

Barings European Loan Limited

**Annual Report and Audited Financial Statements
for the financial year ended 31 December 2018**

Registration Number: 470783

Barings European Loan Limited
Financial Statements
for the financial year ended 31 December 2018
Contents

	Page
Directors and Other Information	1
Directors' Report	2
Statement of Directors' Responsibilities	4
Independent Auditor's Report	5
Statement of Comprehensive Income	7
Statement of Financial Position	8
Statement of Changes in Equity	9
Statement of Cash Flows	10
Notes to the Financial Statements	11
Schedule of Investments (Unaudited)	35
Significant Changes in Portfolio Composition (Unaudited)	44

Barings European Loan Limited

Directors and Other Information

Directors

Mr. James Cleary (Irish resident, Irish national)*
Ms. Barbara Healy (Irish resident, Irish national)*
Mr. David Conway (Irish resident, Irish national)*

Registered Office

70 Sir John Rogerson's Quay
Dublin 2, D02 R296
Ireland

Manager and Alternative Investment Fund Manager

(with effect from 29 June 2018)
Baring International Fund Managers (Ireland) Limited
70 Sir John Rogerson's Quay
Dublin 2, D02 R296
Ireland

Investment Manager and Alternative Investment Fund Manager

(up to 28 June 2018)
Barings Global Advisers Limited
20 Old Bailey
London EC4M 7BF
United Kingdom

Investment Manager

(with effect from 29 June 2018)
Baring Asset Management Limited
20 Old Bailey
London EC4M 7BF
United Kingdom

Barings LLC
300 S. Tryon St, Suite 2500
Charlotte
North Carolina 28202
United States

Sub-Investment Manager

(up to 28 June 2018)
Barings LLC
300 S. Tryon St, Suite 2500
Charlotte
North Carolina 28202
United States

Depository

State Street Custodial Services (Ireland) Limited
78 Sir John Rogerson's Quay
Dublin 2, D02 HD32
Ireland

Administrator, Registrar and Transfer Agent

State Street Fund Services (Ireland) Limited
78 Sir John Rogerson's Quay
Dublin 2, D02 HD32
Ireland

Independent Auditor

KPMG
Chartered Accountants and Statutory Audit Firm
1 Harbourmaster Place
International Financial Services Centre
Dublin 1, D01 F6F5
Ireland

Irish Legal Advisers to the Company

Matheson
70 Sir John Rogerson's Quay
Dublin 2, D02 R296
Ireland

Company Secretary

Matsack Trust Limited
70 Sir John Rogerson's Quay
Dublin 2, D02 R296
Ireland

*Independent Director

Barings European Loan Limited
Directors' Report
for the financial year ended 31 December 2018

The Directors present their report together with the audited financial statements of Barings European Loan Limited for the financial year ended 31 December 2018.

General information

Barings European Loan Limited (the "Company") is a limited liability company incorporated in Ireland under the Global Exchange Market of the registration number 470783. The Company is a subsidiary of Barings European Loan Fund (the "Parent") which is listed on the Irish Stock Exchange ("ISE"). The Parent is a fund of an Irish incorporated umbrella fund, Barings Global Investment Funds Plc, which is the ultimate parent of the Company (the "Ultimate Parent"). As at 31 December 2018, the Company held investments to the value of €5,131,117,411 (31 December 2017: €6,347,186,466). The Company financed its purchases of investments by way of a loan provided by the Ultimate Parent on behalf of its fund, the Parent, which is managed by Baring International Fund Managers (Ireland) Limited with effect from 29 June 2018. Baring Asset Management Limited and Barings LLC act as Investment Managers to the Parent with effect from 29 June 2018. Prior to 29 June 2018 Barings Global Advisers Limited acted as Investment Manager to the Parent, and Barings LLC acted as Sub-Investment Manager.

Business review and future developments

The Statement of Comprehensive Income is set out on page 7. The Directors do not anticipate any change in the structure or investment objectives of the Company.

Company objective

The Company's objective is to hold investments on behalf of its Parent.

Directors

The Directors who served during the financial year were:

Mr. James Cleary
Ms. Barbara Healy
Mr. David Conway

Company Secretary

Matsack Trust Limited acted as Company Secretary for the financial year.

Directors' and Secretary's interests

Neither the Directors nor the Secretary held any shares in the Company.

Ms. Barbara Healy, Mr. James Cleary and Mr. David Conway are also Directors of the Ultimate Parent and Baring International Fund Managers (Ireland) Limited.

There were no other contracts of any significance in relation to the business of the Company in which the Directors had any interest, as defined in the Companies Act, 2014 at any time during the financial year.

Risk management objectives and policies

The main risks arising from the Company's financial instruments are market risk, liquidity risk and credit risk. These are explained in Note 11 of the financial statements along with the risk management framework in place to deal with them.

Relevant audit information

As at the date this Directors' Report was approved and signed (set out below), each Director is satisfied that:

- (a) there is no relevant audit information of which the Company's statutory auditors are unaware; and
- (b) s/he has taken all the steps that she or he ought to have taken as a Director in order to make herself or himself aware of any relevant audit information and to establish that the Company's statutory auditors are aware of that information; and
- (c) where "relevant audit information" means information needed by the Company's statutory auditors in connection with preparing their report.

Audit Committee

The Company has decided that there is no requirement to form an audit committee as there are three independent Directors on the Board. The activities of the Company have been delegated to a number of service providers and there is a robust due diligence procedure in place for these service providers.

Barings European Loan Limited

**Directors' Report
for the financial year ended 31 December 2018 (continued)**

Directors compliance statement

In accordance with Section 225 of the Companies Act 2014, the Directors:

- (a) acknowledge that they are responsible for securing the Company's compliance with its relevant obligations; and
- (b) confirm that:
 - i) a compliance policy statement has been prepared setting out the Company's policies (that, in the Directors' opinion, are appropriate to the Company) for ensuring compliance by the Company with its relevant obligations;
 - ii) an adequate structure is in place, that in the Directors' opinion, is designed to secure material compliance with the Company's relevant obligations; and
 - iii) an annual review procedure has been put in place to review the Company's relevant obligation and ensure a structure is in place to comply with these obligations.

Dividends

No dividends are recommended by the Directors in respect of the financial year ended 31 December 2018 (31 December 2017: Nil).

Accounting records

The Directors ensure compliance with the Company's obligation to maintain adequate accounting records by appointing competent persons to be responsible for them. The accounting records are kept by State Street Fund Services (Ireland) Limited (the "Administrator"), 78 Sir John Rogerson's Quay, Dublin 2.

Brexit

The outcome of the Brexit negotiations continues to be uncertain and Barings continues to plan for a number of possible scenarios including a "no-deal" outcome. Barings is committed to ensuring continuity for its investors and protecting against potential regulatory or other market access barriers related to Brexit. In this regard, Barings has appointed Baring International Fund Managers (Ireland) Limited ("BIFMI"), an Irish AIFM, as the manager of the Fund. As a consequence, Barings will be able to use BIFMI's AIFMD passports to continue to market products into EU27 and to manage EU27 funds, unaffected by Brexit. Portfolio management in respect of European investments will continue to be delegated back to Baring Asset Management Limited, a UK entity and portfolio management of US investments will continue to be conducted by Barings LLC, a US entity. The depositaries/custodians and administrators of such funds are also EU27 entities. In addition, Barings has established a Dublin office and recruited several key employees for it, reflecting the increased significance of BIFMI's role within the business.

Whilst the medium to long-term consequences of the decision to leave the EU remain uncertain in any scenario, there could be short-term volatility which could have a negative impact on general economic conditions, business and consumer confidence in both the UK and EU, which may in turn have negative political, economic and market impacts more widely. The longer-term consequences may be affected by the terms of any future arrangements the UK has with the remaining member states of the EU27. Among other things, the UK's decision to leave the EU could lead to changes in the law and tax treatment of funds, instability in the equity, debt and foreign exchange markets, including volatility in the value of the pound sterling or the euro.

Significant events during the financial year

Please see Note 18.

Significant events after the financial year end

Please see Note 19.

Independent auditor

KPMG, Chartered Accountants, will continue in office in accordance with Section 383 (2) of the Companies Act, 2014.

On behalf of the Board of Directors:

Director:


James Cleary

Director:


David Conway

Date: 23 April 2019

Barings European Loan Limited

**Statement of Directors' Responsibilities
for the financial year ended 31 December 2018**

Statement of Directors' Responsibilities in respect of the Directors' Report and the financial statements

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union (EU) and applicable law.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the Company and of its profit or loss for that financial year. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRS as adopted by the EU; and
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the assets, liabilities, financial position and profit or loss of the Company and enable them to ensure that its financial statements comply with the Companies Act, 2014. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities. The directors are also responsible for preparing a Directors' Report that complies with the requirements of the Companies Act, 2014.

On behalf of the Board of Directors:

Director:


James Cleary

Director:


David Conway

Date: 23 April 2019

Barings European Loan Limited
Independent Auditor's Report
for the financial year ended 31 December 2018

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BARINGS EUROPEAN LOAN LIMITED

1 Report on the audit of the financial statements

Opinion

We have audited the financial statements of Barings European Loan Limited ('the Company') for the year ended 31 December 2018, which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and related notes, including the summary of significant accounting policies set out in note 2. The financial reporting framework that has been applied in their preparation is Irish Law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

In our opinion, the accompanying financial statements:

- give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the European Union; and
- have been properly prepared in accordance with the requirements of the Companies Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) (ISAs (Ireland)) and applicable law. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with ethical requirements that are relevant to our audit of financial statements in Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority (IAASA), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

We have nothing to report on going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Other information

The directors are responsible for the other information presented in the Annual Report together with the financial statements. The other information comprises the information included in the directors' report, schedule of investments and the significant changes in portfolio composition other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Based solely on our work on the other information:

- we have not identified material misstatements in the directors' report;
- in our opinion, the information given in the directors' report is consistent with the financial statements; and
- in our opinion, the directors' report has been prepared in accordance with the Companies Act 2014.

Opinions on other matters prescribed by the Companies Act 2014

We have obtained all the information and explanations which we consider necessary for the purposes of our audit.

In our opinion the accounting records of the Company were sufficient to permit the financial statements to be readily and properly audited and the financial statements are in agreement with the accounting records.

Barings European Loan Limited
Independent Auditor's Report
for the financial year ended 31 December 2018 (continued)

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BARINGS EUROPEAN LOAN LIMITED (continued)

Matters on which we are required to report by exception

The Companies Act 2014 requires us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions required by Sections 305 to 312 of the Act are not made. We have nothing to report in this regard.

2 Respective responsibilities and restrictions on use

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

A fuller description of our responsibilities is provided on IAASA's website at https://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description_of_auditors_responsibilities_for_audit.pdf

The purpose of our audit work and to whom we owe our responsibilities

Our report is made solely to the Company's members, as a body, in accordance with Section 391 of the Companies Act 2014. 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.


Jorge Fernandez Revilla
for and on behalf of
KPMG
Chartered Accountants and Statutory Audit Firm
1 Harbourmaster Place
International Financial Services Centre
Dublin 1
Ireland

23 April 2019

Barings European Loan Limited
Statement of Comprehensive Income
for the financial year ended 31 December 2018

	Note	31 Dec 2018 €	31 Dec 2017 €
Net change on financial assets at fair value through profit or loss	6	47,324,846	274,081,401
Net change on financial liabilities at fair value through profit or loss	13	(45,618,653)	(270,252,463)
<i>Other income</i>			
- Net gain/(loss) on foreign exchange		758,265	(989,386)
Net operating income		2,464,458	2,839,552
Depository fee		(1,571,262)	(1,785,301)
Directors' fee	13	(3,718)	(3,103)
Audit and tax reporting fee	5	(57,850)	(41,000)
Miscellaneous fee		(58,835)	(4,394)
Total operating expenses		(1,691,665)	(1,833,798)
Coupon expense		(772,543)	(1,005,504)
Profit before income tax for the financial year		250	250
Tax on ordinary activities	7	(63)	(63)
Profit after tax		187	187

There are no recognised gains or losses in the financial year other than those dealt with in the Statement of Comprehensive Income. All results are from continuing activities.

The accompanying notes are an integral part of the financial statements.

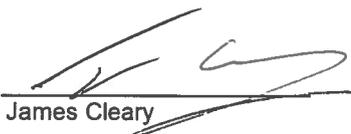
Barings European Loan Limited

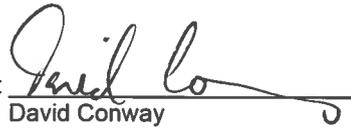
**Statement of Financial Position
for the financial year ended 31 December 2018**

	Note	31 Dec 2018 €	31 Dec 2017 €
Assets:			
Financial assets at fair value through profit or loss:			
- Investments	9,11	5,131,117,411	6,347,186,466
- Forward foreign exchange contracts	9,11	9,894,287	29,338,801
Other receivables	4	46,032,519	36,372,714
Receivable for investments sold		132,706,578	14,181,388
Cash and cash equivalents	3	128,078,050	147,823,266
Total assets		5,447,828,845	6,574,902,635
Liabilities:			
Financial liabilities designated at fair value through profit or loss:			
- Loan and coupon payable from the Ultimate Parent	13	(5,312,988,365)	(6,054,632,115)
Financial liabilities held for trading:			
- Forward foreign exchange contracts	9,11	(216,677)	(27,757)
Payable for investments purchased		(134,495,412)	(520,079,131)
Other payables and accrued expenses	5	(126,317)	(161,745)
Total liabilities		(5,447,826,771)	(6,574,900,748)
Net assets		2,074	1,887
Equity			
Share capital	8	100	100
Retained earnings		1,974	1,787
Total equity		2,074	1,887

The accompanying notes are an integral part of the financial statements.

On behalf of the Board of Directors:

Director: 
James Cleary

Director: 
David Conway

Date: 23 April 2019

Barings European Loan Limited

Statement of Changes in Equity
for the financial year ended 31 December 2018

Financial year ended 31 December 2018

	Share Capital €	Retained Earnings €	Total €
Balance at beginning of the financial year	100	1,787	1,887
Profit for the financial year	-	187	187
Balance at end of the financial year	100	1,974	2,074

Financial year ended 31 December 2017

	Share Capital €	Retained Earnings €	Total €
Balance at beginning of the financial year	100	1,600	1,700
Profit for the financial year	-	187	187
Balance at end of the financial year	100	1,787	1,887

The accompanying notes are an integral part of the financial statements.

Barings European Loan Limited
Statement of Cash Flows
for the financial year ended 31 December 2018

	31 Dec 2018	31 Dec 2017
	€	€
Profit after income tax	187	187
Adjustments for:		
Net movement on investments*	207,900,467	(1,430,071,523)
Unrealised loss/(gain) on derivatives	19,633,434	(47,625,051)
Coupon expense on loan from Ultimate Parent	45,618,653	270,252,276
Operating cash inflows/(outflows) before movements in working capital	273,152,741	(1,207,444,111)
(Increase) in other receivables	(9,659,805)	(725,491)
(Decrease)/increase in other payables	(35,428)	62,602
Cash used in working capital	(9,695,233)	(662,889)
Net cash inflows/(outflows) from operating activities	263,457,508	(1,208,107,000)
Financing activities		
Proceeds from loan from the Ultimate Parent	1,145,903,646	2,028,158,438
Repayment of loan to the Ultimate Parent*	(1,429,106,370)	(799,380,320)
Net cash (outflows)/inflows from financing activities	(283,202,724)	1,228,778,118
Net (decrease)/increase in cash and cash equivalents	(19,745,216)	20,671,118
Cash and cash equivalents at start of financial year	147,823,266	127,152,148
Cash and cash equivalents at end of financial year	128,078,050	147,823,266
Supplemental information		
Coupon received	264,377,457	251,012,296
Dividend received	-	27,590
Tax paid	(63)	(63)

*On 25 May 2018, the Company delivered, by way of an inspecie transaction, non-cash assets amounting to €504,159,679 and cash amounting to €94,753,314 in exchange for a repayment of loan from the Parent. The non-cash amounts have been excluded from the line items highlighted above.

The accompanying notes are an integral part of the financial statements.

Barings European Loan Limited
Notes to the Financial Statements
for the financial year ended 31 December 2018

1. General Information

Barings European Loan Limited (the “Company”) is a limited liability company incorporated in Ireland on 13 May 2009. The Company is a wholly owned subsidiary of Barings European Loan Fund (the “Parent”) which is listed on the Global Exchange Market of the Euronext Dublin, in March 2018, Euronext completed the purchase of the Irish Stock Exchange (“ISE”) and renamed the ISE to Euronext Dublin. The Parent is a fund of an Irish incorporated umbrella fund, Barings Global Investment Funds Plc, which is the ultimate parent of the Company (“Ultimate Parent”). As at 31 December 2018, the Company held investments to the value of €5,131,117,411 (31 December 2017: €6,347,186,466). The Company financed its purchases of investments by way of a loan provided by the Ultimate Parent, on behalf of its fund, the Parent.

With effect from 29 June 2018, Baring International Fund Managers (Ireland) Limited will act as Manager and Alternative Investment Fund Manager for the Company. Baring Asset Management Limited and Barings LLC act as Investment Managers to the Company with effect from 29 June 2018. Up to 28 June 2018, Barings Global Advisers Limited acted as Investment Manager and Barings LLC acted as Sub-Investment Manager. The following notes refer to the Investment Managers but do not distinguish between them.

2. Significant accounting policies

(a) Statement of compliance and basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union (“EU”) and the Companies Act, 2014 applicable to companies reporting under IFRS.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets, financial liabilities and derivative financial instruments at fair value through profit or loss.

The financial statements are presented in Euro (“€”) and rounded to the nearest €.

This is the first set of the Company’s annual financial statements in which IFRS 9 Financial Instruments has been applied. Changes to significant accounting policies are described in Note 2a.

Details of the Company’s accounting policies are included in Note 2b.

2a. Changes in significant accounting policies

The Company has initially applied IFRS 9 from 1 January 2018. IFRS 15 Revenue from Contracts with Customers is also effective from 1 January 2018 but does not have a material effect on the Company’s financial statements.

As permitted by the transition provisions of IFRS 9, comparative information throughout these financial statements has not been restated to reflect the requirements of the standard.

Except for the changes below, the Company has consistently applied the accounting policies as set out in Note 2b to all periods presented in these financial statements.

IFRS 9 Financial Instruments

IFRS 9 sets out requirements for recognising and measuring financial assets and financial liabilities. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

As a result of the adoption of IFRS 9, the Company has adopted consequential amendments to IAS 1 Presentation of Financial Statements, which require:

- Impairment of financial assets to be presented in a separate line item in the statement of comprehensive income. Under IAS 39, impairment was recognised when losses were incurred. The Company has no such losses to report.

Additionally, the Company has adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures, which are applied to disclosures about 2018 but have not generally been applied to comparative information.

The adoption of IFRS 9 had no material impact on the net assets of the Company.

(a) Classification and measurement of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (“FVOCI”), and fair value through profit or loss (“FVTPL”). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

Barings European Loan Limited
Notes to the Financial Statements
for the financial year ended 31 December 2018 (continued)

2a. Changes in significant accounting policies (continued)

(a) Classification and measurement of financial assets and financial liabilities (continued)

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

The adoption of IFRS 9 has not had a significant effect on the Company's accounting policies related to financial liabilities and derivative financial instruments.

For an explanation of how the Company classifies and measures financial instruments and accounts for related gains and losses under IFRS 9, see Note 2b.

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets and financial liabilities as at 1 January 2018.

Financial assets	Original classification under IAS 39	New classification under IFRS 9
Equity investments	Designated at FVTPL	FVTPL
Loans*	Designated at FVTPL	Mandatorily at FVTPL
Debt securities*	Designated at FVTPL	Mandatorily at FVTPL
Derivative financial instruments	Held-for-trading	Mandatorily at FVTPL
Other receivables	Loans and receivables	Amortised cost
Receivable for investments sold	Loans and receivables	Amortised cost
Cash and cash equivalents	Loans and receivables	Amortised cost

*Under IAS 39, these financial assets were designated as at FVTPL because they were managed on a fair value basis and their performance was monitored on this basis. These assets have been classified as mandatorily measured at FVTPL under IFRS 9.

Financial liabilities	Original classification under IAS 39	New classification under IFRS 9
Loan and coupon payable on loan from Ultimate Parent*	Designated at FVTPL	Designated at FVTPL
Derivative financial instruments	Held-for-trading	Held-for-trading
Payable for investments purchased	Amortised cost	Amortised cost
Other payables and accrued expenses	Amortised cost	Amortised cost

*Loan and coupon payable on loan from Ultimate Parent are designated at fair value and are classified as liabilities at fair value through profit or loss when they either eliminate or significantly reduce an accounting mismatch.

(b) Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost and debt investments at FVOCI, but not investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

(c) Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below.

- Comparative periods have not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognised in net assets as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9, but rather those of IAS 39. There is no material impact to the financial statements as a result of this.
- The Company has used the exemption not to restate comparative periods. The amendments made by IFRS 9 to IAS 1 introduced the requirement to present 'interest income calculated using the effective interest method' as a separate line item in the statement of comprehensive income. No reclassifications are required.
- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.
 - The determination of the business model within which a financial asset is held.
 - The revocation of previous designations of certain financial assets as measured at FVTPL.

Barings European Loan Limited
Notes to the Financial Statements
for the financial year ended 31 December 2018 (continued)

2b. Significant accounting policies

(a) New standards, amendments and interpretations issued but not yet effective for the financial period beginning on or after 1 January 2018 and not early adopted

IFRS 16 "Leases" was issued in January 2016 and will become effective for period beginning on or after 1 January 2019. The new standard is not expected to have a significant impact on the Company's financial position, performance or disclosures in its financial statements.

IFRS 17 "Insurance Contracts" was issued in May 2017 and will become effective for accounting periods beginning on or after 1 January 2021. It applies to: insurance contracts, including reinsurance contracts, issued by an entity; reinsurance contracts held by an entity; and investment contracts with discretionary participation features issued by an entity that issues insurance contracts. An insurance contract is defined as 'a contract under which one party (the issuer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder'. The new standard is not expected to have a significant impact on the Company's financial position, performance or disclosures in its financial statements.

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

(b) Foreign currency translation

Transactions in foreign currencies are translated at the foreign currency exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to £ at the foreign currency closing exchange rate ruling at the financial year end date.

Foreign currency exchange differences relating to derivative financial instruments are included in realised gain/(loss) on derivatives or unrealised gain/(loss) on derivatives in the Statement of Comprehensive Income. Foreign exchange gains/(losses) on financial assets at fair value through profit or loss are included in realised gain/(loss) on investments or unrealised gain/(loss) on investments in the Statement of Comprehensive Income. Other foreign currency exchange differences relating to monetary items, including cash and cash equivalents, are included in the net gain/(loss) on foreign exchange in the Statement of Comprehensive Income.

Items included in the Company's financial statements are measured using the currency of the primary economic environment in which it operates (the functional currency). This is £.

(c) Financial assets and liabilities

(i) Recognition and initial measurement

Financial assets and financial liabilities are initially recognised at fair value through profit or loss on the Company's Statement of Financial Position on the trade date, which is the date on which the Company becomes a party to the contractual provisions of the instrument. Other financial assets and financial liabilities are recognised at the date they are originated. From this date any gains and losses arising from changes in fair value of the financial assets or financial liabilities are recorded in the Statement of Comprehensive Income

A financial asset or financial liability is measured initially at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately, while on other financial instruments they are amortised.

(ii) Classification and subsequent measurement

(a) Classification of financial assets – Policy applicable from 1 January 2018

On initial recognition, the Company classifies financial assets as measured at amortised cost or FVPTL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVPTL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI).

All other financial assets of the Company are measured at FVTPL.

Barings European Loan Limited
Notes to the Financial Statements
for the financial year ended 31 December 2018 (continued)

2b. Significant accounting policies (continued)
(c) Financial assets and liabilities (continued)

(ii) Classification and subsequent measurement (continued)

(a) Classification of financial assets – Policy applicable from 1 January 2018 (continued)

Business model assessment

In making an assessment of the objective of the business model in which a financial asset is held the Company considers all of the relevant information about how the business is managed, including:

- The documented investment strategy and the execution of this strategy in practice. This includes whether the investment strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- How the performance of the portfolio is evaluated and reported to the Company's management;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- How the investment manager is compensated: e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- The frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

The Company has determined that it has two business models.

- Held-to-collect business model: this includes cash and cash equivalents, receivable for investments sold and other receivables. These financial assets are held to collect contractual cash flow.
- Other business model: this includes debt securities, equity investments and investments in unlisted open-ended investment funds. These financial assets are managed and their performance is evaluated, on a fair value basis, with frequent sales taking place.

For the purpose of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are SPPI, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- Contingent events that would change the amount or timing of cash flows;
- Leverage features;
- Prepayment and extension features;
- Terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features; and
- Features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

For a reconciliation of line items in the statement of financial position to the categories of financial instruments, as defined by IFRS 9, see Note 2a.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition unless the Company were to change its business model for managing financial assets, in which case all affected financial assets would be reclassified on the first day of the first reporting period following the change in the business model.

Barings European Loan Limited
Notes to the Financial Statements
for the financial year ended 31 December 2018 (continued)

2b. Significant accounting policies (continued)

(c) Financial assets and liabilities (continued)

(ii) Classification and subsequent measurement (continued)

(b) Classification of financial assets – Policy applicable before 1 January 2018

The Fund classified financial assets into the following categories.

Financial assets at FVTPL:

- Held for trading: derivative financial instruments
- Designated as at FVTPL: debt securities, equity investments and investments in unlisted open-ended investment funds.

Financial assets at amortised cost:

- Loans and receivables: cash and cash equivalents, receivable for investments sold and other receivables.

A financial asset was classified as held-for-trading if:

- It was acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- On initial recognition, it was part of a portfolio that was managed together and for which there was evidence of a recent pattern of short-term profit taking; or
- It was a derivative, other than a designated and effective hedging instrument.

The Company designated all debt and equity investments as at FVTPL on initial recognition because it managed these securities on a fair value basis in accordance with its documented investment strategy. Internal reporting and performance measurement of these securities were on a fair value basis.

A non-derivative financial asset with fixed or determinable payments could be classified as a loan and receivable unless it was quoted in an active market or was an asset for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

For a reconciliation of line items in the statement of financial position to the categories of financial instruments, as defined by IAS 39, see Note 2a.

(c) Subsequent measurement of financial assets

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income and expense and foreign exchange gains and losses, are recognised in profit or loss in 'Net change in financial assets at fair value through profit or loss' in the statement of comprehensive income.

Financial assets at amortised cost (2017: loans and receivables)

These assets are subsequently measured at amortised cost using the effective interest method. Interest income is recognised in 'Interest income calculated using the effective interest method', foreign exchange gains and losses are recognised in 'Net gain/loss on foreign exchange' and impairment would be recognised in 'impairment losses on financial instruments' in the statement of comprehensive income. Any gain or loss on derecognition is also recognised in profit or loss.

Cash and cash equivalents, receivable for investments sold and other receivables are included in this category.

(d) Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL.

A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Loan and coupon payable on loan from Ultimate Parent are recorded at fair value and are classified as liabilities at fair value through profit or loss when they either eliminate or significantly reduce an accounting mismatch.

Barings European Loan Limited
Notes to the Financial Statements
for the financial year ended 31 December 2018 (continued)

2b. Significant accounting policies (continued)

(c) Financial assets and liabilities (continued)

(ii) Classification and subsequent measurement (continued)

(d) Financial liabilities – Classification, subsequent measurement and gains and losses (continued)

Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Financial liabilities at FVTPL:

- This includes loan and coupon payable on loan from Ultimate Parent.
- Held-for-trading: derivative financial instruments

Financial liabilities at amortised cost:

- This includes payable for investments purchased, other payables and accrued expenses.

(iii) Fair value measurement principles

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Sub-Funds have access to at that date. The fair value of a liability reflects its non-performance risk.

The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and trading securities) are based on quoted market prices at the close of trading on the financial year end date. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

However, this does not impact on the profit for this financial year or the comparative financial year as any change is effectively transferred to the Parent, via the loans obtained from the Ultimate Parent. Under the loan agreement, all of the Company's profit or loss (except for a yearly profit of €250) is incorporated into the value of the outstanding loan. Accordingly any additional gains or losses arising from this pricing methodology change (as disclosed above) will be offset by an equal and opposite adjustment to the coupon payable amount on the loan from the Ultimate Parent.

If a quoted price is not available from a recognised market, or is unrepresentative in the opinion of the Directors or their delegate, such a security shall be valued, by estimating with care and in good faith the probable realisation value of the investment, by the Directors or their delegate or a competent person, which may be the Investment Managers (appointed by the Directors and each approved for the purpose by the Custodian) or valued at the probable realisation value estimated with care and in good faith by any other means, provided that the value is approved by the Custodian.

The value of any security, including debt and equity securities which is not normally quoted, listed or traded on or under the rules of a recognised exchange will be determined in accordance with the above provisions or obtained from an independent pricing source (if available).

The fair value of derivatives that are not exchange traded is estimated at the amount that the Company would receive or pay to terminate the contract at the Statement of Financial Position date taking into account current market conditions (volatility, appropriate yield curve) and the current creditworthiness of the counterparties.

(iv) Amortised cost measurement principles

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

(v) Impairment

IFRS 9 requires an impairment assessment to be carried out on its financial assets. The Directors have assessed that impairment does not apply to financial assets classified as fair value through profit or loss. The Directors consider the probability of default to be close to zero, as these instruments have a low risk of default and the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised in the financial statements based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Company.

Barings European Loan Limited
Notes to the Financial Statements
for the financial year ended 31 December 2018 (continued)

2b. Significant accounting policies (continued)

(c) Financial assets and liabilities (continued)

(vi) Derecognition

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition in accordance with IFRS 9.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

The Company uses the average cost method to determine realised gains and losses on derecognition. Additional gains or losses arising from this pricing methodology change (as disclosed above) will be offset by an equal and opposite adjustment to the coupon payable amount on the loan from the Ultimate Parent.

(vii) Forward foreign exchange contracts

Forward foreign exchange contracts are recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. All forward foreign exchange contracts are carried as assets when fair value is positive and as liabilities when fair value is negative. Any changes in fair value are recognised in the Statement of Comprehensive Income.

The fair value of forward foreign exchange contracts that are not exchange traded is estimated at the amount that the Company would receive or pay to terminate the contract at the financial year end date taking into account current market conditions (volatility, appropriate yield curve) and the current creditworthiness of the counterparties. Specifically, the fair value of a forward foreign exchange contract is determined as a net present value of estimated future cash flows, discounted at appropriate market rates on the valuation date. The unrealised gain or loss on open forward foreign exchange contracts is calculated as the difference between the contract price and this forward price.

The best evidence of fair value of a derivative at initial recognition is the transaction price. Subsequent changes in the fair value of any derivative instrument is recognised immediately in the Statement of Comprehensive Income.

(viii) Collective Investment Schemes ("CIS")

Financial assets include investments in open-ended investment funds. Fair value is based on the underlying fund administrator's calculation of the net asset value per share as the best approximation of fair value (market value of the fund's assets less liabilities divided by the number of shares) which will be the latest NAV published by the collective investment schemes, taking into account any adjustments that may be required to account for illiquidity, low trading volumes or any such factors that may indicate that the NAV may not be fair value.

The net asset values at 31 December 2018 provided by the administrators of the underlying funds may subsequently be adjusted when audited financial statements for the underlying funds become available. The Board of Directors and the Managers will consider from time to time other factors that may have an impact on the Net Asset Value per share of the underlying funds and may consider adjusting its price to reflect a more appropriate fair value of a collective investment scheme. There have been no such adjustments at 31 December 2018 (2017: nil).

(ix) Cash and cash equivalents

Cash comprises of current deposits with banks. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. Cash and cash equivalents are measured at amortised cost.

(d) Use of estimates

The preparation of financial statements in accordance with IFRS requires the Directors to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Information on estimates and judgements used by the Directors are disclosed in Note 9 of the financial statements.

Barings European Loan Limited
Notes to the Financial Statements
for the financial year ended 31 December 2018 (continued)

2b. Significant accounting policies (continued)

(e) Income

Income from financial assets at fair value through profit or loss

Coupon income on financial assets at fair value through profit or loss is included in Net change on financial assets at fair value through profit or loss in the Statement of Comprehensive Income. Income not yet received is included in Other receivables in the Statement of Financial Position. Income which suffers a deduction of tax at source is shown gross of withholding tax. Non-recoverable withholding tax is disclosed separately in the Statement of Comprehensive Income.

Bank interest and interest expense

Bank interest and interest expense is recognised on an effective interest method and includes interest income and expense from cash and cash equivalents. Bank interest income and expense are included in Net change on financial assets at fair value through profit or loss and Interest expense in the Statement of Comprehensive Income, respectively. Bank interest income not yet received is included in Other receivables in the Statement of Financial Position on an accruals basis.

(f) Miscellaneous income

Miscellaneous income is comprised of various fees received relating to the loans held in the Company's portfolio of investments e.g. extension fees and prepayment fees. It is recognised in the Statement of Comprehensive Income on an effective interest rate basis.

(g) Net change on financial assets at fair value through profit or loss

A financial asset is classified as at fair value through profit or loss on initial recognition. Directly attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, including any coupon or dividend income and realised gains/losses, are recognised in the Statement of Comprehensive Income.

(h) Net change on financial liabilities at fair value through profit or loss

Loans from the Ultimate Parent are recorded at fair value and are classified as liabilities at fair value through profit or loss when they either eliminate or significantly reduce an accounting mismatch. The coupon expense on the loan from the Ultimate Parent is dependent on the financial performance of the Company and is recognised in the Statement of Comprehensive Income on an accrual basis.

(i) Expenses

All expenses are recognised in the Statement of Comprehensive Income on an accruals basis.

(j) Taxation

Corporation tax is provided on taxable profits at current rates applicable to the Company's activities.

The Company is a Qualifying Company within the meaning of Section 110 of the Taxes Consolidation Act, 1997. As such, the profits of the Company are chargeable to corporation tax under Case III of Schedule D at a rate of 25% but are computed in accordance with the provisions applicable to Case I of Schedule D.

(k) Receivable for investments sold and payable for investments purchased

Receivable for investments sold and payable for investments purchased represent amounts receivable and payable respectively, for transactions contracted for but not yet delivered at the end of the financial year. These amounts are recognised initially at fair value and subsequently at amortised cost.

3. Cash and cash equivalents

Cash and cash equivalents are held with the Depository, State Street Custodial Services (Ireland) Limited. State Street Corporation, the Ultimate Parent of the Depository had a Standard & Poor's credit rating of A (31 December 2017: A) as at 31 December 2018. As at 31 December 2018, the Company held €128,078,050 (31 December 2017: €147,823,266) in cash and cash equivalents. Cash and cash equivalents are measured at amortised cost.

4. Other receivables

	31 Dec 2018	31 Dec 2017
	€	€
Coupon receivable on loan investments	27,981,043	21,573,673
Principal receivable on loan investments	1,201,383	655,974
Coupon receivable on bonds	16,848,490	14,141,465
Other receivables	1,603	1,602
	<u>46,032,519</u>	<u>36,372,714</u>

Barings European Loan Limited
Notes to the Financial Statements
for the financial year ended 31 December 2018 (continued)

5. Other payables and accrued expenses

	31 Dec 2018	31 Dec 2017
	€	€
Depository fee payable	(121,181)	(157,612)
Directors' fee payable	(337)	(250)
Miscellaneous payable	(4,799)	(3,883)
	<u>(126,317)</u>	<u>(161,745)</u>

The table below outlines the Statutory audit fees and tax advisory and compliance services fees charged for the financial years ended 31 December 2018 and 31 December 2017:

	31 Dec 2018	31 Dec 2017
	€	€
Statutory audit	(47,500)	(36,500)
Tax advisory and compliance services	(10,350)	(4,500)
Total	<u>(57,850)</u>	<u>(41,000)</u>

6. Net change on financial assets at fair value through profit or loss

	31 Dec 2018	31 Dec 2017
	€	€
Coupon income from financial assets designated at fair value through profit or loss	273,491,852	252,718,888
Dividend Income	-	27,590
<i>Income from investments</i>		
- Realised loss on investments	(20,860,179)	(7,994,901)
- Unrealised net change on investments	(151,702,661)	(96,249,934)
- Realised (loss)/gain on derivatives	(33,972,939)	77,963,581
- Unrealised net change on derivatives	(19,631,227)	47,616,177
	<u>47,324,846</u>	<u>274,081,401</u>

7. Taxation

	31 Dec 2018	31 Dec 2017
	€	€
Current financial year tax	<u>(63)</u>	<u>(63)</u>
Reconciliation of tax charge to profit before tax:		
Profit before tax	250	250
Corporation tax at 25%	<u>(63)</u>	<u>(63)</u>

8. Share capital

Authorised

The authorised share capital of the Company is €1,000 divided into 1,000 shares of €1.00 each.

Issued and fully paid

The issued and paid up share capital is €100 of which €99 is held by the Depository. €1 is held by TMF Management (Ireland) Limited as trustee on behalf of one or more trusts with charitable purposes.

The Company does not have any externally imposed capital requirements.

Barings European Loan Limited

**Notes to the Financial Statements
for the financial year ended 31 December 2018 (continued)**

9. Fair value hierarchy

Valuation of financial assets and liabilities

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1 - Quoted market price in an active market for an identical instrument.
- Level 2 - Valuation techniques based on observable inputs. This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3 - Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs could have a significant impact on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Valuation Framework

The Company has an established control framework with respect to measurement of fair values. This framework includes a Valuations Committee which is independent of front office management. Specific controls include:

- Review and approval of valuation methodologies;
- A review and approval process for changes to pricing models;
- Review of unobservable inputs and valuation adjustments;
- Review of independent third party pricing sources; and
- Review of prices where no third party pricing source is available.

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgement by the Company. The Company considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary and provided by independent sources that are actively involved in the relevant market. The majority of holdings as at 31 December 2018 and 31 December 2017 were based on broker quotes received from Markit Group Limited. The remainder were priced from market makers and other pricing providers providing quotes directly to the Managers or the Administrator and were classified as Level 2. Single broker quotes are classified as Level 2 and Level 3 holdings depending on trading and inputs into the price. The Managers independently review the prices received as single broker quotes and ensure that they are in line with expectations.

If a quoted market price is not available on a recognised stock exchange or from a broker/dealer for non-exchange traded financial instruments, the fair value of the instrument is estimated using valuation techniques, including use of recent arm's length market transactions, (i.e., an exit price) reference to the current fair value of another instrument that is substantially the same, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions. Where other pricing models are used, inputs are based on market data at the financial year end date.

Fair value for unquoted equity investments is estimated, if possible, using applicable price/earnings ratios for similar listed companies adjusted to reflect the specific circumstances of the issuer. If a quoted price is not available from a recognised market, or is unrepresentative in the opinion of the Directors or their delegate, such a security shall be valued, by estimating with care and in good faith the probable realisable value of the investment, by the Directors or their delegate or a competent person, which may be the Managers (appointed by the Directors and approved for the purpose by the Depositary) or valued at the probable realisation value estimated with care and in good faith by any other means provided that the value is approved by the Depositary.

Security type categorised as Level 3:

	Fair Value 31 Dec 2018	Fair value 31 Dec 2017
	€	€
Equities	39,266	148,784
Loans	165,769,983	260,322,955
	<u>165,809,249</u>	<u>260,471,739</u>

The value of any security, including debt and equity securities which is not normally quoted, listed or traded on or under the rules of a recognised market and the value of loans and sub-participations in loans will be determined in accordance with the above provisions or obtained from an independent pricing source (if available).

Barings European Loan Limited
Notes to the Financial Statements
for the financial year ended 31 December 2018 (continued)

9. Fair value hierarchy (continued)

Valuation of financial assets and liabilities (continued)

Please refer to the Schedule of Investments for the fair value of individual investments which were classified as Level 3.

For each class of assets and liabilities not measured at fair value in the Statement of Financial Position but for which fair value is disclosed, IFRS 13 requires the Company to disclose the level within the fair value hierarchy which the fair value measurement would be categorised and a description of the valuation technique and inputs used in the technique.

Assets and liabilities not carried at fair value are carried at amortised cost; their carrying values are a reasonable approximation of fair value.

Cash and cash equivalents include deposits held with banks and other short-term investments in an active market and they are categorised as Level 1.

Receivable for investments sold and other receivables include the contractual amounts for settlement of trades and other obligations due to the Company. Payable for investments purchased and other payables and accrued expenses represent the contractual amounts and obligations due by the Company for settlement of trades and expenses. All receivable and payable balances are categorised as Level 2.

The majority of investments held by the Company as at 31 December 2018 and 31 December 2017 were classified as Level 2 and were classified as Level 2 since the date of purchase. The loan and the coupon payable on the loan from the Ultimate Parent is classified as Level 2 since its value is based on the underlying investments, the majority of which are classified as Level 2.

All forward foreign exchange contracts are classified as Level 2 since they are valued using observable inputs but are not quoted in an active market.

The following is a summary of the inputs used as of 31 December 2018 in valuing the Company's financial assets and liabilities carried at fair value:

	Level 1 €	Level 2 €	Level 3 €	Total Fair Value €
Financial assets				
- Investments	233,069,825	4,732,238,337	165,809,249	5,131,117,411
- Forward foreign exchange contracts	-	9,894,287	-	9,894,287
Total financial assets	233,069,825	4,742,132,624	165,809,249	5,141,011,698
Financial liabilities				
- Loan and coupon payable from the Ultimate Parent	-	(5,312,988,365)	-	(5,312,988,365)
- Forward foreign exchange contracts	-	(216,677)	-	(216,677)
Total financial liabilities	-	(5,313,205,042)	-	(5,313,205,042)

The following is a summary of the inputs used as of 31 December 2017 in valuing the Company's assets and liabilities carried at fair value:

	Level 1 €	Level 2 €	Level 3 €	Total Fair Value €
Financial assets				
- Investments	-	6,086,714,727	260,471,739	6,347,186,466
- Forward foreign exchange contracts	-	29,338,801	-	29,338,801
Total financial assets	-	6,116,053,528	260,471,739	6,376,525,267
Financial liabilities				
- Loan and coupon payable from the Ultimate Parent	-	(6,054,632,115)	-	(6,054,632,115)
- Forward foreign exchange contracts	-	(27,757)	-	(27,757)
Total financial liabilities	-	(6,054,659,872)	-	(6,054,659,872)

Barings European Loan Limited
Notes to the Financial Statements
for the financial year ended 31 December 2018 (continued)

9. Fair value hierarchy (continued)

Valuation of financial assets and liabilities (continued)

Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the financial period. There were no transfers between Level 1 and Level 2 during the financial period (31 December 2017: none). Transfers between Level 2 and Level 3 are discussed after the Level 3 reconciliation tables below, where relevant.

The following table shows the movement in Level 3 of the fair value hierarchy for the financial year ended 31 December 2018 and 31 December 2017:

	Financial assets at fair value through profit or loss 31 Dec 2018 €	Financial assets at fair value through profit or loss 31 Dec 2017 €
Opening balance	260,471,739	19,260,904
Net gain/(loss) on investments	2,387,263	(2,548,535)
Purchases	111,062,643	212,795,891
Sales	(177,392,084)	(2,170,964)
Transfers out of Level 3	(82,905,269)	(16,633,175)
Transfer into Level 3	52,184,957	49,767,618
Closing balance	<u>165,809,249</u>	<u>260,471,739</u>
Total unrealised gains or losses recognised in the Statement of Comprehensive Income for assets held at the end of the reporting financial period:		
- Included within unrealised gain/(loss) on investments	<u>(3,887,821)</u>	<u>(256,361)</u>

The table below sets out information about significant unobservable inputs used at 31 December 2018 in measuring financial instruments categorised as Level 3 in the fair value hierarchy.

Asset Class	Fair Value €	Unobservable Inputs	Ranges	Weighted Average
Equities	39,266	EBITDA Multiples/Recent Sales	0.00-0.76	0.01
Loans	165,769,983	Broker Quotes/Recent Sales	57.50-100.00	97.29

The table below sets out information about significant unobservable inputs used at 31 December 2017 in measuring financial instruments categorised as Level 3 in the fair value hierarchy.

Asset Class	Fair Value €	Unobservable Inputs	Ranges	Weighted Average
Equities	148,784	EBITDA Multiples/Recent Sales	0.00-2.89	3.94
Loans	260,322,955	Broker Quotes/Recent Sales	96-101.63	97.97

Sensitivity of Level 3 asset measured at fair value to changes in assumptions.

The results of using reasonably possible alternative assumptions for valuing the Level 3 asset may result in the fair value estimate and recoverability of the asset being subject to uncertainty and a range of possible outcomes are likely. Such differences, if any, would not have a material effect on the overall portfolio as at 31 December 2018 or as at 31 December 2017.

If the value of level 3 securities increased/(decreased) by 5%, the effect on the NAV would be €8,290,462 (31 December 2017: €13,023,587).

Barings European Loan Limited

**Notes to the Financial Statements
for the financial year ended 31 December 2018 (continued)**

10. Interests in other entities

Interests in Unconsolidated Structured Entities

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

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

Below is a summary of the Company's holdings in non-subsidiary unconsolidated structured entities as at 31 December 2018:

Structured Entity ("SE")	Line item in Statement of Financial Position	No. of Investments	Total Net Assets of the underlying Structured Entity* €	Carrying amount included in 'Financial assets at fair value through profit or loss' €	% of Total Net Assets**
CIS	Financial assets at fair value through profit or loss	3	25,381,110,000	186,196,115	3.52

Below is a summary of the Company's holdings in non-subsidiary unconsolidated structured entities as at 31 December 2017:

Structured Entity ("SE")	Line item in Statement of Financial Position	No. of Investments	Total Net Assets of the underlying Structured Entity* €	Carrying amount included in 'Financial assets at fair value through profit or loss' €	% of Total Net Assets**
CIS	Financial assets at fair value through profit or loss	3	31,835,320,000	536,017,305	8.81

*Based on the latest available Net Assets of the Structured Entities.

**% of Total Net Assets refers to the Net Assets of the Parent.

11. Financial instruments and associated risks

The Company is exposed to market risk, credit risk and liquidity risk arising from the financial instruments it holds.

(a) Market risk

Market risk embodies the potential for both losses and gains and includes foreign currency risk, interest rate risk and price risk, which are discussed in detail under separate headings within this note.

The Company's exposure to market risk is that the value of assets will generally fluctuate with, among other things, general economic conditions, the condition of certain financial markets, international political events, developments or trends in any particular industry and the financial condition of the issuers of the loans that the Company invests in.

The Company's market risk is managed on a daily basis by the Managers in accordance with policies and procedures in place. The Company's overall market positions are reported to the Board of Directors on a quarterly basis.

As the majority of the financial instruments are carried at fair value through profit or loss, all changes in market conditions will directly impact the Company's results.

Barings European Loan Limited

**Notes to the Financial Statements
for the financial year ended 31 December 2018 (continued)**

11. Financial instruments and associated risks (continued)

(a) Market risk (continued)

(i) Foreign currency risk

The Company uses forward foreign exchange contracts to hedge against foreign exchange risks on a portion of its portfolio. The Company does not seek to establish a perfect correlation between the hedging instruments utilised and the portfolio being hedged. The hedging transactions may result in a poorer overall performance for the Company than if it had not engaged in such hedging transactions. Since the characteristics of many securities change as markets change, the success of the Company's hedging strategy is also subject to the Company's ability to continually recalculate, readjust and execute hedges in an efficient and timely manner. The Company does not regard the probability of foreign exchange risk occurring to be significantly high as to justify the cost of the hedge. The Managers implement and manage this process through the use of various counterparties. The Managers regularly review such positions to ensure that they are in line with the Company's investment policies.

The following table sets out the Company's total exposure to foreign currency risk and the net exposure to foreign currencies of the monetary assets and liabilities at 31 December 2018:

	Financial assets and liabilities at fair value through profit or loss	Cash and cash equivalents	Other assets and liabilities*	Forward foreign exchange contracts	Net Exposure	% of Total assets
	€	€	€	€	€	%
GBP	739,756,494	15,455,716	5,772,679	(774,868,001)	(13,883,112)	(0.25)
USD	607,382,811	41,713,806	2,088,143	(649,980,416)	1,204,344	0.02

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

	Financial assets and liabilities at fair value through profit or loss	Cash and cash equivalents	Other assets and liabilities*	Forward foreign exchange contracts	Net Exposure	% of Total assets
	€	€	€	€	€	%
AUD	-	48,772	-	(48,772)	-	-
CHF	-	111,477	-	(111,477)	-	-
GBP	921,378,504	15,997,628	6,532,047	(893,538,502)	50,369,677	0.77
NOK	-	(507,538)	-	507,538	-	-
USD	861,556,546	55,605,643	2,215,356	(891,542,143)	27,835,402	0.42

* Other assets and liabilities are comprised mainly of trade payables and receivables.

Sensitivity analysis

The following currency sensitivity analysis information is a relative estimate of risk and is not intended to be a precise and accurate number. The calculations are based on historical data. Future rate movements and correlations between currencies could vary significantly from those experienced in the past.

The Company is exposed to foreign currency risk, however the risk is effectively transferred to the Parent, via the loans obtained from the Ultimate Parent, since under the loan agreement, all of the Company's profit or loss (except for a yearly profit of €250) will be incorporated into the value of the outstanding loans (please see Note 13). Accordingly any additional gains or losses arising from changes in foreign currency rates will be offset by an equal and opposite adjustment to the coupon payable amount on the loan from the Ultimate Parent.

As at 31 December 2018, had the exchange rate increased or decreased by 5% with all other variables held constant, the increase or decrease respectively in the value of the Company's investments, denominated in currencies other than the base currency of the Company, would be as follows:

	31 Dec 2018	31 Dec 2017
	€	€
GBP	(694,156)	2,518,484
USD	60,217	1,391,770

Barings European Loan Limited

**Notes to the Financial Statements
for the financial year ended 31 December 2018 (continued)**

11. Financial instruments and associated risks (continued)

(a) Market risk (continued)

(ii) Interest rate risk

The Company is exposed to the risk that the fair value or future cash flows of its financial instruments will fluctuate as a result of changes in market interest rates. The Company's investments which are subject to interest rate risk are bonds and loans. The loans have a floating rate payment structure, whereby a fixed basis point spread is paid over the prevailing reference rate, typically 3M LIBOR or EURIBOR, reset on a quarterly or semi-annual basis. Changes in interest rates can also have an effect on the valuation of financial asset and liability instruments held by the Company.

Other than the loan from the Ultimate Parent, the Company has no liabilities as at 31 December 2018 and 31 December 2017 that are exposed to changes in interest rates.

The following table details the Company's exposure to interest rate risks. It includes the Company's assets and trading liabilities at fair values, categorised by maturity date and measured by the carrying value of the assets and liabilities at 31 December 2018:

	Within one year €	1 - 5 years €	Greater than 5 years €	Non-interest bearing €	Total €
Financial assets					
At fair value through profit or loss:					
- Investments	1,271,674	2,619,864,950	2,276,871,697	233,109,090	5,131,117,411
- Forward foreign exchange contracts	-	-	-	9,894,287	9,894,287
Other receivables	-	-	-	46,032,519	46,032,519
Receivable for investments sold	-	-	-	132,706,578	132,706,578
Cash and cash equivalents	128,078,050	-	-	-	128,078,050
Total assets	129,349,724	2,619,864,950	2,276,871,697	421,742,474	5,447,828,845
Financial liabilities					
Designated at fair value through profit or loss:					
- Loan and coupon payable from Ultimate Parent	(5,312,988,365)	-	-	-	(5,312,988,365)
Held for trading:					
- Forward foreign exchange contracts	-	-	-	(216,677)	(216,677)
Payable for investments	-	-	-	(134,495,412)	(134,495,412)
Other payables and accrued expenses	-	-	-	(126,317)	(126,317)
Total liabilities	(5,312,988,365)	-	-	(134,838,406)	(5,447,826,771)
Total interest sensitivity gap	(5,186,638,641)	2,619,864,950	2,276,871,697		

Barings European Loan Limited

**Notes to the Financial Statements
for the financial year ended 31 December 2018 (continued)**

11. Financial instruments and associated risks (continued)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

The following table details the Company's exposure to interest rate risks. It includes the Company's assets and trading liabilities at fair values, categorised by maturity date and measured by the carrying value of the assets and liabilities at 31 December 2017:

	Within one year €	1 - 5 years €	Greater than 5 years €	Non-interest bearing €	Total €
Financial assets					
Designated at fair value through profit or loss:					
- Investments	125,189,668	2,667,729,981	3,018,100,727	536,166,090	6,347,186,466
- Forward foreign exchange contracts	-	-	-	29,338,801	29,338,801
Other receivables	-	-	-	36,372,714	36,372,714
Receivable for investments sold	-	-	-	14,181,388	14,181,388
Cash and cash equivalents	147,823,266	-	-	-	147,823,266
Total assets	273,012,934	2,667,729,981	3,018,100,727	616,058,993	6,574,902,635
Financial liabilities					
Designated at fair value through profit or loss:					
- Loan and coupon payable from Ultimate Parent	(6,054,632,115)	-	-	-	(6,054,632,115)
Held for trading:					
- Forward foreign exchange contracts	-	-	-	(27,757)	(27,757)
Payable for investments	-	-	-	(520,079,131)	(520,079,131)
Other payables and accrued expenses	-	-	-	(161,745)	(161,745)
Total liabilities	(6,054,632,115)	-	-	(520,268,633)	(6,574,900,748)
Total interest sensitivity gap	(5,781,619,181)	2,667,729,981	3,018,100,728		

Interest rate sensitivity

The below interest rate sensitivity analysis information is a relative estimate of risk and is not intended to be a precise and accurate number. The calculations are based on historical data. Future interest rate movements could vary significantly from those experienced in the past.

The interest rate risks of the Company are effectively transferred to the Parent via the loans obtained from the Ultimate Parent on behalf of its fund, the Parent. Accordingly any additional gains or losses arising from changes in interest rates will be offset by an equal and opposite adjustment to the coupon payable amount on the loan from the Ultimate Parent.

It should be noted that a change in the EURIBOR or LIBOR interest rates may affect the fair value of the loan from the Ultimate Parent as follows (assuming negligible duration on floating rate instruments):

Interest rate change %	% Effect on Loan Fair Value 31 Dec 2018	Interest rate change %	% Effect on Loan Fair Value 31 Dec 2018
(0.50)	+0.19	+0.50	(0.19)
(0.75)	+0.29	+0.75	(0.28)
(1.00)	+0.38	+1.00	(0.37)
Interest rate change %	% Effect on Loan Fair Value 31 Dec 2017	Interest rate change %	% Effect on Loan Fair Value 31 Dec 2017
(0.50)	+0.20	+0.50	(0.20)
(0.75)	+0.30	+0.75	(0.30)
(1.00)	+0.41	+1.00	(0.40)

Barings European Loan Limited
Notes to the Financial Statements
for the financial year ended 31 December 2018 (continued)

11. Financial instruments and associated risks (continued)

(a) Market risk (continued)

(iii) Price risk

All of the Company's financial investments (loans, bonds, equities, collective investment schemes and forward foreign exchange contracts) are carried at fair value on the Statement of Financial Position. Usually the fair value of the investments can be reliably determined within a reasonable range of estimates. For certain other financial instruments, including other receivables, interest receivable on bank, receivable for investments sold, payable for investments purchased other payables and accrued expenses, the carrying amounts approximate fair value due to the immediate or short-term nature of these financial instruments.

Fair value estimates are made at a specific point in time, based on market conditions and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgement (e.g. interest rates, volatility, estimated cash flows etc.) and therefore, cannot be determined with precision.

Sensitivity analysis

The below price sensitivity analysis information is a relative estimate of risk and is not intended to be a precise and accurate number. The calculations are based on historical data. Future price movements could vary significantly from those experienced in the past.

A 5% increase in investment prices at 31 December 2018 would have increased the value of investments at fair value through profit or loss by €256,555,871 (31 December 2017: €317,359,323) and it would have also increased the value of the loans from the Ultimate Parent by an equal amount. The net impact on the net assets of the Company would be Nil (31 December 2017: nil).

(b) Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company resulting in a financial loss to the Company. The Company may invest in investments such as loans which are below investment grade, which as a result carry greater credit risk than investment grade sovereign or corporate bonds or loans.

The Company's credit risk concentration is spread between a number of counterparties. The top ten holdings in the Company represented 13.86% (31 December 2017: 17.90%) of the market value of the Company's assets.

Furthermore, where exposure to loans is gained by purchase of Sub-Participations, there is the additional credit and bankruptcy risk of the direct participant and its failure for whatever reason to account to the Company for monies received in respect of loans directly held by it. In analysing each loan or sub-participation, the Managers will compare the relative significance of the risks against the expected benefits of the investment.

In purchasing sub-participations, the Company generally will not have the right to enforce compliance by the obligor with the terms of the applicable debt agreement nor directly benefit from the supporting collateral for the debt in respect of which it has purchased a sub-participation. As a result, the Company will assume the credit risk of both the obligor and the institution selling the sub-participation.

The carrying amounts of financial assets best represent the maximum credit risk exposure at the financial year end date. The Managers through their investment strategy will endeavour to avoid losses relating to defaults on the underlying assets. In-house research is used to identify asset allocation opportunities amongst various fixed income asset classes and to take advantage of episodes of market mid-pricing.

The Company may utilise different financial instruments to seek to hedge against declines in the value of the Company's positions as a result of changes in currency exchange rates. The Company is exposed to credit risk associated with the forward currency counterparties with whom it trades and will also bear the risk of settlement default.

None of the financial assets and financial liabilities are offset in the Statement of Financial Position. The Company's financial assets and financial liabilities are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments. While the terms and conditions of these agreements may vary, all transactions under any such agreement constitute a single contractual relationship. Each party's obligation to make any payments, deliveries or other transfers in respect of any transaction under such an agreement may be netted against the other party's obligations under such agreement. A default by a party in performance with respect to one transaction under such an agreement would give the other party the right to terminate all transactions under such agreement and calculate one net amount owed from one party to the other. The following tables present information about the offsetting of derivative instruments.

Barings European Loan Limited

**Notes to the Financial Statements
for the financial year ended 31 December 2018 (continued)**

11. Financial instruments and associated risks (continued)

(b) Credit risk (continued)

At 31 December 2018, the Company's derivative assets and liabilities are as follows:

Description	Counterparty	Value of derivative assets €	Financial instruments €	Collateral received €	Net €
Forward foreign	National Australia Bank Limited	4,713,462	-	-	4,713,462
exchange contracts	State Street Bank	5,180,825	(216,677)	-	4,964,148
		<u>9,894,287</u>	<u>(216,677)</u>	<u>-</u>	<u>9,677,610</u>

Description	Counterparty	Value of derivative liabilities €	Financial instruments €	Collateral pledged €	Net €
Forward foreign	State Street Bank	(216,677)	216,677	-	-
exchange contracts		<u>(216,677)</u>	<u>216,677</u>	<u>-</u>	<u>-</u>

At 31 December 2017, the Company's derivative assets and liabilities are as follows:

Description	Counterparty	Value of derivative assets €	Financial instruments €	Collateral received €	Net €
Forward foreign	National Australia Bank Limited	13,785,510	-	-	13,785,510
exchange contracts	State Street Bank	15,553,291	(27,757)	-	15,525,534
		<u>29,338,801</u>	<u>(27,757)</u>	<u>-</u>	<u>29,311,044</u>

Description	Counterparty	Value of derivative liabilities €	Financial instruments €	Collateral pledged €	Net €
Forward foreign	State Street Bank	(27,757)	27,757	-	-
exchange contracts		<u>(27,757)</u>	<u>27,757</u>	<u>-</u>	<u>-</u>

The Company's financial assets exposed to credit risk were concentrated in the following geographical areas:

Country	% of Market Value 31 Dec 2018	% of Market Value 31 Dec 2017
Austria	0.4	0.1
Belgium	0.8	0.5
Canada	0.9	-
Denmark	0.8	1.2
France	9.3	10.4
Germany	21.1	20.9
Hong Kong	0.6	0.6
Ireland	2.5	2.1
Italy	3.8	1.5
Luxembourg	3.7	1.3
Netherlands	9.7	12.7
Portugal	1.1	1.0
Spain	3.3	3.7
Sweden	2.4	2.4
Switzerland	2.3	3.4
United Kingdom	21.9	19.7
United States	15.4	18.5
	<u>100.0</u>	<u>100.0</u>

Barings European Loan Limited
Notes to the Financial Statements
for the financial year ended 31 December 2018 (continued)

11. Financial instruments and associated risks (continued)

(b) Credit risk (continued)

The Company held investments in bonds and loans with the following publically quoted credit ratings:

Moody's Rating	% of Market Value 31 Dec 2018	% of Market Value 31 Dec 2017
Ba2	-	1.6
Ba3	2.4	5.8
B1	17.5	19.8
B2	38.7	35.3
B3	15.3	7.7
Caa1	3.4	4.8
Caa2	4.1	3.8
Caa3	1.6	0.8
Not publicly rated	17.0	20.4
	<u>100.0</u>	<u>100.0</u>

Credit risk arising on transactions with brokers relates to transactions awaiting settlement. The Company monitors the credit rating and financial positions of the brokers used to mitigate this risk. The Managers also monitor the settlement process on a regular basis.

The nature of the non-publicly rated assets is entirely consistent with the loan market. The Managers undertake extensive due diligence on all deals before initial investment. Post initial approval by the credit committee and throughout the holding period of the investment, the Managers continually evaluate the investment's performance including such measures as reviewing pricing levels, monthly accounts, budgets and meeting management, where appropriate.

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

	31 Dec 2018	31 Dec 2017
	€	€
Investments at fair value	5,084,611,092	6,347,037,682
Derivative financial assets	9,894,287	29,338,801
Other receivables	46,032,519	36,372,714
Receivables for investments sold	132,706,578	14,181,388
Cash and cash equivalents	128,078,050	147,823,266
Total	<u>5,401,322,526</u>	<u>6,574,753,851</u>

Amounts in the above table are based on the carrying value of the financial assets as at the financial year end date.

Substantially all of the non-loan assets of the Company (including cash) are held by the Depositary, State Street Custodial Services (Ireland) Limited. Bankruptcy or insolvency of the Depositary may cause the Company's rights with respect to securities held by the Depositary to be delayed or limited. The Company monitors its risk by monitoring the credit quality and financial positions of the Depositary the Company uses. The Standard & Poor's credit rating of State Street as at 31 December 2018 was A (31 December 2017: A). The Standard & Poor's credit rating of National Australia Bank Limited as at 31 December 2018 was AA- (31 December 2017: AA-).

All of the loan assets of the Company have agent banks, and are not safeguarded within the Depositary's network. Bankruptcy or insolvency of an agent bank may cause the Company's rights with respect to amounts held by the agent bank (on behalf of the associated loan) to be delayed or limited.

The Company's Managers analyse credit concentration based on the counterparty, industry and geographical location of the financial assets that the Company holds.

Barings European Loan Limited
Notes to the Financial Statements
for the financial year ended 31 December 2018 (continued)

11. Financial instruments and associated risks (continued)

(b) Credit risk (continued)

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

Industry	% of Market Value 31 Dec 2018	% of Market Value 31 Dec 2017
Aerospace & Defence	1.4	1.5
Automobile	1.8	2.0
Beverage, Food & Tobacco	3.8	5.9
Broadcasting & Entertainment	6.3	5.1
Building & Real Estate	1.6	1.0
Cargo Transport	0.1	2.0
Chemicals, Plastics & Rubber	6.7	7.8
Containers, Packaging & Glass	1.0	3.4
Diversified/Conglomerate Manufacturing	4.5	4.3
Diversified/Conglomerate Service	7.4	7.0
Ecological	1.5	2.1
Electronics	5.7	3.2
Finance	7.0	6.5
Healthcare, Education & Childcare	17.7	13.3
Home & Office Furnishings, Housewares, & Durable Consumer Products	2.1	2.5
Hotels, Motels, Inns & Gaming	5.6	6.0
Leisure, Amusement & Entertainment	2.9	3.8
Machinery Non-Agriculture, Non-Construction & Non-Electronic	1.8	1.9
Mining, Steel, Iron & Non Precious Metals	0.2	1.7
Mutual Funds	3.6	-
Oil & Gas	2.4	2.2
Personal and Non Durable Consumer Products	0.2	0.2
Personal, Food & Miscellaneous	0.1	0.4
Personal Transportation	0.5	0.3
Printing & Publishing	2.1	2.3
Retail Stores	6.5	6.4
Telecommunications	5.3	7.2
Textiles & Leather	0.0	-
Utilities	0.2	-
	100.0	100.0

Credit risk also incorporates counterparty risk which covers the likelihood of a counterparty failing which would principally arise on transactions with brokers that are awaiting settlement. As at 31 December 2018, the Company had trade receivables €132,706,578 (31 December 2017: €14,181,388) and trade payables of €134,495,412 (31 December 2017: €520,079,131) of which none of the receivables (31 March 2018: nil) and none of the payables (31 March 2018: €137,263,997) remained outstanding at 31 March 2019, all other amounts have been settled. Risk relating to unsettled transactions is considered small due to the approval process of the brokers used and an active weekly settlement process employed from the outset by the Managers.

(c) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations arising from its financial liabilities that are settled by delivering cash or another financial asset, or that such obligations will have to be settled in a manner that is disadvantageous to the Company.

The loan from the Ultimate Parent is repayable at any moment in time. However, the amount repayable shall be an amount equal to the relevant assets in the same currency as the loan.

Barings European Loan Limited
Notes to the Financial Statements
for the financial year ended 31 December 2018 (continued)

11. Financial instruments and associated risks (continued)

(c) Liquidity risk (continued)

No other assets will be available to the Ultimate Parent and the obligation to make payments shall be reduced accordingly (if necessary). Therefore, liquidity risk in relation to repayment of the loan from the Ultimate Parent is reduced.

The Company may invest in investments such as loans which are below investment grade, which as a result carry greater liquidity risk than investment grade sovereign or corporate bonds or loans.

Due to the unique and customised nature of loan agreements evidencing private debt assets and the private syndication thereof, these assets are not as easily purchased or sold as publicly traded securities. Although the range of investors in private debt has broadened in recent years, there can be no assurance that future levels of supply and demand in loan trading will provide the degree of liquidity which currently exists in the market. In addition, the terms of these assets may restrict their transferability without borrower consent. The Managers will consider any such restriction, along with all other factors, in determining whether or not to advise the Company to acquire participation in each asset.

The requirement to sell investments quickly may result in an adverse impact on the value of holdings as forced sales will potentially be made below the fair value of investments. The Company may have to execute forced sales to satisfy large redemption requests in the Parent. However, to mitigate this risk, the Prospectus of the Ultimate Parent and the Supplement for the Parent provide for the restrictions in repurchasing redeemable shares. These restrictions will influence how quickly the Company's assets could be liquidated, if necessary, and include satisfying a repurchase of redeemable shares request of less than 5% of the NAV of the Parent by a distribution of investments in specie.

The Company must generate sufficient cash to satisfy redemption requests in the Parent. The Parent's constitutional documentation makes provision for a range of measures to assist with the management of liquidity on an ongoing basis, including, for example, the deferral of redemption applications exceeding 10% of the NAV of the Parent. The Company is typically managed with a small 'buffer' of cash (to minimise the cash drag impact on returns for investors) but also typically has investments in senior secured public floating rate notes whose settlement period (T+2 through Euroclear) permits more rapid sale where this might be required for liquidity purposes.

There is a revolving credit facility in place between the Ultimate Parent, on behalf of its fund, the Parent, and State Street Bank and Trust Company whereby subject to the terms of the agreement, the Subsidiary may borrow for short term liquidity purposes. The main purpose of this facility is to enable the Company to finance redemption requests and hedging requirements at short notice. This facility was not used during the financial year ended 31 December 2018 or 31 December 2017.

All of the Company's financial liabilities as at 31 December 2018 and 31 December 2017 were payable within three months.

The table below sets out the Fund's gross-settled derivative financial instruments at 31 December 2018. The forward foreign exchange contracts held are for both portfolio and share class hedging purposes.

	Less than 1 month	1-3 months	Greater than 3 months	Total
	€	€	€	€
Asset - Forward foreign exchange contracts	1,558,283,233	-	-	1,558,283,233
Liability - Forward foreign exchange contracts	(1,548,605,623)	-	-	(1,548,605,623)
	<u>9,677,610</u>	<u>-</u>	<u>-</u>	<u>9,677,610</u>

The table below sets out the Fund's gross-settled derivative financial instruments at 31 December 2017. The forward foreign exchange contracts held are for both portfolio and share class hedging purposes.

	Less than 1 month	1-3 months	Greater than 3 months	Total
	€	€	€	€
Asset - Forward foreign exchange contracts	1,821,347,792	-	-	1,821,347,792
Liability - Forward foreign exchange contracts	(1,792,045,622)	-	-	(1,792,045,622)
	<u>29,302,170</u>	<u>-</u>	<u>-</u>	<u>29,302,170</u>

Barings European Loan Limited
Notes to the Financial Statements
for the financial year ended 31 December 2018 (continued)

12. Exchange rates

The following exchange rates (against the €) were used in the Statement of Financial Position to translate foreign currency amounts, convert the investments and other assets and liabilities denominated in currencies other than €:

	31 Dec 2018	31 Dec 2017
Australian Dollar (AUD)	0.6148	0.6514
Great British Pound (GBP)	1.1125	1.1265
Norwegian Krone (NOK)	0.1009	0.1018
Swiss Franc (CHF)	0.8880	0.8546
United States Dollar (USD)	0.8728	0.8328

13. Related party transactions

Loan from the Ultimate Parent

The Company is a subsidiary of Barings European Loan Fund (the "Parent"), which is a fund of Barings Global Investment Funds Plc (the "Ultimate Parent"). The Company is funded for its acquisition of investments on behalf of the Parent by way of loans from the Ultimate Parent, which are granted pursuant to a loan agreement and repayable on demand. The obligations of the Company to the Parent shall be limited recourse obligations payable solely from the portfolio held by or on behalf of the Company after satisfying in full all senior obligations. The cost of the loan (coupon charged on loan) will be dependent on the profit of the Company.

The carrying amount of the Loan and coupon payable from the Ultimate Parent, designated at fair value through profit or loss as at 31 December 2018 was €5,312,988,365 (31 December 2017: €6,054,632,115). The net change on financial liabilities at fair value through profit or loss for the year ended 31 December 2018 was €45,618,653 (31 December 2017: €270,252,463).

In the event that accumulated losses prove not to be recoverable during the life of the Company, this will reduce the obligation to the loans from the Parent (i.e. contractual amounts at maturity by an equivalent amount).

Revolving credit facility and security deed

There is a revolving credit facility in place between the Ultimate Parent, on behalf of its fund, the Parent, and the State Street Bank and Trust Company whereby credit facilities may from time to time be made available by State Street Bank and Trust Company to the Subsidiary of the Parent, the Company. There is also a security deed in place between the Ultimate Parent, on behalf of its fund, the Parent, and State Street Bank and Trust Company whereby the Fund acts as Guarantor for any credit facilities extended to the Company. The credit facilities were not used during the financial year ended 31 December 2018 or 31 December 2017.

Investment Manager

With effect from 29 June 2018, Baring Asset Management Limited was appointed as Investment Manager to the Company. Barings LLC acted as Sub-Investment Manager to the Company up to 28 June 2018 and as Investment Manager with effect from 29 June 2018. The Investment Managers implement the investment strategy as specified in the Prospectus and Supplements. The Investment Managers are paid by the Parent.

On 25 May 2018, the Company delivered non-cash assets amounting to €504,059,679 and cash amounting to €94,753,314 to Danske European Loan Fund I, a designated activity company managed by Barings Global Advisers Limited, in exchange for a repayment of loan from the Parent.

Directors' and Secretary's interests

Directors' fees for the financial year amounted to €3,718 (31 December 2017: €3,103) of which €337 (31 December 2017: €250) was payable at the financial year end.

Ms. Barbara Healy, Mr. James Cleary and Mr. David Conway are also Directors of the Ultimate Parent and Baring International Fund Managers (Ireland) Limited.

Neither the Directors nor the Company Secretary held any shares in the Company.

14. Ultimate Parent undertaking and Parent undertaking of larger groups

The Company's Ultimate Parent undertaking is Barings Global Investment Funds Plc, a company incorporated in Ireland.

The immediate Parent of Barings European Loan Limited is Barings European Loan Fund.

Barings European Loan Limited
Notes to the Financial Statements
for the financial year ended 31 December 2018 (continued)

15. Charges

The loans from the Ultimate Parent on behalf of the Parent are secured by the assignment of a fixed first charge of the Company's rights, title and coupon on debt investments.

16. Dividends

No dividends are recommended by the Directors in respect of the financial year ended 31 December 2018 (31 December 2017: Nil)

17. Contingent liabilities

The Directors are not aware of any contingent liabilities as at 31 December 2018 or 31 December 2017.

18. Significant events during the financial year

With effect from 29 June 2018, Baring International Fund Managers (Ireland) Limited was appointed as Manager and Alternative Investment Fund Manager to the Company.

With effect from 29 June 2018, Baring Asset Management Limited was appointed as Investment Manager to the Company. Barings LLC acted as Sub-Investment Manager to the Company up to 28 June 2018 and as Investment Manager with effect from 29 June 2018.

There were no other significant events during the financial year, which require adjustment to, or disclosure in the financial statements.

19. Significant events after the financial year end

The outcome of the Brexit negotiations continues to be uncertain and Barings continues to plan for a number of possible scenarios including a "no-deal" outcome. Barings is committed to ensuring continuity for its investors and protecting against potential regulatory or other market access barriers related to Brexit. In this regard, Barings has appointed Baring International Fund Managers (Ireland) Limited ("BIFMI"), an Irish AIFM, as the manager of the Fund. As a consequence, Barings will be able to use BIFMI's AIFMD passports to continue to market products into EU27 and to manage EU27 funds, unaffected by Brexit. Portfolio management in respect of European investments will continue to be delegated back to Baring Asset Management Limited, a UK entity and portfolio management of US investments will continue to be conducted by Barings LLC, a US entity. The depositaries/custodians and administrators of such funds are also EU27 entities. In addition, Barings has established a Dublin office and recruited several key employees for it, reflecting the increased significance of BIFMI's role within the business.

Whilst the medium to long-term consequences of the decision to leave the EU remain uncertain in any scenario, there could be short-term volatility which could have a negative impact on general economic conditions, business and consumer confidence in both the UK and EU, which may in turn have negative political, economic and market impacts more widely. The longer-term consequences may be affected by the terms of any future arrangements the UK has with the remaining member states of the EU27. Among other things, the UK's decision to leave the EU could lead to changes in the law and tax treatment of funds, instability in the equity, debt and foreign exchange markets, including volatility in the value of the pound sterling or the euro.

There were no other significant events affecting the Company since the financial year end date, which require adjustment to, or disclosure in the financial statements.

20. Comparative financial year

The comparative amounts in these financial statements are for the financial year ended 31 December 2017.

21. Approval of financial statements

The Directors approved these financial statements on 23 April 2019.

Barings European Loan Limited
Schedule of Investments (Unaudited)
as at 31 December 2018

Loans Country	Industry	Obligor	Fair Value €	% of Net Assets*
Austria	Diversified / Conglomerate Manufacturing	GE Distributed Power EUR Term Loan B2	9,661,575	0.18
	Machinery Non-Agriculture, Non-Construction, Non-Electronic	AHT Cooling EUR Term Loan B1	10,309,793	0.19
		AHT Cooling EUR Term Loan B2	1,491,516	0.03
Belgium	Aerospace and Defense	ADB Safegate EUR Term Loan B**	4,214,000	0.08
	Beverage, Food and Tobacco	Contrinental Food New Term Loan B - Tranche 1	11,476,715	0.22
		Contrinental Food New Term Loan B - Tranche 2	2,047,879	0.04
		Contrinental Food New Term Loan B - Tranche 3	1,804,241	0.03
		Contrinental Food New Term Loan B - Tranche 4	3,643,228	0.07
Denmark	Finance	Nets EUR Term Loan B	36,960,921	0.70
		Nets Incremental EUR Term Loan B2	3,430,345	0.06
		Concardis		
		Nets Incremental EUR Term Loan B2 Dotpay	1,388,348	0.03
France	Beverage, Food and Tobacco	Labeyrie EUR Term Loan B1	38,389,962	0.73
		Solina EUR Term Loan B3	8,921,250	0.17
	Broadcasting and Entertainment	Technicolor EUR Term Loan B	17,626,285	0.33
		Technicolor New EUR Term Loan B	16,763,883	0.32
	Buildings and Real Estate	Impala EUR 2nd Lien Term Loan	12,204,875	0.23
		Impala EUR Term Loan B	34,507,500	0.65
		Socotec EUR Term Loan B	20,350,560	0.38
		Terreal EUR Term Loan B	15,121,241	0.29
	Chemicals, Plastics and Rubber	Novacap EUR Term Loan B	37,780,794	0.71
		Novacap EUR Term Loan B3	1,675,030	0.03
	Containers, Packaging and Glass	Axilone EUR 2nd Lien Term Loan B	18,268,750	0.35
		Axilone EUR Term Loan B	3,451,946	0.07
	Diversified / Conglomerate Manufacturing	Averys EUR 2nd Lien Term Loan	12,996,815	0.25
		Delachaux Group GBP Term Loan B3	10,353,301	0.20
		Delachaux Group USD Term Loan B2	13,753,152	0.26
	Diversified / Conglomerate Service	Alma Consulting Group New Senior A**	643,528	0.01
		Alma Consulting Group New Senior B**	275,798	0.01
	Healthcare, Education and Childcare	Cerba New Term Loan B	24,637,858	0.47
		Colisee EUR Term Loan B	6,766,000	0.13
		Domus EUR Term Loan B	19,256,312	0.36
		Ethypharm New GBP Term Loan B**	16,513,221	0.31

* % of Net Assets refers to the Net Assets of the Parent.

** This is a Level 3 security.

Barings European Loan Limited

**Schedule of Investments (Unaudited)
as at 31 December 2018 (continued)**

Loans (continued)				
Country	Industry	Obligor	Fair Value €	% of Net Assets*
	Leisure, Amusement, Entertainment	European Camping Group GBP Term Loan B1	41,651,851	0.79
		Vacalians EUR Term Loan B	15,538,750	0.29
	Retail Stores	THOM Europe EUR Term Loan B	50,404,462	0.95
Germany	Broadcasting and Entertainment	Tele Columbus EUR Term Loan A2	4,417,488	0.08
	Chemicals, Plastics and Rubber	Azelis EUR Term Loan B1	28,674,000	0.54
		Flint Group EUR 1st Lien Term Loan	31,166,966	0.59
		Flint Group EUR 1st Lien Term Loan B3	1,761,409	0.03
		Flint Group EUR 2nd Lien Term Loan**	1,757,409	0.03
		Flint Group EUR Incremental Term Loan B6	1,091,060	0.02
		Flint Group EUR Incremental Term Loan B7	2,635,084	0.05
		Flint Group EUR Term Loan Add-On B5	5,559,958	0.11
		Flint Group EUR Term Loan Incremental B4	14,474,839	0.27
		Flint Group USD 1st Lien Term Loan B2	36,325,001	0.69
		Flint Group USD 1st Lien Term Loan C	6,004,946	0.11
		Flint Group USD New 2nd Lien Term Loan B2	9,639,922	0.18
	Diversified / Conglomerate Manufacturing	Pfleiderer Repriced EUR Term Loan B	18,286,516	0.35
		SGB-Smit EUR Term Loan B	21,156,562	0.40
		Xella EUR Term Loan B	52,004,204	0.98
		Xella EUR Term Loan B Add on	21,540,282	0.41
	Diversified / Conglomerate Service	HSE24 Repriced EUR Term Loan C	12,948,114	0.24
	Healthcare, Education and Childcare	Aenova EUR 2nd Lien Term Loan	14,517,588	0.27
		Aenova EUR Term Loan B Aenova	31,884,444	0.60
		Aenova EUR Term Loan B Dragenopharm	14,214,066	0.27
		Aenova EUR Term Loan B Swisscaps	9,464,121	0.18
		Aenova EUR Term Loan B Temmler	11,770,373	0.22
		Amedes EUR Term Loan B	43,246,523	0.82
		Ameos EUR Term Loan B	16,985,805	0.32
		Cheplapharm EUR Term Loan B	6,205,146	0.12
		GHD EUR Term Loan B	37,245,069	0.70
		Riemser Term Loan B	39,588,512	0.75
		Rodenstock EUR Term Loan B2	55,059,618	1.04
		Stada EUR Term Loan B1	9,129,728	0.17
		Stada EUR Term Loan B2	5,289,484	0.10
		Stada EUR Term Loan C	17,092,611	0.32
		Stada GBP Term Loan C	16,183,845	0.31
	Hotels, Motels, Inns and Gaming	A&O Hotels and Hostels EUR Term Loan B**	23,814,114	0.45
		Tipico Repriced EUR Term Loan B	66,051,741	1.25
	Machinery Non-Agriculture, Non-Construction, Non-Electronic	Alstom Auxilary Components EUR Term Loan B1	19,036,966	0.36
		Alstom Auxilary Components USD Term Loan B1	10,209,889	0.19

*% of Net Assets refers to the Net Assets of the Parent.

** This is a Level 3 security.

Barings European Loan Limited

**Schedule of Investments (Unaudited)
as at 31 December 2018 (continued)**

Loans (continued)				
Country	Industry	Obligor	Fair Value €	% of Net Assets*
		Alstom Auxiliary Components USD Term Loan B2	10,209,889	0.19
	Mining, Steel, Iron and Non Precious Metals	HC Starck EUR 2nd Lien	8,105,392	0.15
		HC Starck USD 2nd Lien	4,317,057	0.08
	Printing and Publishing	Springer EUR Term Loan B14	74,570,870	1.41
		Springer USD Term Loan B13	30,648,544	0.58
	Retail Stores	Douglas Holding Ag EUR Incremental Term Loan B8	5,098,729	0.10
		Douglas EUR Term Loan B1	12,865,647	0.24
		Douglas EUR Term Loan B2	7,369,712	0.14
		Douglas EUR Term Loan B3	13,457,525	0.25
		Douglas EUR Term Loan B4	8,767,515	0.17
		Douglas EUR Term Loan B5	2,622,834	0.05
		Douglas EUR Term Loan B6	9,660,787	0.18
		Douglas EUR Term Loan B7	6,693,243	0.13
Hong Kong	Finance	Vistra Group Repriced EUR 2L Term Loan	918,727	0.02
		Vistra Group Repriced EUR Term Loan	25,904,583	0.49
		Vistra Group Repriced USD 2L Term Loan**	891,442	0.02
Ireland	Beverage, Food and Tobacco	Valeo Foods EUR Term Loan B	6,959,616	0.13
	Telecommunications	Eircom EUR Term Loan B6	22,765,835	0.43
Italy	Home and Office Furnishings, Housewares, and Durable Consumer Products	Stiga EUR Term Loan B	33,618,059	0.64
Luxembourg	Chemicals, Plastics and Rubber	Allnex EUR Term B1	49,487,979	0.94
	Finance	SGG Group EUR Term Loan B	12,253,795	0.23
		SGG Group GBP 2L Term Loan B	2,202,669	0.04
		SGG Group GBP Term Loan B	24,666,088	0.47
Netherlands	Beverage, Food and Tobacco	Flora Food Group (Upfield) GBP Term Loan B4	3,739,255	0.07
		Refresco EUR Term Loan B	24,146,929	0.46
		Refresco GBP Term Loan B	11,448,700	0.22
	Broadcasting and Entertainment	Endemol EUR 1st Lien Term Loan	22,381,742	0.42
		Endemol GBP 1st Lien Term Loan	14,894,014	0.28
		Endemol USD 1st Lien Term Loan	37,730,895	0.71
		Endemol USD 2nd Lien Term Loan	63,517,437	1.20
	Cargo Transport	Hestya Senior Debt B	3,701,598	0.07
	Chemicals, Plastics and Rubber	Nouryon EUR Term Loan B	28,325,178	0.54
	Diversified / Conglomerate Service	Exact EUR Term Loan B	17,349,522	0.33
		TMF EUR 2L Term Loan	12,738,467	0.24
		TMF EUR Term Loan B	18,901,526	0.36
	Electronics	Unit4 EUR Term Loan B1	35,434,367	0.67
		Unit4 EUR Term Loan B2	10,940,168	0.21

*% of Net Assets refers to the Net Assets of the Parent.

** This is a Level 3 security.

Barings European Loan Limited

**Schedule of Investments (Unaudited)
as at 31 December 2018 (continued)**

Loans (continued)				
Country	Industry	Obligor	Fair Value €	% of Net Assets*
	Home and Office Furnishings, Housewares, and Durable Consumer Products	Keter Group EUR Term Loan B1	10,001,741	0.19
		Keter Group Facility B3-A	20,073,216	0.38
	Hotels, Motels, Inns and Gaming	Roompot Vakanties EUR Term Loan B	23,848,125	0.45
	Machinery Non-Agriculture, Non-Construction, Non-Electronic	Ammeraal Beltech EUR Term Loan B	9,953,150	0.19
	Retail Stores	Action Repriced EUR Term Loan B	41,299,417	0.78
	Telecommunications	M7 Group EUR Term Loan B	22,379,245	0.42
		Ziggo EUR Term Loan F	14,203,034	0.27
Spain	Beverage, Food and Tobacco	Deoleo Perfected Term Loan B	4,757,321	0.09
		Deoleo Unperfected Term Loan B	10,043,012	0.19
		Deoleo, EUR 2L Term Loan	591,741	0.01
	Broadcasting and Entertainment	Imagina EUR 2L Term Loan	26,971,289	0.51
		Imagina EUR Term Loan B1	17,467,892	0.33
		Imagina EUR Term Loan B2	10,471,247	0.20
	Healthcare, Education and Childcare	Memora Term Loan B1	788,318	0.01
		Memora Term Loan B2	1,841,111	0.03
		Memora Term Loan B3	3,080,274	0.06
		Memora Term Loan B4	1,458,833	0.03
	Hotels, Motels, Inns and Gaming	Hotelbeds Group Repriced EUR Term Loan B	21,836,264	0.41
		Hotelbeds Group Zurich FacilityTerm Loan B	9,815,628	0.19
	Leisure, Amusement, Entertainment	Dorna New USD Term Loan	5,755,184	0.11
		PortAventura EUR Term Loan B	26,439,916	0.50
Sweden	Diversified / Conglomerate Service	IFS EUR Term Loan B	8,213,414	0.16
		Verisure EUR Term Loan B1-E	91,120,958	1.72
	Home and Office Furnishings, Housewares, and Durable Consumer Products	Hilding Anders EUR Term Loan B	24,378,766	0.46
Switzerland	Aerospace and Defense	Swissport Repriced EUR Term Loan B	42,141,021	0.80
	Chemicals, Plastics and Rubber	Archroma EUR Term Loan B1	21,989,551	0.42
	Healthcare, Education and Childcare	Unilabs EUR Term Loan B2	22,269,643	0.42
	Personal and Non Durable Consumer Products Mfg. Only	Breitling EUR Term Loan B	8,673,900	0.16

*% of Net Assets refers to the Net Assets of the Parent.

Barings European Loan Limited

**Schedule of Investments (Unaudited)
as at 31 December 2018 (continued)**

Loans (continued)				% of Net Assets*
Country	Industry	Obligor	Fair Value €	
United Kingdom	Beverage, Food and Tobacco	Accolade Wines GBP Term Loan B	36,074,758	0.68
	Broadcasting and Entertainment	All3Media EUR Second Lien Term Loan	14,358,047	0.27
		All3Media GBP Senior Term Loan B	36,595,799	0.69
	Containers, Packaging and Glass	Faerch Plast EUR Term Loan B1	14,922,650	0.28
	Diversified / Conglomerate	Finastra EUR 1L Term Loan	25,209,392	0.48
	Manufacturing			
	Diversified / Conglomerate Service	Busy Bees GBP Term Loan B	6,136,325	0.12
		Finastra USD 2L Term Loan	12,430,523	0.24
		IRIS Software GBP Term Loan B**	16,798,134	0.32
		NGA UK GBP Term Loan B	10,841,019	0.21
	Ecological	PHS New GBP Term Loan A1	29,059,681	0.55
	Healthcare, Education and Childcare	Advanz Pharma EUR Term Loan B	64,998,600	1.23
		Advanz Pharma USD Term Loan B	11,451,654	0.22
		Cognita EUR 2 L Term Loan**	57,427,500	1.09
		Elysium GBP Term Loan B1	42,034,515	0.79
		Tunstall EUR Term Loan B**	30,309,579	0.57
		Tunstall GBP Term Loan B	12,197,262	0.23
	Hotels, Motels, Inns and Gaming	Park Resorts New Term Loan B	39,159,354	0.74
		Wyndham Vacation Rentals Europe EUR 2L Term Loan	30,953,420	0.59
		Wyndham Vacation Rentals Europe EUR Term Loan B	43,743,370	0.83
	Leisure, Amusement, Entertainment	Vue Cinemas EUR Term Loan B3	19,438	0.00
		Vue Cinemas Term Loan B	5,006,250	0.09
	Machinery Non-Agriculture, Non-Construction, Non-Electronic	Doncasters Group Limited GBP Term Loan C	18,086,778	0.34
	Oil and Gas	KCA Deutag Repriced USD Term Loan B	23,079,033	0.44
	Retail Stores	AS Adventure EUR Term Loan B	9,013,102	0.17
		As Adventure GBP Term Loan B**	4,232,907	0.08
		Euro Garages EUR 2L Term Loan B	19,264,485	0.36
		Euro Garages EUR Term Loan B1	21,337,982	0.40
		Euro Garages EUR Term Loan B3	10,851,847	0.21
		Euro Garages GBP Term Loan B	3,457,031	0.07
	Telecommunications	Virgin Media GBP Term Loan M	32,858,310	0.62
United States of America	Automobile	DexKo Repriced EUR Term Loan B1	18,083,411	0.34
		DexKo Repriced EUR Term Loan B2	7,233,364	0.14
		Gates Global Repriced EUR Term Loan B	16,229,851	0.31
		MSX International EUR Term Loan B	8,971,065	0.17
	Chemicals, Plastics and Rubber	Diversey EUR Term Loan B	25,901,711	0.49
		Platform Specialty Chemicals EUR Term Loan C5	15,579,037	0.29

*% of Net Assets refers to the Net Assets of the Parent.

** This is a level 3 security.

Barings European Loan Limited

**Schedule of Investments (Unaudited)
as at 31 December 2018 (continued)**

Loans (continued)				
Country	Industry	Obligor	Fair Value €	% of Net Assets*
		Platform Specialty Chemicals USD Term Loan B6**	883,801	0.02
	Containers, Packaging and Glass	Ranpak Corp. USD 2nd Lien Term Loan**	2,336,134	0.04
	Diversified / Conglomerate Service	Dealogic Repriced EUR Term Loan B	9,132,253	0.17
		Element Materials Technology EUR Term Loan B	5,180,312	0.10
		Element Materials Technology GBP Term Loan B	7,681,574	0.15
		Refinitiv EUR Term Loan B	35,634,375	0.67
	Ecological	Environmental Resources Management 2nd Lien	11,622,101	0.22
		Environmental Resources Management USD Term Loan B	33,886,968	0.64
	Electronics	Excelitas EUR Term Loan B**	5,672,415	0.11
		Excelitas USD 2L Term Loan	4,178,487	0.08
		Ion Trading Technologies Repriced EUR Term Loan B	79,393,567	1.50
		Veritas Repriced EUR Term Loan B	110,313,417	2.09
		Wall Street Systems EUR Term Loan B	17,924,466	0.34
	Finance	Paysafe EUR 2L Term Loan	9,746,790	0.18
	Healthcare, Education and Childcare	Acelity L.P. Inc. EUR Term Loan B	11,507,324	0.22
		Indivior Repriced USD Term Loan B	20,833,641	0.39
		LifeScan Global USD Term Loan B	50,112,374	0.95
		Nord Anglia EUR Term Loan	9,857,050	0.19
		Sivantos & Widex EUR Term Loan B	33,742,125	0.64
	Machinery Non-Agriculture, Non-Construction, Non-Electronic	Diebold Nixdorf USD Term Loan A-1	5,205,895	0.10
	Oil and Gas	Seadrill Partners LLC Term Loan B	59,442,191	1.12
	Telecommunications	BMC Software EUR Term Loan B	41,210,181	0.77
Total Loans (31 December 2017: €4,713,526,069)			3,761,289,259	71.13
Bonds				
Country	Industry	Holding Details	Fair Value €	% of Net Assets*
Belgium	Home and Office Furnishings, Housewares, and Durable Consumer Products	20,547,270 Balta, 7.750%, due 15/09/2022	19,133,453	0.36
France	Diversified / Conglomerate Service	16,723,000 Algeco Scotsman, 6.250%, due 15/02/2023	16,519,816	0.31
		16,051,000 Algeco Scotsman, 6.500%, due 15/02/2023	15,770,910	0.30
	Machinery Non-Agriculture, Non-Construction, Non-Electronic	4,500,000 Novafives, 4.500%, due 15/06/2025	3,646,755	0.07
		3,225,000 Novafives, 5.000%, due 15/06/2025	2,608,622	0.05
	Oil and Gas	2,034,000 CGG, 7.875%, due 01/05/2023	2,069,087	0.04
Germany	Broadcasting and Entertainment	41,795,000 Tele Columbus, 3.875%, due 02/05/2025	38,070,021	0.73
	Chemicals, Plastics and Rubber	10,884,000 CABB, 4.439%, due 15/06/2021	10,601,016	0.20
		12,934,000 CABB, 5.250%, due 15/06/2021	12,642,985	0.24

*% of Net Assets refers to the Net Assets of the Parent.

** This is a Level 3 security.

Barings European Loan Limited

**Schedule of Investments (Unaudited)
as at 31 December 2018 (continued)**

Bonds (continued)				Fair Value €	% of Net Assets*
Country	Industry	Holding	Details		
	Diversified / Conglomerate Manufacturing	32,941,000	Heat Exchangers, 4.439%, due 15/06/2021	22,930,230	0.43
		5,819,000	Heat Exchangers, 5.375%, due 15/06/2021	4,132,887	0.08
	Healthcare, Education and Childcare	44,283,000	Synlab, 6.250%, due 01/07/2022	45,171,760	0.85
	Personal and Non Durable Consumer Products Mfg. Only	1,250,000	WEPA Hygieneprodukte, 3.750%, due 15/05/2024	1,190,170	0.02
	Retail Stores	2,768,000	CBR Fashion, 5.125%, due 01/10/2022	2,285,615	0.04
		48,802,000	Takko Fashion, 5.375%, due 15/11/2023	34,921,407	0.66
Ireland	Utilities	1,085,000	Viridian, 4.000%, due 15/09/2025	1,001,292	0.02
		11,464,000	Viridian, 4.750%, due 15/09/2024	11,751,785	0.22
Italy	Diversified / Conglomerate Manufacturing	18,988,000	Fedrigoni, 4.125%, due 30/11/2024	18,579,758	0.35
	Diversified / Conglomerate Service	22,960,000	TeamSystem, 4.000%, due 15/04/2023	22,876,770	0.43
	Finance	48,439,000	Nexi Capital , 3.625%, due 01/05/2023	47,954,610	0.92
	Healthcare, Education and Childcare	5,740,000	Limacorporate, 3.750%, due 15/08/2023	5,686,561	0.11
		16,100,000	Recordati SpA, 6.250%, due 30/10/2025	16,172,450	0.31
	Retail Stores	7,367,000	Marcolin, 4.125%, due 15/02/2023	7,335,985	0.14
	Telecommunications	44,815,000	Wind Tre, 2.750%, due 20/01/2024	40,221,463	0.76
Netherlands	Retail Stores	35,705,000	Maxeda DIY, 6.125%, due 15/07/2022	32,930,579	0.62
	Telecommunications	16,271,000	Ziggo, 4.250%, due 15/01/2027	16,045,240	0.30
	Textiles and Leather	1,582,000	The LYCRA Company, 5.375%, due 01/05/2023	1,460,819	0.03
Portugal	Telecommunications	56,254,000	Altice International S.a.r.l., 6.625%, due 15/02/2023	47,256,810	0.89
		13,559,000	Altice International S.a.r.l., 7.500%, due 15/05/2026	10,828,268	0.20
Spain	Personal Transportation	16,271,000	Naviera Armas, 4.250%, due 15/11/2024	15,267,405	0.29
		12,250,000	Naviera Armas, 6.500%, due 31/07/2023	12,006,813	0.23
Switzerland	Aerospace and Defense	23,475,000	Swissport, 6.750%, due 15/12/2021	24,138,216	0.46
United Kingdom	Automobile	41,454,000	Automotive Association , 5.500%, due 31/07/2022	37,264,355	0.71
		6,689,000	RAC, 5.000%, due 06/11/2022	6,678,274	0.13
	Beverage, Food and Tobacco	4,420,000	Boparan, 4.375%, due 15/07/2021	3,223,064	0.06
		1,200,000	Boparan, 5.250%, due 15/07/2019	1,271,674	0.02
		22,327,000	Premier Foods, 5.928%, due 15/07/2022	24,612,945	0.47
	Finance	15,728,000	Arrow, 2.875%, due 01/04/2025	14,430,755	0.27
		23,412,000	Arrow, 3.750%, due 01/03/2026	22,150,327	0.42
		14,663,000	Arrow, 5.125%, due 15/09/2024	14,648,167	0.28
		9,469,000	Cabot, 7.500%, due 01/10/2023	9,635,653	0.18
		12,647,000	Domestic & General, 5.387%, due 15/11/2020	13,998,925	0.26
		9,469,000	Cabot, 7.500%, due 01/10/2023	9,635,653	0.18

*% of Net Assets refers to the Net Assets of the Parent.

Barings European Loan Limited

**Schedule of Investments (Unaudited)
as at 31 December 2018 (continued)**

Bonds (continued)				Fair Value €	% of Net Assets*
Country	Industry	Holding Details			
		53,603,000	Lowell , 4.500%, due 01/09/2023	44,638,434	0.84
		10,124,000	Lowell, 7.500%, due 01/08/2022	9,017,447	0.17
		35,479,000	Lowell, 8.500%, due 01/11/2022	33,462,952	0.63
		20,971,000	Together , 6.125%, due 15/01/2024	22,512,737	0.43
	Healthcare, Education and Childcare	21,514,000	Mydentist , 6.250%, due 15/08/2022	19,876,728	0.38
	Hotels, Motels, Inns and Gaming	14,371,000	Travelodge, 5.762%, due 15/05/2023	15,825,681	0.30
		12,527,200	Travelodge, 8.500%, due 15/05/2023	14,369,409	0.27
	Leisure, Amusement, Entertainment	6,056,000	Center Parcs, 4.875%, due 28/08/2025	6,337,734	0.12
		26,033,000	Perform Group, 8.500%, due 15/11/2020	29,120,513	0.55
		9,378,000	Vue Cinemas, 4.942%, due 15/07/2020	9,305,321	0.18
		6,870,000	Vue Cinemas, 7.875%, due 15/07/2020	7,559,482	0.14
	Oil and Gas	20,332,000	KCA Deutag, 7.250%, due 15/05/2021	14,462,653	0.27
		9,853,000	KCA Deutag, 9.625%, due 01/04/2023	6,965,684	0.13
		22,956,000	KCA Deutag, 9.875%, due 01/04/2022	16,529,527	0.31
	Personal, Food and Miscellaneous	3,977,000	Ocado, 4.000%, due 15/06/2024	4,296,389	0.08
	Retail Stores	22,689,000	House of Fraser, 6.381%, due 15/09/2020	1,703,740	0.03
		8,384,000	Travelex, 8.000%, due 15/05/2022	7,204,874	0.14
		17,988,000	Watches of Switzerland, 8.500%, due 15/04/2023	18,694,698	0.35
United States of America	Containers, Packaging and Glass	13,750,000	Mauser Packaging Solutions, 4.750%, due 15/04/2024	13,501,359	0.26
	Diversified / Conglomerate Service	59,264,000	Carlson Travel Holdings, 4.750%, due 15/06/2023	58,982,496	1.12
	Electronics	32,831,000	Veritas, 7.500%, due 01/02/2023	28,809,203	0.54
	Healthcare, Education and Childcare	7,200,000	Bausch Health Companies, 4.500%, due 15/05/2023	6,826,212	0.13
	Telecommunications	28,400,000	BMC Software, 8.375%, due 01/09/2026	26,363,095	0.50
Total Bonds (31 December 2017: €972,304,639)				1,137,125,718	21.50

Equities				Fair Value €	% of Net Assets*
Country	Industry	Holding Details			
Canada	Healthcare, Education and Childcare	2,844,573	Advanz Pharma, Common Stock	46,873,710	0.89
France	Diversified / Conglomerate Service	53,110	Alma Consulting Group, Senior Debt PPL**	-	0.00

*% of Net Assets refers to the Net Assets of the Parent.

** This is a Level 3 security.

Barings European Loan Limited

**Schedule of Investments (Unaudited)
as at 31 December 2018 (continued)**

Equities (continued)					Fair Value €	% of Net Assets*
Country	Industry	Holding Details				
		2,348,902	Alma Consulting Group, Senior Equity PPL**		2	0.00
		127,656	Alma Consulting Group, Luxco Shares**		-	0.00
	Retail Stores	20,206	Vivarte, New Money Preferences Shares**		-	0.00
Germany	Automobile	1,120,522	ATU, Common Stock**		1	0.00
United Kingdom	Ecological	51,448	Biffa Group Holdings**		39,262	0.00
	Healthcare, Education and Childcare	34,839	Tunstall, B2 Ordinary Shares**		-	0.00
		22,994	Tunstall, B1 Ordinary Shares**		-	0.00
Total Equities (31 December 2017: €148,784)					46,912,975	0.89

Collective Investment Schemes					Fair Value €	% of Net Assets*
Country	Industry	Holding Details				
Ireland	Mutual Fund	86,822,505	Deutsche Global Liquidity Series Plc - Managed Euro Fund		86,822,505	1.64
Luxembourg	Mutual Fund	56,403,165	JPMorgan Liquidity Funds - Euro Liquidity Fund		56,403,165	1.07
Luxembourg	Mutual Fund	42,970,445	Morgan Stanley Liquidity Funds - Euro Liquidity Fund		42,970,445	0.81
Total Collective Investment Schemes (31 December 2017: €536,017,306)					186,196,115	3.52

Forward Foreign Exchange Contracts

Maturity	Counterparty	Currency	Amount Bought	Currency	Amount Sold	Unrealised Gain €	% of Net Assets*
15/01/2018	National Australia Bank Limited	EUR	386,446,946	GBP	344,590,877	3,257,480	0.06
15/01/2018	National Australia Bank Limited	EUR	309,824,435	USD	353,664,593	1,455,982	0.03
15/01/2018	State Street Bank	EUR	391,064,651	GBP	348,688,495	3,318,582	0.06
15/01/2018	State Street Bank	EUR	11,570,106	GBP	10,395,000	10,733	0.00
15/01/2018	State Street Bank	EUR	2,203,830	GBP	1,980,000	2,044	0.00
15/01/2018	State Street Bank	EUR	372,944,337	USD	425,697,313	1,768,866	0.03
15/01/2018	State Street Bank	EUR	9,955,909	USD	11,379,425	33,922	0.00
15/01/2018	State Street Bank	EUR	9,901,813	USD	11,349,558	5,868	0.00
15/01/2018	State Street Bank	EUR	1,292,277	USD	1,477,049	4,403	0.00
15/01/2018	State Street Bank	GBP	10,000,000	EUR	11,083,722	36,407	0.00
Total unrealised gain on forward foreign exchange contracts (31 December 2017: €29,338,801)						9,894,287	0.18

Forward Foreign Exchange Contracts (continued)

Maturity	Counterparty	Currency	Amount Bought	Currency	Amount Sold	Unrealised Loss €	% of Net Assets*
15/01/2018	State Street Bank	EUR	1,289,486	GBP	1,161,350	(1,950)	(0.00)
15/01/2018	State Street Bank	USD	18,112,113	EUR	15,819,821	(27,445)	(0.00)
15/01/2018	State Street Bank	USD	40,000,000	EUR	35,064,220	(187,282)	(0.00)
Total unrealised loss on forward foreign exchange contracts (31 December 2017: €(27,757))						(216,677)	(0.00)
Net unrealised gain on forward foreign exchange contracts (31 December 2017: €29,311,044)						9,677,610	0.18

*% of Net Assets refers to the Net Assets of the Parent.

**This is a Level 3 security.

Barings European Loan Limited

**Significant Changes in Portfolio Composition (Unaudited)
for the financial year ended 31 December 2018**

Top 20 Purchases

Issuer	Cost €
JPMorgan Liquidity Funds - Euro Liquidity Fund	218,000,000
Deutsche Global Liquidity Series Plc - Managed Euro Fund	183,000,000
Morgan Stanley Liquidity Funds - Euro Liquidity Fund	181,000,000
ION Trading Technologies S.a.r.l. EUR Incremental Term Loan B	81,552,354
Springer Nature Deutschland GmbH 2018 EUR Term Loan B14	75,210,412
Advanz Pharma Corp 2018 EUR Exit Term Loan B	65,712,837
Rodenstock GmbH EUR Term Loan B2	60,202,262
Lowell, 4.500%, due 01/09/2023	58,411,000
Lernen Bidco Limited 2018 EUR 2nd Lien Term Loan	57,427,500
Nexi Capital, 3.625%, due 01/05/2023	55,800,000
Lifescan Global Corporation 2018 1st Lien Term Loan	50,642,932
Stars Group Holdings B.V. 2018 EUR Term Loan B	50,472,170
DZ Bank AG, 0.000%, due 21/05/2018	50,066,338
Nordea Bank AB, 0.000%, due 20/04/2018	50,041,006
Natixis, 0.000%, due 20/03/2018	50,017,895
Compass IV Limited 2018 EUR Term Loan B	48,114,000
Elysium Healthcare Holdings 3 Limited 2018 GBP Term Loan B1	47,640,569
TDC A/S EUR Term Loan	44,974,000
Veritas Bermuda Ltd. EUR Repriced Term Loan B	42,255,912
Wind Tre, 2.750%, due 20/01/2024	42,177,119
Peer Holding III B.V. 2018 EUR Term Loan B	41,375,579
Nets Holding A/S EUR Term Loan B1E	41,274,983
BMC Software Finance, Inc. 2018 EUR Term Loan B	40,986,000
Tele Columbus, 3.875%, due 02/05/2025	37,767,916
Synlab Bondco, 6.250%, due 01/07/2022	37,688,388
Amphora Finance Limited 2018 GBP Term Loan B	36,887,441
Financial & Risk US Holdings, Inc. 2018 EUR Term Loan	36,109,500

Top 20 Sales

Issuer	Proceeds €
JPMorgan Liquidity Funds - Euro Liquidity Fund	340,000,000
Morgan Stanley Liquidity Funds - Euro Liquidity Fund	317,000,000
Deutsche Global Liquidity Series Plc - Managed Euro Fund	273,000,000
Concordia International Corp. 2015 GBP Term Loan	90,672,771
Springer Nature Deutschland GmbH EUR Term Loan B12	84,472,801
Coveris Holdings S.A. EUR 2017 Term Loan	74,473,953
Avantor, Inc. EUR 2017 1st Lien Term Loan	65,359,618
Intervias Finco Ltd GBP Term Loan D1	52,810,275
Bausch Health Companies, 4.500%, due 15/05/2023	52,383,626
Rodenstock GmbH New EUR Term Loan B	51,033,087
Stars Group Holdings B.V. 2018 EUR Term Loan B	50,420,443
Dorna Sports, S.L. 2017 EUR Term Loan B	50,105,632
Nets Holding A/S EUR Term Loan B	46,800,000
Delta 2 (LUX) S.a.r.l. USD Term Loan B3	46,698,768
Verallia Packaging S.A.S. EUR Term Loan B4	46,464,846
TDC A/S EUR Term Loan	45,408,437
Solera, LLC EUR Term Loan B	45,353,197
Intervias Finco Ltd EUR Term Loan D2	43,150,000
Tele Columbus AG 2017 EUR Term Loan A	42,968,182
Northgate Information Solutions Limited 2016 EUR Term Loan B2	38,250,000

Listed above are the aggregate purchases and sales of an investment exceeding 1.00% of the total value of purchases and sales for the financial year ended 31 December 2018 or at least the top 20 purchases and sales.

At a minimum, the largest 20 purchases and sales are required to be disclosed, if applicable.