested in the Master Fund. The equity at risk of the Master Fund is expected to be deployed carefully on attractive investment opportunities that may arise.

F - Principal Risks and Uncertainties (continued)

BGHL is leveraged thanks to a €60 million committed term loan facility contracted with Natixis SA. The loan is secured by a first priority security interest. The amount of leverage is modest hence the Investment Manager does not perceive a significant refinancing or default risk.

G - Related Party Transactions

There have been no related party transactions during the year except for transactions described under notes 7 and 9 of the financial statements.

Emmanuel Gavaudan, Director of Boussard & Gavaudan Partners Limited
as General Partner of BGAM, the Investment Manager

Independent Auditor's report to the members of Boussard & Gavaudan Holding Limited

We have audited the financial statements of Boussard & Gavaudan Holding Limited (the "Company") for the year ended 31 December 2013 which comprise the Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Cash Flows and related notes 1 to 17. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Section 262 of 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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 10, 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.

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 and Financial Statements 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.

Opinion on financial statements

In our opinion the financial statements:

> give a true and fair view of the state of the Company's affairs as at 31 December 2013 and of its profit for the year then ended;
> have been properly prepared in accordance with IFRSs as adopted by the European Union; and
> have been prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

Our Assessment of Risks of Material Misstatement

We identified the following risk that has had the greatest effect on the overall audit strategy and scope; the allocation of resources in the audit; and directing the efforts of the engagement team:

> completeness and accuracy of the disclosures in the financial statements, particularly with respect to the early adoption of IFRS 10 and with respect to risks and financial instrument disclosures in notes 3 and 4.

Our Application of Materiality

We determined materiality for the Company to be €6.1 million, which is approximately 1% of equity. 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.

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgement is that overall performance materiality for the Company should be 50% of materiality, namely €3 million.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of €0.3 million, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

An Overview of the Scope of our Audit

In assessing the risk of material misstatement to the financial statements, our audit scope focused on the completeness and accuracy of the disclosures in the financial statements. Our response to the risk of material misstatement identified above included the following procedures:

> we rigorously assessed the annual financial statement disclosures, particularly with respect to the early adoption of IFRS 10 and with respect to risks and financial instrument disclosures in notes 3 and 4, for appropriateness and completeness using applicable disclosure checklists and specialist technical reviews.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

> 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
> is otherwise misleading.

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.

Under the Companies (Guernsey) Law, 2008 we are required to report to you if, in our opinion:

> 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.

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review.

Michael Bane
For and on behalf of Ernst & Young LLP
Recognised Auditor
Guernsey
Channel Islands
30 April 2014

Boussard & Gavaudan Holding Limited
Statement of Financial Position
31 December 2013

	Note	2013 Euro	2012 (Restated) Euro	1 January 2012 (Restated) Euro
Assets				
Non-current Assets				
Investments at fair value through profit or loss	3,6	666,173,293	577,078,023	560,847,700
Current Assets				
Foreign exchange forward derivatives contracts	3	1,631	139,090	289,383
Due from brokers		7,430,874	332,005	682,398
Deposit for purchase of shares in BG Fund		23,354,000	-	-
Total assets		**696,959,798**	**577,549,118**	**561,819,481**
Equity and Liabilities				
Current Liabilities				
Short term loan	12	60,500,000	1,500,000	4,000,000
Due to brokers		3,667,978	171,126	209,461
Performance fees payable	9	18,494,325	8,882,394	500,843
Management fees payable	9	2,236,028	2,122,514	2,189,073
Other liabilities		106,077	74,178	6,179
Interest payable		117,688	-	-
Total liabilities		**85,122,096**	**12,750,212**	**6,905,556**
Equity				
Share capital	10	511,878,793	511,878,964	511,879,254
Distributable reserve		-	1,059,137	59,746,046
Treasury shares	11	(3,679,042)	(3,749,613)	(29,023,457)
Retained earnings		103,637,951	55,610,418	12,312,082
Total Equity		**611,837,702**	**564,798,906**	**554,913,925**
Total Equity and liabilities		**696,959,798**	**577,549,118**	**561,819,481**
Net asset value per share:				
Class A EURO shares outstanding 35,711,711 (2012: 37,044,424)		€16.7137	€14.7124	€13.4423
Class A GBP shares outstanding 825,946 (2012: 1,205,925)		£15.0644	£13.3261	£12.2280

The financial statements were approved by the Board of Directors on 29 April 2014 and signed on behalf by:

Christopher Fish
Chairman

Andrew Henton
Director

The accompanying notes on pages 33 to 58 form an integral part of these financial statements

Boussard & Gavaudan Holding Limited
Statement of Comprehensive Income
For the year ended 31 December 2013

	Note	2013 Euro	2012 (Restated) Euro
Income			
Net realised gain on financial instruments at fair value through profit or loss		20,244,237	1,530,552
Change in unrealised gain on financial instruments at fair value through profit or loss		76,434,154	56,863,384
Net gain on financials assets at fair value through profit or loss		96,678,391	58,393,936
Realised and unrealised foreign currency (loss)/gain on forward derivatives contracts	5	(26,258)	847,441
Other realised and unrealised foreign currency gain/(loss)		1,829	(3,219)
		96,653,962	59,238,158
Interest income		2,384,977	1,893,713
Dividend income		95,085	112,439
Total income		**99,134,024**	**61,244,310**
Performance fees	9	18,494,325	8,882,394
Management fees	9	8,644,848	8,515,014
Interest expense		137,468	29,997
Administrative fees	8	103,079	128,167
Directors fees	7	107,129	128,041
Professional fees		196,375	3,466
Audit fees		48,070	98,931
Other expenses		169,563	159,964
Total expenses		**27,900,857**	**17,945,974**
Net Profit before taxation		**71,233,167**	**43,298,336**
Taxation			
Withholding tax		(28,525)	-
Income tax	2	(3,082,757)	-
Net profit and comprehensive income		**68,121,885**	**43,298,336**
Basic and diluted earnings per share			
Class A EURO €66,263,566 /36,147,073 shares (2012: €40,683,742 Profit / 37,911,832 shares)		€1.8332	€1.0731
Class A GBP £1,537,588 / 1,176,696 shares (2012: £1,603,369 Profit / 1,474,379 shares)		£1.3067	£1.0875

All activities are of a continuing nature.

The accompanying notes on pages 33 to 58 form an integral part of these financial statements

Boussard & Gavaudan Holding Limited
Statement of Changes in Equity
For the year ended 31 December 2013

2013	**Share Capital Euro**	**Distributable Reserve Euro**	**Treasury Shares Euro**	**Retained Earnings Euro**	**Total Equity Euro**
Balance as at 1 January 2013	511,878,964	1,059,137	(3,749,613)	55,610,418	564,798,906
Net gain attributable to ordinary shares	-	-	-	68,121,885	68,121,885
Transferred from retained earnings	-	20,094,352	-	(20,094,352)	-
Treasury Shares acquired	-	-	(21,083,089)	-	(21,083,089)
Treasury Shares cancelled	(171)	(21,153,489)	21,153,660	-	-
Balance as at 31 December 2013	511,878,793	-	(3,679,042)	103,637,951	611,837,702

2012	**Share Capital Euro**	**Distributable Reserve Euro**	**Treasury Shares Euro**	**Retained Earnings Euro**	**Total Equity Euro**
Balance as at 1 January 2012	511,879,254	59,746,046	(29,023,457)	12,312,082	554,913,925
Net gain attributable to ordinary shares	-	-	-	43,298,336	43,298,336
Treasury Shares acquired	-	-	(33,413,355)	-	(33,413,355)
Treasury Shares cancelled	(290)	(58,686,909)	58,687,199	-	-
Balance as at 31 December 2012	511,878,964	1,059,137	(3,749,613)	55,610,418	564,798,906

The accompanying notes on pages 33 to 58 form an integral part of these financial statements

Boussard & Gavaudan Holding Limited
Statement of Cash Flows
For the year ended 31 December 2013

	2013 Euro	2012 (Restated) Euro
Cash flows from operating activities		
Net profit	68,121,885	43,298,336
<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	(76,434,154)	(58,290,748)
Realised gain on financial instruments at fair value through profit and loss	(20,244,236)	(1,530,552)
Realised and unrealised foreign currency loss/(gain) on forward derivatives contracts	26,258	(847,441)
(Increase)/decrease in due from brokers	(7,098,869)	350,385
Increase in interest and dividends payable	117,688	-
Increase/(decrease) in due to brokers	3,496,852	(38,335)
Increase in performance fee payable	9,611,931	8,381,551
Increase/(decrease) in management fee payable	113,514	(66,559)
Decrease in other liabilities	31,899	67,999
Net cash used in operating activities	(22,257,232)	(8,675,364)
Cash flows from investing activities		
Purchase of investments at fair value through profit or loss	(80,981,629)	(479,646)
Deposit for purchase of equity investment	(23,354,000)	
Sales of investments at fair value	88,564,749	44,070,630
Net cash provided by investing activities	(15,770,880)	43,590,984
Cash flows from financing activities		
Treasury shares acquired	(21,083,089)	(33,413,355)
Net cash flow from foreign exchange forward derivative contracts	111,201	997,735
Repayment of other short term loan	(18,950,000)	(31,500,000)
Proceeds from other short term loan	77,950,000	29,000,000
Net cash provided by/(used in) financing activities	38,028,112	(34,915,620)
Net movement in cash and cash equivalents	-	-
Cash and cash equivalents		
Beginning of the year	-	-
End of the year	-	-
Cash and cash equivalents at December 2013	-	-
Supplementary information		
Interest received	2,384,977	1,893,713
Interest paid	93,958	33,053
Dividend received	95,085	112,439

The accompanying notes on pages 33 to 58 form an integral part of these financial statements

1. General information

Company information

Boussard & Gavaudan Holding Limited ("BGHL") is a closed-ended investment company registered and incorporated on 3 October 2006, under the laws of Guernsey. Since 3 November 2006, BGHL's shares have been listed and traded on the Eurolist Market operated by Euronext Amsterdam by NYSE Euronext. Prior to the listing of BGHL, there was not a public market for the shares. Upon listing and trading of the shares on Euronext Amsterdam and, as a result, 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. Upon admission to the Official List of the UK Listing Authority and, as a result, BGHL is subject to the UK Listing Authority's Listing, Prospectus, Disclosure and Transparency Rules, save where Dutch securities regulations take precedence.

At the time of this dual listing, BGHL has 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 net asset value ("NAV") per Euro share at 30 June 2008. From this date, shareholders have been able to convert their existing holding of shares in BGHL from one class into another class first on a quarterly and now on an annual basis, provided that the procedure published on BGHL's website has been complied with.

Investment policy

BGHL has invested its assets in order to deliver an exposure to multiple alternative investment strategies. Boussard & Gavaudan Asset Management, LP (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 BG Fund, which in turn, invests in BG Master Fund Plc ("the Master Fund"), and by utilising its borrowing powers to makes leveraged investments into private equity situations. The gross investment exposure of BGHL at any time may represent a maximum of 200 percent of Net Asset Value at the time of investment.

BGHL invests in a separate class of Euro denominated shares of BG Fund which is not subject to management fees and performance fees at BG Fund level, as the Investment Manager receives management fees and performance fees in respect of its role as Investment Manager of BGHL. Therefore, BGHL benefits from exposure to the multiple strategies offered by BG Fund but with no multiple layering of fees.

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 also use BGHL's borrowing facilities to enable it to make private equity investments at its discretion within the limits set out under the heading "Asset allocation" below. The Investment Manager's ability to use borrowings for such purposes 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 BG Fund, investments other than the investment in BG Fund as described above are intended to allow BGHL to achieve its target annualised return. BGHL's investments in assets other than BG Fund 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 BG Fund due to risk profiles or liquidity profiles inconsistent with those of BG Fund.

1. General information (continued)

Gearing

As described above, BGHL intends to make use of its borrowing facilities to allow it to have an investment exposure of up to 200 percent of Net Asset Value at the point of investment.

BGHL has power under its Articles of Incorporation to borrow up to an amount equal to 100 percent of its Net Asset Value 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 Shares and (ii) leveraging investments made by BGHL, including its investment in BG Fund or in other hedge funds managed by the Investment Manager (hereafter, "Manager Funds"), provided that BGHL compiles 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 BG Fund and it is anticipated that a significant proportion of BGHL's net assets will remain invested in BG Fund.

Over time, no less than 80 percent of the Net Asset Value and no more than 110 percent of the Net Asset Value will be invested in Manager Funds.

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:

Direct Investments
The aggregate value of the Direct Investment may not exceed an amount equal to 50 percent of the Net Asset Value at the time of making any such investment. At 31 December 2013 it represents €8,312,442. It represents the assets other than indirect private equity investment.

Indirect Private Equity Investments
The aggregate value of Indirect Private Equity Investments may not exceed an amount equal to 25 percent. of the Net Asset Value 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 Net Asset Value as at the time that investment is made. Private equity investments made in linked transactions will be aggregated for the purposes of this calculation.

Hedge fund investments (other than Manager Funds)
The Directors have also determined that BGHL's investments in hedge funds (other than Manager Funds) when aggregated may not exceed an amount equal to 25 percent of the Net Asset Value at the time of making any such investment.

Diversification

BGHL's investment policy is diversified by exposure to the investment strategies of BG Fund through BGHL's investment in BG Fund and through the other leveraged investments made by the Investment Manager as described above.

Other matters

Kleinwort Benson (Channel Islands) Fund Services Limited (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 2013 and 2012 neither of BGHL and BG Fund had any employees or owned any facilities.

2. Accounting policies

Statement of compliance

The financial statements of BGHL have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS") and with legislation and rules pertaining to Amsterdam Euronext and London Stock Exchange listed companies, as well as in accordance with The Companies (Guernsey) Law, 2008, as amended.

Basis of Preparation

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss. The financial statements, except for cash flow information, are prepared using the accrual basis of accounting. The accounting policies have been consistently applied by BGHL and are consistent with those used in the previous year except for IFRS 10 adoption change which is defined below. By virtue of BGHL's operations all assets and liabilities are considered to be current unless otherwise stated. "Net Assets" refers to net assets attributable to holders of redeemable shares.

BGHL meets the definition of an investment entity as defined by IFRS 10 and is therefore required to account for investments in its subsidiaries at fair value through profit and loss. This has resulted in a change in financial statements presentation as highlighted on pages 38 to 40.

Standards and amendments to existing standards applied from 1 January 2013

BGHL has adopted IFRS 13, 'Fair value measurement' and the amendments to IFRS 7 'Disclosures – Offsetting Financial Assets and Financial Liabilities'.

Amendments to IFRS 7, 'Disclosures – Offsetting Financial Assets and Financial Liabilities' requires disclosures to include information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights to offset associated with the entity's recognised financial assets and recognised financial liabilities, on the its financial position. Adoption of the amendment had no impact on BGHL.

IFRS 13, 'Fair value measurement', improves consistency and reduces complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS. If an asset or a liability measured at fair value has a bid price and an ask price, the standard requires valuation to be based on a price within the bid-ask spread that is most representative of fair value and allows the use of mid-market pricing or other pricing conventions that are used by market participants as a practical expedient for fair value measurement within a bid-ask spread. As a result of adoption of additional disclosures has been included in Note 3.

Standards effective after 1 January 2013 that have been early adopted by BGHL

BGHL has early adopted IFRS 10 'Consolidated Financial Statements', IFRS 11 'Joint Arrangements', IFRS 12 'Disclosure of Interests in Other Entities' as well as the amendments 'Investment Entities (Amendments to IFRS 10, IFRS 11, IFRS 12, IAS 27 and IAS 28)' which are effective 1 January 2014.

IFRS 10 'Consolidated Financial Statements': The objective of IFRS 10 is to establish principles for the presentation and preparation of consolidated financial statements. It sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee. It also sets out the accounting requirements for the preparation of consolidated financial statements.

IFRS 12 'Disclosure of Interests in Other Entities': The standard requires entities to disclose significant judgments and assumptions made in determining whether the entity controls, jointly controls, significantly influences or has some other interests in other entities. Entities will also be required to provide more disclosures around certain 'structured entities'. The amendments also introduce new disclosure requirements related to investment entities. Adoption has resulted in additional disclosures given in note 2 under "Change in accounting policy and transition".

2. Accounting policies (continued)

Standards effective after 1 January 2013 that have been early adopted by BGHL (continued)

IAS 27 (revised 2011), 'Separate Financial Statements': The objective of the standard is to prescribe the accounting and disclosure requirements when an entity prepares separate financial statements. Adoption of the standard had no impact on BGHL.

IFRS 11 'Joint Arrangements' and IAS 28 (revised 2011), 'Investments in Associates and Joint Ventures' have been adopted, however, these had no impact on BGHL.

On adoption, BGHL has determined that it meets the definition of an investment entity. As a result, BGHL has changed its accounting policy with respect to its investment in its subsidiary. The subsidiary, which was previously consolidated, was accounted for at fair value through profit or loss up to date of its disposal. This change in accounting policy has been applied retrospectively in accordance with the transition provisions of IFRS 10 and the Amendments to IFRS 10.

BGHL considered at the time of preparing and publishing the half-yearly report the requirements of §28 of IAS 34 and the anticipated imminent endorsement of the amendments to IFRS10, 11 and 12 by the European Union. The directors also paid heed to the need to ensure transparency for the shareholders and for the market as a whole and strove to ensure that the financial information provided was fair, balanced and understandable to the reader. As BGHL was in the process of disposing of CDM (which was disposed of in December 2013) and as, in the opinion of the directors, all relevant information relating to CDM was included in the half-yearly financial report, the directors considered that it was appropriate to early adopt the amendments to IFRS 10, 11 and 12 and IAS 27 and 28 in the interim financial statements.

New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2013 and not early adopted by the BGHL

IFRS 9, 'Financial Instruments', effective for annual periods beginning on or after 1 January 2018, 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. The standard is not expected to have a significant impact on the BGHL's financial position or performance, as it is expected that the BGHL will continue to classify its financial assets and financial liabilities (both long and short) as being at fair value through profit or loss.

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

BGHL applies judgement when selecting the method of valuation of its investments in BG Fund (please refer to Note 3 for description of the method used).

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 and prudent. However, actual results could differ from these estimates.

2. Accounting policies (continued)

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 period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income. Translation differences on non-monetary items held at fair value through profit or loss are reported as part of the fair value gain or loss.

Investments at fair value through profit and 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 investment is provided to the board of Directors on that basis.

Investment transactions are accounted for on a trade date basis. Investments are initially recognised at fair value excluding attributable purchase costs. Investments are subsequently carried at fair value determined, by the Sub-Administrator. Listed securities are valued by using quoted prices, whereas non-listed equities are valued by using the NAV determined by independent administrator. Valuation methodology for different investments is discussed in note 3.

Changes in the fair value of investments are recorded in the Statement of Comprehensive Income.

Recognition/derecognition

Purchases and sales of investments are recognised on the trade date - the date on which BGHL commits to purchase or sell the investment. Investments 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.

Taxation

Current income tax assets and liabilities for the current period 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 the BGHL directly and through Master Fund, operates and generates taxable income.

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 £600 (2012: £600). As a result, no provision for income taxes has been made in the financial statements.

BGHL invests in foreign countries which may levy withholding tax at source and may indicate that capital gains taxes may be applicable to non residents, such as the BGHL. These capital gains taxes may not be deducted by the BGHL's brokers on a "withholding" basis. BGHL incurred and paid income tax of EUR 3,082,757 (2012: NIL) on disposal of its investment Compagnie des Minquiers.

Income and expenses

Other 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.

2. Accounting policies (continued)

Interest income and expense

Interest income, arising on cash and interest expense, arising on overdrafts, borrowed debt securities are recognised in the Statement of Comprehensive Income within interest income and interest expense using the effective interest method.

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 BG Fund and other investments.
(c) The performance of investments made through BG Fund and other investments is measured and evaluated on a fair value basis.

For investment securities related exit strategies, please refer to note 4(d) of these financial statements.

Unconsolidated subsidiary

Due to subscriptions made during the year, BGHL increased its holding in BG Umbrella Fund Plc at year end 31 December 2013 to 58% (2012; 48%). As a result, BGHL controls BG Umbrella Fund Plc through its holding of the voting rights and ownership interests. BG Umbrella Fund Plc is structured as umbrella and is a public company with limited liability, incorporated in Ireland. BG Umbrella Fund Plc owns 100% of shares of the Master Fund.

Total subscriptions made by BGHL into BG Umbrella Fund Plc during the year ended 31 December 2013 were €60,000,000 (2012: €523,655,789). As at 31 December 2013 and 31 December 2012 there were no capital commitment obligations and no amounts due to BG Umbrella Fund Plc for unsettled purchases. BGHL invests into BG Umbrella Fund Plc by purchasing BG Fund's redeemable participating shares which is a sub fund of BG Umbrella Fund Plc. BG Umbrella Fund Plc allows redemptions of these shares on a monthly basis with a 60 day notification period. Movements in the fair value of BG Umbrella Fund Plc's investments may expose BGHL to a loss.

Basic 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.

Net Asset Value 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.

Share issue cost

Share issue costs have been borne by the Investment Manager.

Short term loan

Short term loans are carried at amortised cost. Interest paid on loans is recognised in the Statement of Comprehensive Income within interest expense using the effective interest method.

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.

2. Accounting policies (continued)

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.

Operating segments

The Board is of the view that BGHL is engaged in a single segment of business, being investment in financial instruments.

The Board, as a whole, has been determined as constituting the chief operating decision maker of BGHL. The key measure of performance used by the Board to assess BGHL's performance and to allocate resources is the total return on BGHL's net asset value, as calculated under IFRS, and therefore no reconciliation is required between the measure of profit or loss used by the Board and that contained in the financial statements.

The majority of BGHL's investments are in BG Fund which is domiciled in the Republic of Ireland. BGHL is domiciled in Guernsey.

Change in accounting policy and transition

BGHL has chosen to early adopt IFRS 10, IFRS 12 and IAS 27 ('Investment entities amendments') which were endorsed by the European Union on 20 November 2013 and are mandatory for accounting periods beginning on or after 1 January 2014. The amendments require an investment entity as defined by IFRS 10 to consolidate only those subsidiaries that provide services relevant to its investment activities, such as management services, strategic advice and financial support to its investees. Subsidiaries that do not provide investment-related services are required to be measured at fair value through profit or loss in accordance with IAS 39 Financial Instruments: Recognition and Measurement.

The Directors have determined that BGHL is an investment entity as disclosed earlier.

BGHL does not have any subsidiaries that provide services relevant to its investment activities and need to be consolidated.

The subsidiary, which was previously consolidated and did not provide any investment related services, was sold during the period realizing a total profit of EUR 13,861,159. The fair value of the subsidiary as of change of accounting policy was EUR 19,231,009.

The transition provisions require retrospective application in accordance with IAS 8. However, it specifies that an entity need only present the quantitative information required by paragraph 28(f) of IAS 8 for the annual period immediately preceding the date of initial application. Comparative amounts have been restated in accordance with the transition guidance as presented below. The transition provisions require retrospective application in accordance with IAS 8. However, it specifies that an entity need only present the quantitative information required by paragraph 28(f) of IAS 8 for the annual period immediately preceding the date of initial application. Comparative amounts have been restated in accordance with the transition guidance.

2. Accounting policies (continued)

Change in accounting policy and transition (continued)

The following table shows the adjustments made to each financial statement line item for the comparative period.

Statement of financial position

	31 December 2012 Consolidated Euro	Adjustment Euro	31 December 2012 (Restated) Euro
Assets			
Non-current Assets			
Investments at fair value through profit or loss	557,847,014	19,231,009	577,078,023
Current Assets			
Unrealized gain on foreign exchange forward derivatives contracts	139,090	-	139,090
Due from brokers	332,005	-	332,005
	558,318,109	19,231,009	577,549,118
Assets held for sale	77,994,290	(77,994,290)	-
Total assets	**636,312,399**	**(58,763,281)**	**577,549,118**
Equity and Liabilities			
Current Liabilities			
Short term loan	1,500,000	-	1,500,000
Due to brokers	171,126	-	171,126
Performance fees payable	8,882,394	-	8,882,394
Management fee payable	2,122,514	-	2,122,514
Other liabilities	74,178	-	74,178
	12,750,212	-	12,750,212
Liabilities held for sale	49,804,158	(49,804,158)	-
Total liabilities	**62,554,370**	**(49,804,158)**	**12,750,212**
Equity			
Share capital	511,878,964	-	511,878,964
Distributable reserve	1,059,137	-	1,059,137
Treasury shares	(3,749,613)	-	(3,749,613)
Retained earnings	61,156,141	(5,545,723)	55,610,418
Total Equity	**570,344,629**	**(5,545,723)**	**564,798,906***
Non-controlling interest	3,413,400	(3,413,400)	-
Net assets attributable to holders of redeemable shares after non-controlling interest	573,758,029*	(8,959,123)	564,798,906
Total Equity and liabilities	**636,312,399**	**(58,763,281)**	**577,549,118**

* As per Boussard & Gavaudan Holding Limited Company and Consolidated Annual Report and Audited Financial Statements for the year ended 31 December 2012.

2. Accounting policies (continued)

Change in accounting policy and transition (continued)

The following shows the adjustments made to each financial statement line item for the comparative period.

Statement of comprehensive income

	Year ended 31 December 2012 Consolidated Euro	Adjustment Euro	Year ended 31 December 2012 (Restated) Euro
Income			
Net realized gain on financial instruments at fair value through profit or loss	1,530,552	-	1,530,552
Change in unrealised gain on financial instruments at fair value through profit or loss	53,901,329	2,962,055	56,863,384
Net gain on financials assets at fair value through profit or loss	55,431,881	2,962,055	58,393,936
Realized and unrealized foreign currency gain on forward derivatives contracts	847,441	-	847,441
Other realised and unrealized foreign currency loss	(3,219)	-	(3,219)
	56,276,103	2,962,055	59,238,158
Interest income	466,349	1,427,364	1,893,713
Dividend income	112,439		112,439
Total income	**56,854,891**	**4,389,419**	**61,244,310**
Interest expense	29,997	-	29,997
Performance fees	8,882,394	-	8,882,394
Management fees	8,515,014	-	8,515,014
Administrative fees	128,167	-	128,167
Directors fees	128,041	-	128,041
Professional fees	3,466	-	3,466
Audit fees	98,931	-	98,931
Other expenses	159,964	-	159,964
Total expenses	**17,945,974**	**-**	**17,945,974**
Net profit	**38,908,917**	**4,389,419**	**43,298,336**
Profit for the year from discontinued operations	2,521,298	(2,521,298)	-
Profit for the year	41,430,215	1,868,121	43,298,336
Non-controlling interest	417,317	(417,317)	-
Increase in amounts attributable to holders of redeemable shares from operations after Minority interest	**41,012,898**	**2,285,438**	**43,298,336**

Net asset value per share and Basic and Diluted Earnings per share have been restated on pages 29 and 30 and all applicable notes (including note 4) have been restated accordingly.

3. Fair value of financial instruments

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 three levels of the fair value hierarchy are 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 quotes from inactive exchanges.

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

The valuation techniques used by BGHL to measure fair value during the year ended 31 December 2013 maximized the use of observable inputs and minimized the use of unobservable inputs.

The following table analyses BGHL's net assets between the three levels of the fair value hierarchy as of 31 December 2013:

Description	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total Fair Value**
	€	**€**	**€**	**€**
Financial assets at fair value through profit & loss				
Investments in BG Fund	-	625,911,772	-	625,911,772
Investments in Private equity deals	-	-	31,949,079	31,949,079
Investment in money market fund	174,900	-	-	174,900
Investments in Listed equity deals	8,137,542	-	-	8,137,542
Derivatives				
Forwards	-	1,631	-	1,631
Total	**8,312,442**	**625,913,403**	**31,949,079**	**666,174,924**

Changes in investments measured at fair value for which Level 3 inputs have been used

Financial assets	**Private equity**	**Total**
	€	**€**
Balance as of 31 December 2012	29,176,164	29,176,164
Purchases	20,364,030	20,364,030
Sales	(29,634,749)	(29,634,749)
Realised gain	13,108,319	13,108,319
Unrealised gain	(1,064,685)	(1,064,685)
Balance as of 31 December 2013	31,949,079	31,949,078

Investments in BG Fund were previously stated at Level 3. Following a reassessment of the inputs to valuation, these investments are now classified as Level 2 in the current and previous period.

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

3. Fair value of financial instruments (continued)

The following table analyses BGHL's net assets between the three levels of the fair value hierarchy as of 31 December 2012:

Description	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
	€	€	€	€
Financial assets at fair value through profit & loss				
Investments in BG Fund	-	543,432,429	-	543,432,429
Investments in Private equity deals	-	-	29,176,164	29,176,164
Investment in money market fund	174,774	-	-	174,774
Investments in Listed equity deals	4,294,656	-	-	4,294,656
Derivatives				
Forwards	-	139,090	-	139,090
Total	**4,469,430**	**543,571,519**	**29,176,164**	**577,217,113**

Changes in investments measured at fair value for which Level 3 inputs have been used

Financial assets	Non listed equities	Private equity	Total
	€	€	€
Balance as of 31 December 2011	529,455,817	27,150,611	556,606,428
Sales	(39,700,000)	(3,343,763)	(43,043,763)
Realised gain/(loss)	1,692,616	-	1,692,616
Unrealised gain/(loss)	51,983,996	5,369,316	57,353,312
Transfer to level 2	(543,432,429)	-	(543,432,429)
Balance as of 31 December 2012	-	29,176,164	29,176,164

All assets and liabilities not carried at fair value but for which fair value is disclosed, has been classified as level 2.

The change in unrealised level 3 securities held at year end included in net realised and unrealised gains on financial assets and liabilities at fair value through profit or loss was EUR (78,272,684) (2012: EUR 56,257,737).

Apart from reclassification of BG Fund there were no transfers between levels for the year ended 31 December 2013 and 31 December 2012. Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period.

A sensitivity analysis for level 3 securities has not been presented due to the fact that these securities have no other unobservable inputs available to calculate the valuation sensitivity impact.

Rasaland Investors Plc

Rasaland Investors Plc ("RLI") is a Maltese company dedicated to investing in land, land development and high-end resort developments in Mexico. The company is structured as a private equity fund.

RLI is administered by Francis J. Vassallo & Associates, a Maltese company. The administrator relies on Cushman Wakefield to calculate the market value of the assets, essentially land prices, and on the lawyers, Baker & Mackenzie for the verification of the ownership of assets. In accordance with BGHL's valuation policy, this investment structured as a Private Equity fund is valued according to the NAV per share calculated by the administrator. As of close of business 31 December 2013, RLI's administrator has calculated a NAV per share of \$1.0823. Given the illiquid nature of the investment, the status of the Mexican real estate market and the political environment, BGHL's valuation committee has decided to maintain the investment at cost of \$1 for as long as the NAV per share calculated by RLI's administrator remains between \$1.00 and \$1.25.

3. Fair value of financial instruments (continued)

Infofin Participation Bond

BGHL owns bonds issued by Infofin Participations Sàrl secured by, and exchangeable into GFI shares. The bond is carried at its fair value, which is currently the parity of the bond (i.e. its conversion value).

Underlying investments of BG Fund and the Master Fund

Although BG Fund is classified as level 2 in the fair value hierarchy by BGHL, the underlying Master Fund holds level 3 investments. Level 3 investments are fair valued by the Investment Manager's portfolio management team using a variety of techniques including discounted cash flows and public/private company comparables. 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. Each level 3 valuation is documented. This documentation is updated and reviewed monthly by the Investment Manager's Valuations Committee. The Directors have reviewed the Level 3 valuations and are satisfied that they fairly represent the value of the assets held by BGHL as at 31 December 2013.

Other assets and liabilities approximate their carrying amounts largely due to short term maturities of these instruments.

4. Financial instruments and associated risks

(a) Risk management policy

The Investment Manager has established a separate Risk Management Unit which reports to the Chief Executive Officer ("CEO"). 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. The committee formally meets on a weekly basis to review the exposures of BG Master Fund Plc and take decisions regarding risk and performance and also considers the exposures of BGHL as appropriate.

Exposures are calculated from a risk management system which is third party proprietary software provided by a leading risk & portfolio management solution provider. The system provides extensive real time information on BGHL's as well as on the BG Master Fund Plc's exposures and limits. The system provides sensitivities 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.

The Investment Manager seeks to achieve BG Fund's investment objective (via BG Master Fund Plc) principally by arbitraging instruments and to a lesser extent by taking directional exposures. Through a rigorous investment process the Investment Manager carefully identifies and assesses risks before investing. The BG Master Fund Plc arbitrages linear and non linear instruments that can be exchange traded or over the counter, derivative or non derivatives. The Investment Manager may use derivative financial instruments for investment purposes or to hedge against fluctuations in the relative values of the Fund's portfolio positions. The investments of the BG Master Fund Plc are subject to normal market fluctuations and to the risks inherent in investment in securities and 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 main types of financial risk to which BGHL is exposed to market risk, credit risk and liquidity risk.

BGHL is - to a lesser extent - exposed to operational risk which is monitored by the Qualitative Risk Management team. As part of its corporate governance the Investment Manager has ensured strict separation of duties between finance, administration, operation, legal & compliance, internal control, technology and risk management functions. All the units report to the CEO of the Investment Manager. Some middle and back office functions are outsourced to the administrator.

4. Financial instruments and associated risks (continued)

(b) 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 BG Fund makes though BG Master Fund Plc. 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 section (i), (ii) and (iii) below.

Both BGHL and BG Fund through BG Master Fund Plc take significant market risk exposure from the investments they make. When assessing market risks the Investment Manager always combines:

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

The Investment Manager has also replicated the model used by the prime brokers to model BG Master Fund Plc's risk. Given that prime brokers are the financing and leverage providers of BG Master Fund Plc, their view of the risk is central to the Investment Manager and so is the consequence of any restriction they may take. Their measure constitutes an independent risk measurement.

Macroeconomic risk

Macroeconomic risk is defined as the risk 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 moves* the Investment Manager assesses exposure by using *Greek sensitivity factors* ("Greeks") mainly to equity, credit, interest rate 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 looking at risks from the portfolio level down into each strategy, sub-strategy, trade and finally individual instrument in order to identify the main contributors to losses. A "trade" generally means a combination of financial instruments which contribute to the same arbitrage. 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 type 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. The qualitative approach sometimes requires exchange of information with market participants to get a better feel of the general situation.

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 BGHL or BG Fund have 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.

4. Financial instruments and associated risks (continued)

(b) Market Risk (continued)

Quantitative analysis

For *limited market moves* 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 BGHL and of BG 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.

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 BGHL and BG Master Fund Plc 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 BGHL to unwind a specific trade in a reasonable timeframe. Liquidity has, by definition, an idiosyncratic component, but it also varies according to macroeconomic conditions.

Independent risk measurement (Equity at risk)

Prime brokers, when providing financing to hedge funds, take a risk that they assess using their own methodologies. Even though each prime broker has its own methodologies and risk measures, approaches tend to be quite 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 effect 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 BG Master Fund Plc's portfolio it holds in custody.

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 with an additional slight conservative bias. Equity-at-risk calculations are run every night and reconciled against the prime broker ones.

The level of *Excess Margin* is the level of spare risk to increase positions or enter into additional ones. An Excess Margin of 25%, which corresponds to a 75% level of Equity-at-Risk, means that the Fund can theoretically increase all of the positions in portfolio by approximately 33% without having to raise further cash. The model makes it possible to estimate the Fund's potential for additional leverage across all its prime brokers. *Excess margin is a key indicator*, used by the Investment Manager to monitor the *solvency* of the Fund. A large level of excess is maintained at any time. The Investment Manager secures the excess margin of the Fund by signing Term Margin Agreements with its prime brokers. These agreements allow haircut levels to be frozen over a pre-agreed period of time.

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.

(i) Equity price risk

Equity 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. Equity price risk exposure arises from BGHL's investments in equity securities and in BG Fund. BG Fund's portfolio is protected 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 significant protection in the case of a market crash.

BGHL takes significant equity price risk from the investments it makes.

For exposure by class of financial assets please refer to note 3.

At 31 December 2013, should the price of BG Fund and investments other than BG Fund 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 €66,617,330 (2012: €57,707,802).

4. Financial instruments and associated risks (continued)

(b) Market Risk (continued)

(ii) 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 is also exposed to interest rate risk through its holding in BG Fund. BG Fund uses interest rate derivatives, such as futures and swaps, to totally or partially hedge the interest risk components of its bond and loan portfolio. Master Fund may also take directional positions using futures or other financial instruments.

BGHL has entered into an intra month interest bearing advance agreement with BG Fund for the purposes of financing its share buybacks. BGHL borrows money under the advance agreement at variable rates with maturities up to one month. As a consequence, BGHL has exposure to short term interest rate risk and more specifically to an increase in short term rates. In addition, on 22 November 2013 BGHL entered into a committed revolving loan facility agreement with Natixis with a maximum principal amount of €60 million with a one year maturity. These borrowing arrangements are described further in note 12.

Over the year, BGHL has borrowed money in Euro at a variable rate plus a spread rate that has ranged from 1.61% and 1.683%. BGHL has benefited from the decrease of short term interest rates.

An increase of 1% in short term rates would increase BGHL's cost of borrowing, and accordingly, the profit and loss for the year and the net assets, by €605,000 based on the position at the end of 2013 compared to €15,000 based on the position at the end of 2012.

(iii) 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.

The functional and presentational currency of BGHL is Euro. As a result, the investments that are carried as assets in the respective financial statements are stated in Euros. When valuing investments that are denominated in currencies other than the Euro, BGHL is required to convert the values of such investments into Euros based on prevailing exchange rates as of the end of the applicable accounting period. BGHL is mainly invested in BG Fund which is a fund denominated in Euro and consequently BGHL has no direct exposure to foreign exchange risk. However, BGHL has indirect foreign exchange exposure to the investments of BG Fund arising from its non Euro denominated positions. BG Fund may buy or sell currencies and enter into forward foreign exchange contracts to increase, mitigate or reduce the currency risk of the portfolio. Master Fund measures its exposure to foreign currency risk by calculating the Delta sensitivity of the portfolio to foreign exchange rate.

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 the with Sterling equivalent of the Euro performance. BGHL uses forward foreign exchange contracts with maturities up to three months to hedge its private equity investments which are denominated in foreign currencies.

Forward currency contracts 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. Forwards 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, indices. In addition, because of the low margin deposits normally required in relation to notional contract sizes, a high degree of leverage may be typical of forward trading contracts. As a result, a relatively small price movement in an underlying of a forward contract may result in substantial losses or gains. Forward contracts are generally subject to liquidity risk. If prices fluctuate during a single day's trading beyond those limits, BGHL could be prevented from promptly liquidating unfavourable positions and thus could be subject to substantial losses.

4. Financial instruments and associated risks (continued)

(b) Market Risk (continued)

(iii) Foreign currency risks (continued)

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, the net amounts payable at 31 December 2013 were €195,859 (2012: €9,341).

The table below summarises BGHL's exposure to foreign currency risks:

	Amount Stated in EURO 31 December 2013	
	GBP	**USD**
Investments at fair value through profit or loss	-	7,262,141
Due from brokers	4,368	9
Foreign exchange forward derivatives contracts	-	(7,262,038)
Net FX exposure of the portfolio	4,368	112
Foreign exchange forward linked to the hedge of the GBP share class	14,596,475	-
Net FX Exposure of the Company including hedge of the sterling class	14,600,843	-
Value of GBP shares	(14,964,267)	112

	Amount Stated in EURO 31 December 2012	
	GBP	**USD**
Investments at fair value through profit or loss	-	7,585,790
Due from brokers	577	9
Foreign exchange forward derivatives contracts	-	(7,585,815)
Net FX exposure of the portfolio	577	(16)
Foreign exchange forward linked to the hedge of the GBP share class	19,676,038	-
Net FX Exposure of the Company including hedge of the sterling class	19,676,615	-
Value of GBP shares	(19,787,190)	(16)

The following table provides an analysis of the effect of a 5% strengthening in the reporting currency against each of the relevant foreign exchange currencies, assuming all the other variables remain constant. A negative amount in the table reflects a potential net reduction in the profit and loss for the year and on its net assets, while a positive amount reflects a net potential increase. If the reporting currency weakened by 5% it would have had the equal but opposite effect, on the basis that all other variables remain the same.

31 December 2013	GBP	USD
Change in currency rate in %	5%	5%
Profit & Loss and net asset effect	730,042	6
Net effect on sterling value to sterling shareholders	18,607	6

31 December 2012	GBP	USD
Change in currency rate in %	5%	5%
Profit & Loss and net asset effect	983,831	(1)
Net effect on sterling value to sterling shareholders	5,586	(1)

At 31 December 2013, BGHL had contracted to buy and sell the following amounts:

Purchase Currency	**Unit**	**Sale Currency**	**Unit**	**Settlement Date**	**Unrealised gain/(loss) (Euro)**
EUR	14,721,849	USD	(20,000,000)	1/6/2014	197,490
GBP	12,137,000	EUR	(14,667,761)	1/6/2014	(71,003)
USD	10,000,000	EUR	(7,387,036)	1/6/2014	(124,856)
					1,631

4. Financial instruments and associated risks (continued)

(b) Market Risk (continued)

(iii) Foreign currency risks (continued)

At 31 December 2012, BGHL had contracted to buy and sell the following amounts:

Purchase Currency	Unit	Sale Currency	Unit	Settlement Date	Unrealised gain/(loss) (Euro)
EUR	7,734,245	USD	(10,000,000)	1/4/2013	148,431
EUR	15,980,000	EUR	(19,685,379)	1/4/2013	(9,341)
					139,090

(c) 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.

The Investment Manager's Qualitative Risk Management team is in charge of measuring and monitoring counterparty risk. A Counterparty Risk Committee oversees the activity of the team. BGHL is exposed to the credit risk of the counterparties, and through them to brokers, dealers and exchanges, with which it deals, whether they engage in exchange-traded or off-exchange transactions. BGHL is also exposed through these kind of trades done by BG Fund through BG Master Fund. 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.

BG Master Fund Plc's and BGHL's exposure to brokers/dealers is with reputable broker/dealers. BG Master Fund Plc's and 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. All securities transactions of BG Master Fund Plc are cleared by major securities firms pursuant to customer agreements. BG Master Fund Plc had substantially all its individual counterparty concentrations with these brokers and their affiliates.

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 2013		
	Due from Brokers	**Due to Brokers**	**Net**
	€	**€**	**€**
Unsettled trades	-	(3,667,978)	(3,667,978)
Cash held with custodians	7,430,874	-	7,430,874
Gain on forward contract	1,631	-	1,631
	7,432,505	(3,667,978)	3,764,527

	31 December 2012		
	Due from Brokers	**Due to Brokers**	**Net**
	€	**€**	**€**
Unsettled trades	-	(171,126)	(171,126)
Cash held with custodians	332,005	-	332,005
Gain on forward contract	139,090	-	139,090
	471,095	(171,126)	299,969

Unsettled trades

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.

4. Financial instruments and associated risks (continued)

(c) Credit risk (continued)

Cash held with custodian
BNP Paribas Securities Services has been appointed as BGHL's Custodian pursuant to a custodian agreement, under which it is appointed to act as a custodian of BGHL's investments, cash and other assets and accepts responsibility for the safe custody of the property of BGHL, which is delivered to and accepted by the Custodian. The Custodian is entitled to receive a fee from BGHL based on an agreed percentage per annum of the assets held in custody. BNP Paribas is a large financial institution having investment grade ratings from the major rating agencies of Aa3 (Moody's) and AA^- (Standard & Poors and Fitch).

BGHL has entered into a liquidity enhancement agreement with Exane BNP Paribas SA ("Exane") on 14 August 2008. Under the agreement, Exane, acting independently but on behalf and in the name of BGHL, effects purchases and sales of euro shares of BGHL on Euronext Amsterdam. To enable Exane to operate BGHL has opened a cash account and a securities account with BNP Paribas Securities Services. BNP Paribas Securities Services SA is a wholly-owned subsidiary of BNP Paribas SA.

Any shares of BGHL purchased by Exane on behalf of BGHL and not cancelled are held in the name of BGHL. The cash account is credited from time to time, by BGHL with the necessary amount in order to fund further purchases of shares. This agreement is tacitly renewed for one year every 31 December. Because the assets in custody (other than cash) are segregated from the assets of the custodian, the credit risk exposure of BGHL to BNP Paribas and BNP Paribas Securities Services SA is limited to the amount of cash deposited by BGHL with these banks. As at 31 December 2013 the net credit exposure was €7,430,874 (2012: €332,005).

Off balance sheet risk in relation to over-the-counter derivatives
Some of the markets in which BGHL operates are "over-the counter" markets. Participants in these markets are typically not subject to credit valuation and regulatory oversight as are members of "exchange-based" markets. To the extent that BGHL invests in over-the-counter transactions in these markets, it may take a credit risk with regard to parties with which it trades and also 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 facilitate settlement, may increase the potential for losses to BGHL. 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. Counterparty risk exposure is monitored daily. The risk management system gives real time marked to market position, collateral and risk exposure.

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.

Exposure to investment other than on BG Fund.
Part of the cash allocated to the liquidity enhancement programme, which has not been used to buy back the shares of BGHL, is invested by Exane in "BNP Paribas Cash Invest" a pure money market fund distributed by a subsidiary of the BNP Paribas SA group. BGHL and BG Master Fund Plc enter into forward foreign currency contracts with Credit Suisse London which is a well known and large financial institution which is investment grade and at least single A rated by the major rating agencies. On 31 December 2013, BGHL had a credit exposure relative to these derivative instruments of €NIL (2012: €NIL). There is no collateral agreement to protect this exposure and consequently no collateral amount paid.

4. Financial instruments and associated risks (continued)

(c) Credit risk (continued)

Exposure to BG Fund
95.58% (2012: 94.17%) of BGHL's investments are in BG Fund in the form of a puttable financial instrument. There is therefore a risk that BG Fund will be unable to pay amounts in full if and when BGHL chooses to redeem some or all of its investments in BG Fund. Accordingly, BGHL has direct credit exposure to BG Fund and indirect credit risk exposure through BG Fund's own exposure to credit risk of its investment in Master Fund.

BG 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.

The effect of offsetting in current year and prior year is not material.

(d) 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:
- fees and other expenses payable
- amounts payable for the share buy backs
- repayment of short-term borrowing contracted to finance the share buy backs until the proceeds of the redemption from BG Fund are received and to finance non- Master / BG Fund investments
- interests on loans and other expenses and amounts payable
- amounts due under forward foreign exchange contracts

BGHL manages its ability to fulfil these commitments by combining:
- the use of the working capital
- redemptions in BG Fund
- the use of an intra-month bridge facility agreement (see note 12).

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 may redeem its units, shares or interests in BG Fund on a monthly basis and does not have any special or preferential rights in BG Fund. BGHL's ability to realise its investments at an optimal price may accordingly be limited. Redemptions and subscriptions in BG Fund are used to ensure that the exposure of BGHL to BG Fund is consistent with the offering memorandum. The impact of the Sterling versus Euro due to the sterling shares will also require such adjustments. Share buy backs are financed by redemptions in BG Fund which permit the repayment of the money borrowed under the short term bridge facility. The timing and ability in redeeming BG Fund's shares may expose BGHL if the bridge facility agreement is recalled by BG Fund.

All financial liabilities of BGHL at 31 December 2013 were due to be settled in six months as shown in the table below.

	At 31 December 2013		**At 31 December 2012**	
In EURO	**Less than 1 month**	**1 month to 6 months**	**Less than 1 month**	**1 month to 6 months**
Natixis Loan	-	(60,117,150)	-	-
Other short term loan	(500,000)	-	(1,500,000)	-
Due to brokers	(3,667,978)	-	(171,126)	-
Performance fees payable	-	(18,494,325)	-	(8,882,394)
Management fee payable	-	(2,236,028)	-	(2,122,514)
Other payables	(106,077)	-	(74,178)	-
Interest and dividends payable	(538)	-	-	-
Total financial liabilities	**(4,274,593)**	**(80,847,503)**	**(1,745,304)**	**(11,004,908)**

4. Financial instruments and associated risks (continued)

(d) Liquidity risk (continued)

All financial liabilities of BGHL at 31 December 2013 were due to be settled in six months as shown in the table below.

	At 31 December 2013		At 31 December 2012	
In EURO	**Less than 1 month**	**1 month to 6 months**	**Less than 1 month**	**1 month to 6 months**
Natixis Loan	-	(60,117,150)	-	-
Other short term loan	(500,000)	-	(1,500,000)	-
Due to brokers	(3,667,978)	-	(171,126)	-
Performance fees payable	-	(18,494,325)	-	(8,882,394)
Management fee payable	-	(2,236,028)	-	(2,122,514)
Other payables	(106,077)	-	(74,178)	-
Interest and dividends payable	(538)	-	-	-
Total financial liabilities	**(4,274,593)**	**(80,847,503)**	**(1,745,304)**	**(11,004,908)**

***(e)* Capital management**

In managing the capital of BGHL 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 favorable effect of increasing the net asset value per share since the shares bought back have been purchased at a discount to their net asset value. Transactions under the programme are disclosed in Note 11.

	Fair value at 31 December 2013 €	Fair value at 31 December 2012 €
External Debt	60,500,000	1,500,000
Equity	611,837,702	564,798,906
Ratio = External Debt / Equity	9.89%	0.27%

Over the year the indebtedness of BGHL has increased from 0.27% to 9.89% which is all comprised of short-term commitments. As explained in note 12 short-term commitments are being used in order to finance

- the share-buy back programme on a monthly basis, until BGHL receives the proceeds from its monthly redemptions in BG Fund.
- longer term commitments like listed and private equity investments.

BGHL is not subject to any externally imposed capital requirements.

5. Net gain from financial assets and liabilities designated as held for trading

	At 31 December 2013 €	At 31 December 2012 €
Held for trading		
Net realised gain on forward contracts	111,201	997,735
Net unrealised loss on forward contracts	(137,459)	(150,294)
Net (loss)/gain from financial assets and liabilities	(26,258)	847,441

6. Investments in financial instruments through profit or loss

	31 December 2013 €	31 December 2012 €
Investments in BG Fund Cost: 2013: €506,908,514 (2012: €498,702,597)	625,911,772	543,432,429
Investments in Listed equity Cost: 2013: €5,372,499 (2012: €4,754,899)	8,137,542	4,294,656
Investments in Private equity Cost: 2013: €26,714,426 (2012: €22,876,826)	31,949,079	29,176,164
Investment in money market fund Cost: 2013: €171,944 (2012: €187,542)	174,900	174,774
Total	666,173,293	577,078,023

	31 December 2013 €	31 December 2012 €
Opening cost	526,506,303	568,566,683
Additions	80,981,629	479,646
Disposal proceeds	(88,564,749)	(44,070,578)
Realised gain	20,244,240	1,530,552
Ending cost	539,167,423	526,506,303
Unrealised gains on investments at fair value	127,005,870	50,571,720
Ending fair value	666,173,293	577,078,023

7. Related Party transactions

There have been related party transactions as set out below over the year and as disclosed in note 9. Each Director is paid an annual fee of €23,000 (2012: €23,000) for a total of €57,500 (2012: €69,000); the Chairman is entitled to receive €41,500 (2012: €41,500) per annum and the Chairman of the audit committee receives on additional fee of €7,500 (2012: €7,500) per annum.Mr Sameer Sain retired at the last annual general meeting held on 11 July 2013 and did not offer himself for reelection.

8. Administration fees

Kleinwort Benson (Channel Islands) Fund Services Limited, the Administrator, is entitled to an annual fee. In addition, the Administrator outsources the accounting to SS&C GlobeOp Financial Services LLC for an annual service fee payable monthly.

9. Management fees and Performance fees

BGHL has appointed Boussard & Gavaudan Asset Management, LP as investment manager pursuant to an investment management agreement entered into on 13 October 2006.

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, such notice not to expire before the third anniversary of admission of BGHL’s existing Shares to Euronext Amsterdam, 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.

9. Management fees and Performance fees (continued)

If the Investment Management Agreement is terminated before 31 December in any year, 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 Net Asset Value. 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 Net Asset Value per share during that Calculation Period above the net asset value per Share of the relevant class (the "Base Net Asset Value per Share").

The Base Net Asset Value per Share is the highest Net Asset Value per Share achieved as at the end of any previous Calculation Period (if any).

The Performance Fee in respect of each Calculation Period is calculated by reference to the Net Asset Value per Share before deduction for any accrued Performance Fee. The Performance Fee attributable to each class of Shares is paid solely from the relevant Pool underlying each class of Shares such that no class of Share shall bear any part of the Performance Fee attributable to any other class of Shares. The effect of hedging the currency exposure of a class of Shares on the relevant Pool is included when the Performance Fee is calculated. For the purposes of calculating the Performance Fee and for the avoidance of doubt, the Net Asset Value per Share of a class includes in full, any increase in the Net Asset Value per Share of that class attributable to any repurchase by BGHL of that class of Shares.

On 17 July 2009, BGHL and the Investment Manager agreed to apply a different method to calculate the performance fee payable by BGHL to the Investment Manager other than the method set out in the Management Agreement. The objective was to avoid a potential inequitable treatment of shareholders which would have resulted from overpayment of performance fee on a per share basis.

Under the original method the performance fee could become payable based on the full year performance in relation to shares that were no longer in existence at year end, leading to the remaining shares in issue paying too much performance fees on a per share basis. This situation could arise because the number of shares in issue varies over time, either because of (i) conversions between the two share classes, or (ii) buy back of shares by BGHL.

Under the revised method the performance fee is calculated on each share based on the performance attributable to that share until such time as that share no longer exists.

At the time of adoption, the Board together with its advisers concluded that the new method was fair and reasonable and the Financial Services Authority was duly notified.

Any benefit to BGHL in terms of a decrease in the performance fee payable under the new methodology is unrestricted. Any benefit to the Investment Manager in terms of an increase in the performance fee payable under the new methodology is restricted to no more than 5 percent of BGHL's net asset value.

For the year ended 31 December 2013 the Management fees were €8,644,848 (2012: €8,515,014), at 31 December 2013 €2,236,028 (31 December 2012: €2,122,514) was payable.

For the year ended 31 December 2013, the Performance fees were €18,494,325 (2012: €8,882,394), at 31 December 2013 €18,494,325 (31 December 2012: €8,882,394) was payable.

10. Share Capital

Allotted, issued and fully paid

As on 31 December 2013	**Shares**	**Euro**
Class A EURO of €0.0001	35,711,711	3,571
Class A GBP of €0.0001	825,946	83

As on 31 December 2012	**Shares**	**Euro**
Class A EURO of €0.0001	37,044,424	3,704
Class A GBP of €0.0001	1,205,925	121

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

	Class A EURO	Class A GBP
Opening Balance	37,044,424	1,205,925
Share Issues	-	-
Share Cancellation	-	-
Share Buy-backs	(1,745,133)	-
Share Conversions	412,420	(379,979)
Closing balance of Shares	35,711,711	825,946

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 (Guernsey) Laws 2008, as amended 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.

The making and timing of any buy back will be at the absolute discretion of the Directors. 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. Treasury shares

The acquisition of treasury shares started on 27 February 2008. As of 31 December 2013 BGHL holds 1.15% (2012: 1.14%) of its issued share capital in treasury shares which represents 424,975 shares (2012:440,219).

As per European legal rules BGHL is not permitted to hold more than 10% of its issued share capital in treasury.

BGHL's allotted, issued and fully paid share capital

Prior to the effect of the treasury shares held at €0.0001 each

	Nominal Euro	**Shares Euro**	**Nominal GBP**	**Shares GBP**
31 December 2013	€3,613.6686	36,136,686	€82.5946	825,946
31 December 2012	€3,748.4641	37,484,643	€120.5925	1,205,925

11. Treasury shares (continued)

After the effect of the treasury shares acquired at €0.0001 each

	Nominal Euro	Shares Euro	Nominal GBP	Shares GBP
31 December 2013	€3,571.1711	35,711,711	€82.5946	825,946
31 December 2012	€3,704.4424	37,044,424	€120.5925	1,205,925

BGHL has bought back the following shares during the year

	Number of EUR shares	EUR amount	Average Price	Number of GBP shares	GBP amount	Average Price
31 December 2013	1,745,133	€21,083,089	€12.0811	-	-	-
31 December 2012	2,932,325	€33,413,355	€11.3948	-	-	-

BGHL has cancelled the following shares during the year

	Number of EUR shares	EUR amount	Average Price	Number of GBP shares	GBP amount	Average Price
31 December 2013	1,760,377	€21,153,660	€12.0166	-	-	-
31 December 2012	5,120,869	€58,687,199	€11.4604	-	-	-

12. Other short term financing

Notes

The share buy-back programme is financed by redemptions of BG Fund shares. BG Fund has a monthly liquidity, which means that redemptions are payable at most once in every calendar month. BGHL does not know in advance the amounts 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 BG Fund.

In compliance with its investment policy, BG Fund 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. Although the stated maturity of the notes is 18 months from their issue date, BGHL has the option to redeem at any time the notes at par on a 2 business days' notice, which it does every month by applying the proceeds of BG Fund shares redemptions.

The terms of the notes 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, BG Fund may at any time, on a 90 calendar days notice, require BGHL to repay all notes at par.

On 31 December 2013, the total amount due under the notes was €500,538 (2012: €1,501,456); outstanding principal: €500,000 (2012: €1,500,000); interest accrued: €538 (2012: €1,456).

Bank Facility

On 22 November 2013, BGHL entered into a committed revolving loan facility agreement with Natixis in a maximum principal amount of €60 million with a one year maturity.

At 31 December 2013 the Loan Facility was fully utilised and its proceeds used to invest in BG Fund.

Under the terms of the agreement, BGHL has the option to early terminate the loan facility with Natixis before the expiry of the one year maturity. It also has the option to to request that the Facility be extended for a further one year and for a reduced maximum amount of €30 million.

12. Other short term financing (continued)

Bank Facility (continued)

The loan facility is secured by a first priority security interest granted by BGHL in favour of Natixis over certain of the shares in BG Fund held by BGHL. On 22 November 2013, in order to secure its obligations under the Natixis credit facility, BGHL granted to Natixis a first priority securitiy interest over its rights to 3,338,187 Euro Class B shares of BG Fund.

On 31 December 2013, the 3,338,187 BG Fund Shares of the Euro B Class pledged as collateral were valued at € 421,474,553.

In circumstances where, inter alia, the portion of interest payments relating to the spread made over the life of the loan facility were in an aggregate amount of less than €900,000, BGHL would be obliged to pay a prepayment fee representing the difference between such aggregate interest spread payments and €900,000. On 31 December 2013, the remaining off balance sheet commitment of BGHL was € 782,850 (2012:NIL).

The Investment Manager believes that the fair value of this option is negligible since:
- option on this minimum amount of fee can be exercised only by BGHL,
- BGHL would exercise this option if and only if it could borrow at a margin significantly lower than the margin applied by the lender, as the Loan is fully drawn, it is anticipated that this option will have no value left after one year.

On 31 December 2013, amounts of €60,000,000 (accrued interest €117,150) were due to Natixis under the Facility.

	31 December 2013	**31 December 2012**
	€	**€**
Opening balance	(1,500,000)	(4,000,000)
Repayments	18,950,000	31,500,000
Drawdown	(77,950,000)	(29,000,000)
Closing balance	(60,500,000)	(1,500,000)
Accrued interest	(117,688)	(1,456)
Other short term loan at fair value	(60,617,688)	(1,501,456)

13. 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 operating income per geographical location. The basis for attributing the operating income is the place of incorporation of the instrument's counterparty.

	31 December 2013	**31 December 2012 (restated)**
	€	**€**
Guernsey	(19,767)	(4,139)
Ireland	81,409,337	53,676,655
France	17,927,088	6,881,850
United Kingdom	(26,258)	847,441
Rest of the world	(156,376)	(157,497)
Total	99,134,024	61,244,310

13. Segment information (continued)

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

	2013 €	2012 (restated) €
Equity securities	93,877,926	58,393,982
Debt instruments	5,280,527	1,427,364
Derivative financial instruments	(26,258)	847,441
Foreign exchange gains on financial instruments not at fair value through profit or loss	1,829	575,523
Total	99,134,024	61,244,310

14. Total Expense Ratio

Total expense ratios for year ended 2013 is as below.

Year	Assets Under Management Year Average	Manager Fees	Admin & Depositary Fees	Other Fees	Total Fee
2012	564,208,479	3.09%	0.02%	0.07%	3.18%
2013	575,197,317	4.72%	0.02%	0.09%	4.83%

15. Comparatives

Comparative information has been provided for the year ended 31 December 2012. Certain comparative figures have been reclassified in order to conform to the presentation.

16. Post balance sheet events

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

17. Approval of financial statements

The financial statements were approved by BGHL on 29 April 2014 at which date these financial statements were considered final.