BT GROUP PLC
Form 6-K
May 24, 2018

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

Report of Foreign Private Issuer

Pursuant to Rule 13a-16 or 15d-16 of
the Securities Exchange Act of 1934

Date of Announcement: 24 May 2018

BT Group plc

(Translation of registrant's name into English)

BT Group plc
81 Newgate Street
London
EC1A 7AJ
England

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F..X... Form 40-F

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes No ..X..

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-________

24 May 2018

BT Group plc

Annual Financial Report

Annual Report & Form 20-F 2018
Notice of meeting 2018

Following release on 10 May 2018 of its final results for the fourth quarter and year to 31 March 2018 (the Results Announcement), BT announces that the above documents have been published today and are available on its website at bt.com/annualreport

Copies of these documents, together with the proxy form for the
BT Annual General Meeting, have been submitted to the National Storage Mechanism and will shortly be available for inspection at http://www.morningstar.co.uk/uk/NSM

For the purposes of complying with the FCA's Disclosure Guidance and Transparency Rules, additional information including certain information in the BT Annual Report & Form 20-F 2018 (the Annual Report) is set out below.

Additional Information required by Disclosure Guidance and Transparency Rule (DTR) 6.3.5

The following information, which is extracted from the Annual Report should be read in conjunction with the Results Announcement which includes a condensed set of consolidated financial statements, an indication of the important events that have occurred in the reporting period, and a description of BT's principal risks and uncertainties. Together these constitute the material required by DTR 6.3.5 to be communicated to the media in unedited full text through a Regulatory Information Service.

This material is not a substitute for reading the Annual Report in full and page and note numbers and cross-references in the extracted information below refer to page and note numbers and cross-references in the Annual Report. Defined terms used refer to terms as defined in the Annual Report.

"29. Related party transactions

Key management personnel comprise executive and non-executive directors and members of the Executive Committee. Compensation of key management personnel is disclosed in note 5.

5. Operating costs

Compensation of key management personnel
Key management personnel comprise executive and non-executive directors and members of the Executive Committee. Compensation of key management personnel is shown in the table below:

Year ended 31 March	2018	2017	2016
	£m	£m	£m
Short-term employee benefits	11.8	10.5	9.4
Post employment benefits	1.3	1.3	1.1
Share-based payments	6.2	5.6	5.5
Termination benefits	2.2	-	0.6
	21.5	17.4	16.6

More detailed information concerning directors' remuneration, shareholdings, pension entitlements, share options and other long-term incentive plans is shown in the audited part of the Report on Directors' Remuneration (see page 156), which forms part of these consolidated financial statements.

Amounts paid to the group's retirement benefit plans are set out in note 20."

"Statement of Directors' responsibilities

Each of the directors, whose names and functions are listed on pages 134 to 135 confirms that, to the best of their knowledge:

the group financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union- Dual IFRS (European Union and IASB) - give a true and fair view of the assets, liabilities, financial position and profit of the group; and

the Strategic Report on pages 1 to 130 includes a fair review of the development and performance of the business and the position of the group and company, together with a description of the principal risks and uncertainties that it faces."

ENDS

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

BT Group plc
(Registrant)

By: /s/ Dan Fitz, Company Secretary

Dan Fitz, Company Secretary.

Date 24 May 2018

"2">ATI Acquisition Company, L+600, 12/30/14 Education 13,306 12,884 13,839

Brickman Group Holdings, Inc., L+550, 10/14/16

Environmental &
Facilities Services 14,963 14,822 15,294

Brock Holdings III, Inc., L+450, 3/16/17

Environmental &
Facilities Services 5,000 4,963 5,031

Educate, Inc., L+700, 6/14/14

Education 7,908 7,908 7,868

Insight Pharmaceuticals, LLC., L+500, 2/24/17

Consumer Products 7,500 7,388 7,462

Leslie s Poolmart, Inc., L+300, 11/21/16

Retail 5,985 5,985 6,034

Multiplan, Inc., L+325, 8/26/17

Business Services 4,808 4,808 4,826

Penton Media, Inc., L+400, 8/1/14

Media 34,917 28,590 28,486

Playpower, Inc., L+950, 6/30/12

Leisure Equipment 15,890 14,433 14,380

RBS Holding Company, LLC, L+500, 3/23/17

Business Services 16,000 15,840 15,860

Total 1st Lien Bank Debt/Senior Secured Loans

$133,299 $135,070

2nd Lien Bank Debt/Senior Secured Loans 44.8%

AB Acquisitions UK Topco 2 Limited (Alliance Boots), GBP L+425, 7/9/16

Retail £11,400 $20,193 $17,725

AB Acquisitions UK Topco 2 Limited (Alliance Boots), E+425, 7/9/16

Retail 3,961 5,563 5,537

Advantage Sales & Marketing, Inc., L+775, 6/18/18

Grocery $60,000 59,494 61,200

Allied Security Holdings, LLC., L+700, 2/2/18

Business Services 51,000 50,527 52,020

Applied Systems, Inc., L+775, 6/8/17

Software 26,500 26,244 26,853

Asurion Corporation, L+650, 7/3/15

Insurance 115,026 114,181 114,307

Brock Holdings III, Inc., L+825, 3/16/18

Environmental &
Facilities Services 45,000 44,102 46,350

Clean Earth, Inc., 13.00%, 8/1/14

Environmental &
Facilities Services 25,000 25,000 24,875

Datatel, Inc., L+725, 2/19/18

Education 21,000 20,896 21,341

See notes to financial statements.

Table of Contents

APOLLO INVESTMENT CORPORATION

SCHEDULE OF INVESTMENTS (continued)

March 31, 2011

(in thousands, except shares)

	Industry	Par Amount*	Cost	Fair Value (1)
Garden Fresh Restaurant Corp., L+975, 12/11/13	Retail	$ 46,600	$ 46,600	$ 48,091
IPC Systems, Inc., L+525, 6/1/15	Telecommunications	44,250	41,635	42,038
Kronos, Inc., L+575 Cash or L+650 PIK, 6/11/15	Electronics	60,000	60,000	59,600
Ozburn-Hessey Holding Company LLC, L+850, 10/8/16	Logistics	38,000	37,966	38,570
Ranpak Corp., 12/27/14 (2)	Packaging	43,550	38,532	43,550
Ranpak Corp., 12/27/14 (3)	Packaging	21,970	27,767	31,178
Sedgwick Holdings, Inc., L+750, 5/26/17	Business Services	$ 25,000	24,657	25,250
Sheridan Holdings, Inc., L+575, 6/15/15	Healthcare	67,847	67,090	67,847
TransFirst Holdings, Inc., L+600 Cash or L+675 PIK, 6/15/15	Financial Services	37,512	36,714	35,749
Valerus Compression Services, LP, 11.50%, 3/26/18	Industrial	40,000	40,000	40,000
Vertafore, Inc., L+825, 10/29/17	Software	75,000	74,282	76,594
Total 2nd Lien Bank Debt/Senior Secured Loans			**$ 861,443**	**$ 878,675**
TOTAL BANK DEBT/SENIOR SECURED LOANS			**$ 994,742**	**$ 1,013,745**
Subordinated Debt/Corporate Notes 87.7%				
AB Acquisitions UK Topco 2 Limited (Alliance Boots), GBP L+650 (GBP L+300 Cash / 3.50% PIK), 7/9/17	Retail	£ 49,664	$ 93,048	$ 77,618
Altegrity Inc., 0.00%, 8/2/16 ¿	Diversified Service	$ 3,545	1,846	1,846
Altegrity Inc., 11.75%, 5/1/16 ¿	Diversified Service	14,639	10,390	15,737
Altegrity Inc., 12.00%, 11/1/15 ¿	Diversified Service	100,000	100,000	107,900
Altegrity Inc., 10.50%, 11/1/15 ¿	Diversified Service	13,475	12,114	14,385
American Tire Distributors, Inc., 11.50%, 6/1/18 ¿	Distribution	25,000	25,000	27,375
American Tire Distributors, Inc., 9.75%, 6/1/17	Distribution	10,000	9,887	11,000
Angelica Corporation, 15.00% (12.00% Cash / 3.00% PIK), 2/4/14	Healthcare	60,000	60,000	62,940
ATI Acquisition Company, L+1100, 12/30/15	Education	38,500	37,843	39,559
Avaya Inc., 10.125% Cash or 10.875% PIK, 11/1/15	Telecommunications	7,140	7,176	7,289
Catalina Marketing Corporation, 11.625%, 10/1/17 ¿	Grocery	42,175	42,404	47,974
Catalina Marketing Corporation, 10.50%, 10/1/15 ¿	Grocery	5,000	5,108	5,425
Ceridian Corp., 12.25% Cash or 13.00% PIK, 11/15/15	Diversified Service	55,950	55,792	58,608
Ceridian Corp., 11.25%, 11/15/15	Diversified Service	34,300	33,874	35,801
Checkout Holding Corp. (Catalina Marketing), 0.00%, 11/15/15	Grocery	40,000	24,655	26,200

See notes to financial statements.

F-16

Table of Contents

APOLLO INVESTMENT CORPORATION

SCHEDULE OF INVESTMENTS (continued)

March 31, 2011

(in thousands, except shares)

	Industry	Par Amount*	Cost	Fair Value (1)
Delta Educational Systems, Inc., 14.20% (13.00% Cash / 1.20% PIK), 5/12/13	Education	$ 19,753	$ 19,464	$ 20,286
Dura-Line Merger Sub, Inc., 14.25%(11.25% Cash / 3.00% PIK), 9/22/14	Telecommunications	42,654	42,179	42,654
Exova Limited, 10.50%, 10/15/18	Market Research	£ 18,000	28,823	30,296
First Data Corporation, 12.625%, 1/15/21	Financial Services	$ 9,219	7,971	10,053
First Data Corporation, 9.875%, 9/24/15	Financial Services	2,061	1,843	2,112
First Data Corporation, 8.25%, 1/15/21	Financial Services	9,219	8,020	9,192
FleetPride Corporation, 11.50%, 10/1/14 ¿	Transportation	47,500	47,500	47,737
Fox Acquisition Sub LLC, 13.375%, 7/15/16 ¿	Broadcasting & Entertainment	26,125	25,927	28,999
FPC Holdings, Inc. (FleetPride Corporation), 14.00%, 6/30/15 ¿	Transportation	37,846	38,670	39,170
General Nutrition Centers, Inc., 10.75%, 3/15/15	Retail	24,500	24,674	24,500
General Nutrition Centers, Inc., L+450 Cash or L+525 PIK, 3/15/14	Retail	12,275	12,270	12,275
Hub International Holdings, 10.25%, 6/15/15 ¿	Insurance	36,232	34,990	37,772
Intelsat Bermuda Ltd., 11.25%, 2/4/17	Broadcasting & Entertainment	90,000	92,060	98,415
Laureate Education, Inc., 12.00%, 8/15/17 ¿	Education	53,540	52,244	58,760
MW Industries, Inc., 14.50%(13.00% Cash / 1.50% PIK), 5/1/14	Manufacturing	62,341	61,686	62,341
N.E.W. Holdings I, LLC, L+750, 3/23/17	Consumer Services	45,111	45,227	46,464
Playpower Holdings Inc., 15.50% PIK, 12/31/12 ¿***	Leisure Equipment	112,831	112,831	54,176
Ranpak Holdings, Inc., 15.00% PIK, 12/27/15	Packaging	78,501	78,501	80,071
Renal Advantage Holdings, Inc., 12.00%, 6/17/17	Healthcare	32,103	31,713	32,424
Sorenson Communications, Inc., 10.50%, 2/1/15 ¿	Consumer Services	32,500	32,000	24,375
SquareTwo Financial Corp. (Collect America, Ltd.), 11.625%, 4/1/17 ¿	Consumer Finance	40,000	39,373	40,900
The ServiceMaster Company, 10.75% Cash or 11.50% PIK, 7/15/15 ¿	Diversified Service	52,173	52,751	55,640
TL Acquisitions, Inc. (Thomson Learning), 13.25%, 7/15/15 ¿	Education	82,500	82,845	86,178
TL Acquisitions, Inc. (Thomson Learning), 10.50%, 1/15/15 ¿	Education	22,000	20,943	22,477
Univar Inc., 12.00%, 6/30/18	Distribution	78,750	78,750	81,506
US Foodservice, 10.25%, 6/30/15n ¿	Beverage, Food & Tobacco	81,543	72,918	86,027
U.S. Renal Care, Inc., 13.25%(11.25% Cash / 2.00% PIK), 6/2/17	Healthcare	20,336	20,336	21,353
Varietal Distribution, 10.75%, 6/30/17	Distribution	1,127	1,392	1,609
Varietal Distribution, 10.75%, 6/30/17	Distribution	$ 22,204	21,715	22,338

See notes to financial statements.

Table of Contents

APOLLO INVESTMENT CORPORATION

SCHEDULE OF INVESTMENTS (continued)

March 31, 2011

(in thousands, except shares)

	Industry	Par Amount*	Cost	Fair Value (1)
Total Subordinated Debt/Corporate Notes			**$ 1,708,753**	**$ 1,719,757**
TOTAL CORPORATE DEBT			**$ 2,703,495**	**$ 2,733,502**
COLLATERALIZED LOAN OBLIGATIONS 1.4%				
Babson CLO Ltd., Series 2008-2A Class E, L+975, 7/15/18 ¿	Asset Management	$ 11,000	$ 10,158	$ 11,592
Babson CLO Ltd., Series 2008-1A Class E, L+550, 7/20/18 ¿	Asset Management	10,150	7,698	8,788
Westbrook CLO Ltd., Series 2006-1A, L+370, 12/20/20 ¿	Asset Management	11,000	6,883	8,390
TOTAL COLLATERALIZED LOAN OBLIGATIONS			**$ 24,739**	**$ 28,770**

	Industry	Shares	Cost	Fair Value (1)
PREFERRED EQUITY 1.7%				
AHC Mezzanine LLC (Advanstar) **	Media		$ 1,063	$ 220
CA Holding, Inc. (Collect America, Ltd.) Series A **	Consumer Finance	7,961	788	1,592
Gryphon Colleges Corporation (Delta Educational Systems, Inc.), 13.50% PIK, 5/12/14	Education	12,360	22,330	22,943
Gryphon Colleges Corporation (Delta Educational Systems, Inc.), 12.50% PIK (Convertible)	Education	332,500	6,067	6,067
Varietal Distribution Holdings, LLC, 8.00% PIK	Distribution	3,097	4,169	2,310
TOTAL PREFERRED EQUITY			**$ 34,417**	**$ 33,132**
EQUITY 5.4%				
Common Equity/Interests 5.0%				
AB Capital Holdings LLC (Allied Security)	Business Services	2,000,000	$ 2,000	$ 2,650
Accelerate Parent Corp. (American Tire)	Distribution	3,125,000	3,125	4,110
A-D Conduit Holdings, LLC (Duraline) **	Telecommunications	2,778	2,778	5,007
Altegrity Holding Corp.	Diversified Service	353,399	13,797	14,749
CA Holding, Inc. (Collect America, Ltd.) Series A **	Consumer Finance	25,000	2,500	149
CA Holding, Inc. (Collect America, Ltd.) Series AA **	Consumer Finance	4,294	429	859
Clothesline Holdings, Inc. (Angelica) **	Healthcare	6,000	6,000	5,131
Explorer Coinvest LLC (Booz Allen) **	Consulting Services	430	4,300	7,202
FSC Holdings Inc. (Hanley Wood LLC) **	Media	10,000	10,000	0
Garden Fresh Restaurant Holding, LLC **	Retail	50,000	5,000	8,734
Gryphon Colleges Corporation (Delta Educational Systems, Inc.)**	Education	17,500	175	573

See notes to financial statements.

F-18

APOLLO INVESTMENT CORPORATION

SCHEDULE OF INVESTMENTS (continued)

March 31, 2011

(in thousands, except shares and warrants)

	Industry	Shares	Cost	Fair Value (1)
GS Prysmian Co-Invest L.P. (Prysmian Cables & Systems) (4,5) **	Industrial			247
New Omaha Holdings Co-Invest LP (First Data) **	Financial Services	13,000,000	$ 65,000	$ 20,024
Penton Business Media Holdings, LLC **	Media	124	4,950	6,049
Pro Mach Co-Investment, LLC **	Machinery	150,000	1,500	4,558
RC Coinvestment, LLC (Ranpak Corp.) **	Packaging	50,000	5,000	6,008
Sorenson Communications Holdings, LLC Class A **	Consumer Services	454,828	46	2,030
Univar Inc.	Distribution	900,000	9,000	9,400
Varietal Distribution Holdings, LLC Class A **	Distribution	28,028	28	
Total Common Equity/Interests			**$ 135,628**	**$ 97,480**

	Industry	Warrants	Cost	Fair Value (1)
Warrants 0.4%				
CA Holding, Inc. (Collect America, Ltd.), Common **	Consumer Finance	7,961	$ 8	$
Fidji Luxco (BC) S.C.A., Common (FCI) (4) **	Electronics	48,769	491	5,351
Gryphon Colleges Corporation (Delta Educational Systems, Inc.), Common **	Education	9,820	98	322
Gryphon Colleges Corporation (Delta Educational Systems, Inc.), Class A-1 Preferred **	Education	45,947	459	837
Gryphon Colleges Corporation (Delta Educational Systems, Inc.), Class B-1 Preferred **	Education	104,314	1,043	1,901
Total Warrants			**$ 2,099**	**$ 8,411**
TOTAL EQUITY			**$ 137,727**	**$ 105,891**
Total Investments in Non-Controlled/ Non- Affiliated Investments			**$ 2,900,378**	**$ 2,901,295**

	Industry	Par Amount*	Cost	Fair Value (1)
INVESTMENTS IN NON-CONTROLLED/AFFILIATED INVESTMENTS 1.9% (6)				
CORPORATE DEBT 0.6%				
Subordinated Debt/Corporate Notes 0.6%				
DSI Renal Inc., 17.00%(10.00% Cash / 7.00% PIK), 4/7/14	Healthcare	$ 10,686	$ 10,686	$ 10,899
TOTAL CORPORATE DEBT			**$ 10,686**	**$ 10,899**

See notes to financial statements.

Table of Contents

APOLLO INVESTMENT CORPORATION

SCHEDULE OF INVESTMENTS (continued)

March 31, 2011

(in thousands, except shares)

	Industry	Shares	Cost	Fair Value (1)
EQUITY 1.3%				
Common Equity/Interests 0.9%				
CDSI I Holding Company, Inc. (DSI Renal Inc.) **	Healthcare	9,303	$ 9,300	$ 18,723
Total Common Equity/Interests			**$ 9,300**	**$ 18,723**

	Industry	Warrants	Cost	Fair Value (1)
Warrants 0.4%				
CDSI I Holding Company, Inc. Series A (DSI Renal Inc.) **	Healthcare	2,031	$ 773	$ 2,169
CDSI I Holding Company, Inc. Series B (DSI Renal Inc.) **	Healthcare	2,031	645	1,837
CDSI I Holding Company, Inc. (DSI Renal Inc.) ** §	Healthcare	6,093,750	1,003	3,667
Total Warrants			**$ 2,421**	**$ 7,673**
TOTAL EQUITY			**$ 11,721**	**$ 26,396**
Total Investments in Non- Controlled/Affiliated Investments			**$ 22,407**	**$ 37,295**

	Industry	Shares	Cost	Fair Value (1)
INVESTMENTS IN CONTROLLED INVESTMENTS 5.7% (7)				
Preferred Equity 0.0%				
Grand Prix Holdings, LLC Series A, 12.00% PIK (Innkeepers USA) ***	Hotels, Motels, Inns & Gaming	2,989,431	**$ 102,012**	**$**
EQUITY				
Common Equity/Interests 5.7%				
AIC Credit Opportunity Fund LLC (8)	Asset Management		$ 71,740	$ 95,212
Generation Brands Holdings, Inc. (Quality Home Brands) **	Consumer Products	750		8
Generation Brands Holdings, Inc. Series H (Quality Home Brands) **	Consumer Products	7,500	2,297	77
Generation Brands Holdings, Inc. Series 2L (Quality Home Brands) **	Consumer Products	36,700	11,242	379
Grand Prix Holdings, LLC (Innkeepers USA) **	Hotels, Motels, Inns & Gaming	17,335,834	172,664	
LVI Parent Corp. (LVI Services, Inc.)	Environmental & Facilities Services	14,981	16,096	15,892
Total Common Equity/Interests			**$ 274,039**	**$ 111,568**
TOTAL EQUITY			**$ 274,039**	**$ 111,568**

Total Investments in Controlled Investments	**$ 376,051**	**$ 111,568**
Total Investments 155.5% (9)	**$ 3,298,836**	**$ 3,050,158**
Liabilities in Excess of Other Assets (55.5%)		**(1,089,127)**

See notes to financial statements.

F-20

Table of Contents

APOLLO INVESTMENT CORPORATION

SCHEDULE OF INVESTMENTS (continued)

March 31, 2011

(in thousands, except shares)

	Industry	Shares	Cost	Fair Value (1)
Net Assets 100.0%				**$ 1,961,031**

(1) Fair value is determined in good faith by or under the direction of the Board of Directors of the Company (see Note 2).

(2) Position is held across five US Dollar-denominated tranches with stated coupons between L+650 and L+850.

(3) Position is held across three Euro-denominated tranches with stated coupons between E+700 and E+800.

(4) Denominated in Euro ( ).

(5) The Company is the sole Limited Partner in GS Prysmian Co-Invest L.P.

(6) Denotes investments in which we are an Affiliated Person , as defined in the Investment Company Act of 1940 (1940 Act), due to owning, controlling, or holding the power to vote, 5% or more of the outstanding voting securities of the investment. Transactions during the fiscal year ended March 31, 2011 in these Affiliated investments are as follows:

Name of Issuer	Fair Value at March 31, 2010	Gross Additions	Gross Reductions	Interest/ Dividend Income	Fair Value at March 31, 2011
Gray Wireline Service, Inc. 1st Out	$ 1,000	$	$ 1,000	$ 57	$
Gray Wireline Service, Inc. 2nd Out	59,251	485	78,820	8,494	
DSI Renal, Inc., 17.00%	10,057	825		1,745	10,899
CDSI I Holding Company, Inc. (DSI Renal) Common Equity	10,206				18,723
Gray Energy Services, LLC Class H Common Equity			806		
CDSI I Holding Company, Inc. (DSI Renal) Series A Warrant	854				2,169
CDSI I Holding Company, Inc. (DSI Renal) Series B Warrant	693				1,837
CDSI I Holding Company, Inc. (DSI Renal) Contingent Payment Agreement	1,075				3,667
Gray Holdco, Inc. Warrant			2,654		
	$ 83,136	$ 1,310	$ 83,280	$ 10,296	$ 37,295

See notes to financial statements.

Table of Contents

APOLLO INVESTMENT CORPORATION

SCHEDULE OF INVESTMENTS (continued)

March 31, 2011

(in thousands, except shares)

(7) Denotes investments in which we are deemed to exercise a controlling influence over the management or policies of a company, as defined in the 1940 Act, due to beneficially owning, either directly or through one or more controlled companies, more than 25% of the outstanding voting securities of the investment. Transactions during the fiscal year ended March 31, 2011 in these Controlled investments are as follows:

Name of Issuer	Fair Value at March 31, 2010	Gross Additions	Gross Reductions	Interest/ Dividend/ Other Income	Fair Value at March 31, 2011
Grand Prix Holdings, LLC (Innkeepers USA) Series A Preferred	$ 5,268	$	$	$	$
AIC Credit Opportunity Fund LLC Common Equity (8)	73,514	1,700		12,334	95,212
Generation Brands Holdings, Inc. (Quality Home Brands)Common Equity	230				8
Generation Brands Holdings, Inc. (Quality Home Brands) Series H Common Equity	2,297				77
Generation Brands Holdings, Inc. (Quality Home Brands) Series 2L Common Equity	11,242				379
Grand Prix Holdings, LLC (Innkeepers USA) Common Equity					
LVI Parent Corp. Common Equity		16,096		110	15,892
	$ 92,551	$ 17,796	$	$ 12,444	$ 111,568

The Company has a 99%, 100%, 27% and 34% equity ownership interest in Grand Prix Holdings LLC, AIC Credit Opportunity Fund LLC, Generation Brands Holdings, Inc. and LVI Parent Corp., respectively.

(8) See note 6.

(9) Aggregate gross unrealized appreciation for federal income tax purposes is $202,082; aggregate gross unrealized depreciation for federal income tax purposes is $454,897. Net unrealized depreciation is $252,815 based on a tax cost of $3,302,973.

¿ These securities are exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions that are exempt from registration, normally to qualified institutional buyers.

* Denominated in USD unless otherwise noted.

** Non-income producing security

*** Non-accrual status (see note 2m)

Denote securities where the Company owns multiple tranches of the same broad asset type but whose security characteristics differ. Such differences may include level of subordination, call protection and pricing, differing interest rate characteristics, among other factors. Such factors are usually considered in the determination of fair values.

§ Position reflects a contingent payment agreement.

See notes to financial statements.

APOLLO INVESTMENT CORPORATION

SCHEDULE OF INVESTMENTS (continued)

Industry Classification	Percentage of Total Investments (at fair value) as of March 31, 2011
Diversified Service	10.4%
Education	9.9%
Healthcare	7.5%
Retail	6.6%
Packaging	5.3%
Distribution	5.2%
Insurance	5.0%
Grocery	4.6%
Broadcasting & Entertainment	4.2%
Asset Management	4.1%
Environmental & Facilities Services	3.5%
Software	3.4%
Business Services	3.3%
Telecommunications	3.2%
Transportation	2.8%
Beverage, Food & Tobacco	2.8%
Financial Services	2.5%
Consumer Services	2.4%
Leisure Equipment	2.3%
Electronics	2.1%
Manufacturing	2.0%
Consumer Finance	1.4%
Industrial	1.3%
Logistics	1.3%
Media	1.1%
Market Research	1.0%
Consumer Products	0.4%
Consulting Services	0.2%
Machinery	0.2%
Hotels, Motels, Inns & Gaming	0.0%
Total Investments	100.0%

Table of Contents

APOLLO INVESTMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

(in thousands except share and per share amounts)

Note 1. Organization

Apollo Investment Corporation (Apollo Investment , the Company , AIC , we , us , or our), a Maryland corporation organized on February 2 is a closed-end, externally managed, non-diversified management investment company that has elected to be treated as a business development company (BDC) under the Investment Company Act of 1940 (the 1940 Act). In addition, for tax purposes we have elected to be treated as a regulated investment company (RIC), under the Internal Revenue Code of 1986, as amended (the Code). Our investment objective is to generate current income and capital appreciation. We invest primarily in the form of subordinated debt, as well as by making investments in certain senior secured loans and/or equity in private middle-market companies. From time to time, we may also invest in the securities of public companies.

Apollo Investment commenced operations on April 8, 2004 receiving net proceeds of $870,000 from its initial public offering selling 62 million shares of common stock at a price of $15.00 per share.

Note 2. Significant Accounting Policies

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reported periods. Changes in the economic environment, financial markets and any other parameters used in determining these estimates could cause actual results to differ materially.

Financial statements are prepared in accordance with GAAP and pursuant to the requirements for reporting on Form 10-K and Regulation S-X, as appropriate. In the opinion of management, all adjustments, which are of a normal recurring nature, considered necessary for the fair presentation of financial statements have been included.

The significant accounting policies consistently followed by Apollo Investment are:

(a) Security transactions are accounted for on the trade date;

(b) Under procedures established by our board of directors, we value investments, including certain senior secured debt, subordinated debt and other debt securities with maturities greater than 60 days, for which market quotations are readily available, at such market quotations (unless they are deemed not to represent fair value). We attempt to obtain market quotations from at least two brokers or dealers (if available, otherwise from a principal market maker or a primary market dealer or other independent pricing service). We utilize mid-market pricing as a practical expedient for fair value unless a different point within the range is more representative. If and when market quotations are deemed not to represent fair value, we typically utilize independent third party valuation firms to assist us in determining fair value. Accordingly, such investments go through our multi-step valuation process as described below. In each case, our independent valuation firms consider observable market inputs together with significant unobservable inputs in arriving at their valuation recommendations for such Level 3 categorized assets. Debt investments with remaining maturities of 60 days or less shall each be valued at cost with interest accrued or discount amortized to the date of maturity, unless such valuation, in the judgment of our investment adviser, does not represent fair value, in which case such investments shall be valued at fair value as determined in good faith by or under the direction of our board of directors. Investments that are not publicly traded or whose market quotations are not readily available are valued at fair value as determined in good faith by or under the direction of our board of directors. Such determination of fair values may involve subjective judgments and estimates.

Table of Contents

With respect to investments for which market quotations are not readily available or when such market quotations are deemed not to represent fair value, our board of directors has approved a multi-step valuation process each quarter, as described below:

(1) our quarterly valuation process begins with each portfolio company or investment being initially valued by the investment professionals of our investment adviser responsible for the portfolio investment;

(2) preliminary valuation conclusions are then documented and discussed with senior management of our investment adviser;

(3) independent valuation firms are engaged by our board of directors to conduct independent appraisals by reviewing our investment adviser s preliminary valuations and then making their own independent assessment;

(4) the audit committee of the board of directors reviews the preliminary valuation of our investment adviser and the valuation prepared by the independent valuation firm and responds to the valuation recommendation of the independent valuation firm to reflect any comments; and

(5) the board of directors discusses valuations and determines the fair value of each investment in our portfolio in good faith based on the input of our investment adviser, the respective independent valuation firm and the audit committee.

Investments in all asset classes are valued utilizing a market approach, an income approach, or both approaches, as appropriate. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities (including a business). The income approach uses valuation techniques to convert future amounts (for example, cash flows or earnings) to a single present amount (discounted). The measurement is based on the value indicated by current market expectations about those future amounts. In following these approaches, the types of factors that we may take into account in fair value pricing our investments include, as relevant: available current market data, including relevant and applicable market trading and transaction comparables, applicable market yields and multiples, security covenants, call protection provisions, information rights, the nature and realizable value of any collateral, the portfolio company s ability to make payments, its earnings and discounted cash flows, the markets in which the portfolio company does business, comparisons of financial ratios of peer companies that are public, M&A comparables, our principal market (as the reporting entity) and enterprise values, among other factors. When readily available, broker quotations and/or quotations provided by pricing services are considered as an input in the valuation process. For the fiscal year ended March 31, 2012, there has been no change to the Company s valuation techniques and related inputs considered in the valuation process.

Accounting Standards Codification (ASC) 820 classifies the inputs used to measure these fair values into the following hierarchy:

Level 1: Quoted prices in active markets for identical assets or liabilities, accessible by the Company at the measurement date.

Level 2: Quoted prices for similar assets or liabilities in active markets, or quoted prices for identical or similar assets or liabilities in markets that are not active, or other observable inputs other than quoted prices.

Level 3: Unobservable inputs for the asset or liability.

In all cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to each investment.

Table of Contents

Accounting Standards Update No. 2010-06, Improving Disclosure about Fair Value Measurements was released in January 2010 and is effective and adopted for periods beginning after December 15, 2009, except for separate disclosures for purchases, sales, issuances, and settlements, as applicable, in the roll forward of activity in Level 3 fair value measurements. Those disclosures are effective and were adopted on April 1, 2011. This update improved financial statement disclosure around transfers in and out of level 1 and 2 fair value measurements, around valuation techniques and inputs and around other related disclosures. Transfers between levels, if any, are recognized at the end of the reporting period. See certain additional disclosures in note 6, as well as in Valuation of Portfolio Investments within our Critical Accounting Policies section of Management s Discussion and Analysis of Financial Condition and Results of Operations.

In May 2011, the FASB issued Accounting Standards Update No. 2011-04, Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs, (ASU 2011-04) which results in a consistent definition of fair value and common requirements for measurement of and disclosure about fair value between GAAP and IFRS. ASU 2011-04 is effective for interim and annual periods beginning after December 15, 2011. The Company adopted ASU 2011-04 on January 1, 2012.

(c) Gains or losses on investments are calculated by using the specific identification method.

(d) The Company records interest and dividend income, adjusted for amortization of premium and accretion of discount, on an accrual basis. Some of our loans and other investments, including certain preferred equity investments, may have contractual payment-in-kind (PIK) interest or dividends. PIK interest and dividends computed at the contractual rate are accrued into income and reflected as receivable up to the capitalization date. PIK investments offer issuers the option at each payment date of making payments in cash or in additional securities. When additional securities are received, they typically have the same terms, including maturity dates and interest rates as the original securities issued. On these payment dates, the Company capitalizes the accrued interest or dividends receivable (reflecting such amounts as the basis in the additional securities received). PIK generally becomes due at maturity of the investment or upon the investment being called by the issuer. At the point the Company believes PIK is not expected to be realized, the PIK investment will be placed on non-accrual status. When a PIK investment is placed on non-accrual status, the accrued, uncapitalized interest or dividends are reversed from the related receivable through interest or dividend income, respectively. The Company does not reverse previously capitalized PIK interest or dividends. Upon capitalization, PIK is subject to the fair value estimates associated with their related investments. PIK investments on non-accrual status are restored to accrual status if the Company again believes that PIK is expected to be realized. For the fiscal year ended March 31, 2012, accrued PIK totaled $17,320, on total investment income of $357,584. Loan origination fees, original issue discount, and market discounts are capitalized and amortized into income using the interest method or straight-line, as applicable. Upon the prepayment of a loan, any unamortized loan origination fees are recorded as interest income. We record prepayment premiums on loans and other investments as interest income when we receive such amounts. Structuring fees are recorded as other income when earned. Investments that are expected to pay regularly scheduled interest and/or dividends in cash are generally placed on non-accrual status when principal or interest/dividend cash payments are past due 30 days or more and/or when it is no longer probable that principal or interest/dividend cash payments will be collected. Such non-accrual investments are restored to accrual status if past due principal and interest or dividends are paid in cash, and in management s judgment, are likely to continue timely payment of their remaining interest or dividend obligations. Interest or dividend cash payments received on non-accrual designated investments may be recognized as income or applied to principal depending upon management s judgment.

(e) The Company intends to comply with the applicable provisions of the Code pertaining to regulated investment companies to make distributions of taxable income sufficient to relieve it of substantially all Federal income taxes. The Company, at its discretion, may carry forward taxable income in excess of calendar year distributions and pay a 4% excise tax on this income. The Company will accrue excise tax on estimated excess taxable income, if any, as required.

Table of Contents

(f) Book and tax basis differences relating to stockholder dividends and distributions and other permanent book and tax differences are reclassified among the Company s capital accounts. In addition, the character of income and gains to be distributed is determined in accordance with income tax regulations that may differ from accounting principles generally accepted in the United States of America; accordingly, at March 31, 2012, $59,768 was reclassified on our statement of assets and liabilities between accumulated net realized loss and over-distributed net investment income and $122 was reclassified between accumulated net realized loss and paid-in capital in excess of par. Total earnings and net asset value are not affected.

(g) Dividends and distributions to common stockholders are recorded as of the record date. The amount to be paid out as a dividend is determined by the board of directors each quarter. Net realized capital gains, if any, are generally distributed or deemed distributed at least annually.

(h) In accordance with Regulation S-X, the Company generally will not consolidate its interest in any company other than in investment company subsidiaries and controlled operating companies substantially all of whose business consists of providing services to the Company. Consequently, the Company has not consolidated special purpose entities through which the special purpose entity acquired and holds investments subject to financing with third parties. At March 31, 2012, the Company did not have any subsidiaries or controlled operating companies that were consolidated. See additional information within note 6.

(i) The accounting records of the Company are maintained in U.S. dollars. All assets and liabilities denominated in foreign currencies are translated into U.S. dollars based on the rate of exchange of such currencies against U.S. dollars on the date of valuation. The Company does not isolate that portion of the results of operations resulting from changes in foreign exchange rates on investments from the fluctuations arising from changes in market prices of securities held. Such fluctuations are included with the net realized and unrealized gain or loss from investments. The Company s investments in foreign securities may involve certain risks, including without limitation: foreign exchange restrictions, expropriation, taxation or other political, social or economic risks, all of which could affect the market and/or credit risk of the investment. In addition, changes in the relationship of foreign currencies to the U.S. dollar can significantly affect the value of these investments and therefore the earnings of the Company.

(j) The Company may enter into forward exchange contracts in order to hedge against foreign currency risk. These contracts are marked-to-market by recognizing the difference between the contract exchange rate and the current market rate as unrealized appreciation or depreciation. Realized gains or losses are recognized when contracts are settled.

(k) The Company records origination and other expenses related to its debt obligations as prepaid assets. These expenses are deferred and amortized using the straight-line method over the stated life of the obligation which closely approximates the effective yield method.

(l) The Company records expenses related to shelf filings and applicable offering costs as prepaid assets. These expenses are charged as a reduction of capital upon utilization, in accordance with the ASC 946-20-25.

(m) The Company defines cash equivalents as securities that are readily convertible into known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Generally, only securities with a maturity of three months or less from the date of purchase would qualify, with limited exceptions. The Company deems that certain U.S. Treasury bills, repurchase agreements and other high-quality, short-term debt securities would qualify as cash equivalents.

Note 3. Agreements

Apollo Investment has an Investment Advisory and Management Agreement (the Investment Advisory Agreement) with Apollo Investment Management, L.P. (the Investment Adviser or AIM), under which the Investment Adviser, subject to the overall supervision of Apollo Investment s board of directors, will manage the day-to-day operations of, and provide investment advisory services to, Apollo Investment. For providing these

Table of Contents

services, the Investment Adviser receives a fee from Apollo Investment, consisting of two components a base management fee and a performance-based incentive fee. The base management fee is determined by taking the average value of Apollo Investment s gross assets at the end of the two most recently completed calendar quarters calculated at an annual rate of 2.00%. The incentive fee has two parts, as follows: one part is calculated and payable quarterly in arrears based on Apollo Investment s pre-incentive fee net investment income for the immediately preceding calendar quarter. For this purpose, pre-incentive fee net investment income means interest income, dividend income and any other income including any other fees (other than fees for providing managerial assistance), such as commitment, origination, structuring, diligence and consulting fees or other fees that we receive from portfolio companies accrued during the calendar quarter, minus Apollo Investment s operating expenses for the quarter (including the base management fee, any expenses payable under an administration agreement (the Administration Agreement) between Apollo Investment and Apollo Investment Administration, LLC (the Administrator), and any interest expense and dividends paid on any issued and outstanding preferred stock, but excluding the incentive fee). Pre-incentive fee net investment income does not include any realized capital gains computed net of all realized capital losses and unrealized capital depreciation. Pre-incentive fee net investment income, expressed as a rate of return on the value of Apollo Investment s net assets at the end of the immediately preceding calendar quarter, is compared to the rate of 1.75% per quarter (7% annualized). Our net investment income used to calculate this part of the incentive fee is also included in the amount of our gross assets used to calculate the 2% base management fee.

Apollo Investment pays the Investment Adviser an incentive fee with respect to Apollo Investment s pre-incentive fee net investment income in each calendar quarter as follows: (1) no incentive fee in any calendar quarter in which Apollo Investment s pre-incentive fee net investment income does not exceed 1.75%, which we commonly refer to as the performance threshold; (2) 100% of Apollo Investment s pre-incentive fee net investment income with respect to that portion of such pre-incentive fee net investment income, if any, that exceeds 1.75% but does not exceed 2.1875% in any calendar quarter; and (3) 20% of the amount of Apollo Investment s pre-incentive fee net investment income, if any, that exceeds 2.1875% in any calendar quarter. These calculations are appropriately pro rated for any period of less than three months. The effect of the fee calculation described above is that if pre-incentive fee net investment income is equal to or exceeds 2.1875%, the Investment Adviser will receive a fee of 20% of Apollo Investment s pre-incentive fee net investment income for the quarter. The second part of the incentive fee is determined and payable in arrears as of the end of each calendar year (or upon termination of the Investment Advisory Agreement, as of the termination date) and will equal 20% of Apollo Investment s cumulative realized capital gains less cumulative realized capital losses, unrealized capital depreciation (unrealized depreciation on a gross investment-by-investment basis at the end of each calendar year) and all capital gains upon which prior performance-based capital gains incentive fee payments were previously made to the Investment Adviser. For accounting purposes only, we are required under GAAP to accrue a theoretical capital gains incentive fee based upon net realized capital gains and unrealized capital appreciation and depreciation on investments held at the end of each period.

The accrual of this theoretical capital gains incentive fee assumes all unrealized capital appreciation and depreciation is realized in order to reflect a theoretical capital gains incentive fee that would be payable to the Investment Adviser at each measurement date. There was no such accrual for the fiscal years ended March 31, 2012, 2011 and 2010. It should be noted that a fee so calculated and accrued would not be payable under the Investment Advisers Act of 1940 (Advisers Act) or Investment Advisory Agreement, and would not be paid based upon such computation of capital gains incentive fees in subsequent periods. Amounts actually paid to the Investment Adviser will be consistent with the Advisers Act and formula reflected in the Investment Advisory Agreement which specifically excludes consideration of unrealized capital appreciation.

For the fiscal years ended March 31, 2012, 2011 and 2010, the Company recognized $60,321, $59,831 and $54,069, respectively, in base management fees and $39,651, $47,793 and $49,853, respectively, in performance-based incentive fees. The fees for the fiscal year ended March 31, 2012 reflect a reduction due to a prior payment of an unearned portion of the fees to the Investment Adviser of $2,783.

Table of Contents

Apollo Investment has also entered into an Administration Agreement with the Administrator under which the Administrator provides administrative services for Apollo Investment. For providing these services, facilities and personnel, Apollo Investment reimburses the Administrator for Apollo Investment s allocable portion of overhead and other expenses incurred by the Administrator and requested to be reimbursed in performing its obligations under the Administration Agreement, including rent and Apollo Investment s allocable portion of its chief financial officer and chief compliance officer and their respective staffs that are requested to be reimbursed. The Administrator will also provide, on Apollo Investment s behalf, managerial assistance to those portfolio companies to which Apollo Investment is required to provide such assistance. For the fiscal years ended March 31, 2012, 2011 and 2010 the Company recognized expenses under the Administration Agreement of $5,387, $5,529 and $4,725, respectively.

Note 4. Net Asset Value Per Share

At March 31, 2012, the Company s total net assets and net asset value per share were $1,685,231 and $8.55, respectively. This compares to total net assets and net asset value per share at March 31, 2011 of $1,961,031 and $10.03, respectively.

Note 5. Earnings (Loss) Per Share

The following table sets forth the computation of basic and diluted earnings (loss) per share, pursuant to ASC 260-10, for the years ended March 31, 2012, 2011 and 2010, respectively:

	Year Ended March 31,		
	2012	**2011**	**2010**
Earnings per share basic			
Numerator for increase (decrease) in net assets per share:	$ (86,264)	$ 180,412	$ 263,290
Denominator for basic weighted average shares:	196,583,804	193,192,475	159,368,701
Basic earnings (loss) per share:	(0.44)	0.93	1.65
Earnings per share diluted			
Numerator for increase (decrease) in net assets per share:	$ (86,264)	$ 180,412	$ 263,290
Adjustment for interest on convertible notes and for incentive fees, net	10,302	1,883	
Numerator for increase (decrease) in net assets per share, as adjusted	$ (75,962)	$ 182,295	$ 263,290
Denominator for weighted average shares, as adjusted for dilutive effect of convertible notes:	211,131,904	195,823,090	159,368,701
Diluted earnings (loss) per share:	(0.44)*	0.93	1.65

* In applying the if-converted method, conversion shall not be assumed for purposes of computing diluted EPS if the effect would be anti-dilutive. For the fiscal year ended March 31, 2012, anti-dilution would total $0.08.

Note 6. Investments

AIC Credit Opportunity Fund LLC We own all of the common member interests in AIC Credit Opportunity Fund LLC (AIC Holdco). AIC Holdco was formed for the purpose of holding various financed investments. AIC Holdco wholly owns three special purpose entities, each of which in 2008 acquired directly or indirectly an investment in a particular security from an unaffiliated entity that provided leverage for the investment as part of the sale. Each of these transactions is described in more detail below together with summary financial information.

F-29

Table of Contents

In the first of these investments, in June 2008 we invested through AIC Holdco $39,500 in AIC (FDC) Holdings LLC (Apollo FDC). Apollo FDC used the proceeds to purchase a Junior Profit-Participating Note due 2013 in principal amount of $39,500 (the Junior Note) issued by Apollo I Trust (the Trust). The Trust also issued a Senior Floating Rate Note due 2013 (the Senior Note) to an unaffiliated third party (FDC Counterparty) in principal amount of $39,500 paying interest at Libor plus 1.50%, increasing over time to Libor plus 2.0%. The Trust used the aggregate $79,000 proceeds to acquire $100,000 face value of a senior subordinated loan of First Data Corporation (the FDC Loan) due 2016. The FDC Loan pays interest at 11.25% per year. The Junior Note of the Trust owned by Apollo FDC pays to Apollo FDC all of the interest and other proceeds received by the Trust on the FDC Loan after satisfying the Trust s obligations on the Senior Note. The holder of the Senior Note has no recourse to Apollo FDC, AIC Holdco or us with respect to any interest on, or principal of, the Senior Note. However, if the value of the FDC Loan held by the Trust declines sufficiently, the investment would be unwound unless Apollo FDC posts additional collateral for the benefit of the Senior Note. Consequently, the maximum exposure on this investment is the amount of our investment in the Junior Note and any additional collateral we determine to post. During the fiscal year ended March 31, 2012, we sold $47,145 face value of the FDC Loan. As a result of this transaction, as of March 31, 2012, the FDC Loan balance is $52,855, the Junior Note balance is $21,472 and the Senior Note balance is $20,283.

In the second of these investments, in June 2008 we invested through AIC Holdco $11,375 in AIC (TXU) Holdings LLC (Apollo TXU). Apollo TXU acquired exposure to $50,000 notional amount of a Libor plus 3.5% senior secured delayed draw term loan of Texas Competitive Electric Holdings (TXU) due 2014 through a non-recourse total return swap (the TRS) with an unaffiliated third party expiring on October 10, 2013. Pursuant to such delayed draw term loan, Apollo TXU pays an unaffiliated third-party interest at Libor plus 1.5% and generally receives all proceeds due under the delayed draw term loan of TXU (the TXU Term Loan). Like Apollo FDC, Apollo TXU is entitled to 100% of any realized appreciation in the TXU Term Loan and, since the TRS is a non-recourse arrangement, Apollo TXU is exposed only up to the amount of its investment in the TRS, plus any additional margin we decide to post, if any, during the term of the financing. The TRS does not constitute a senior security or a borrowing of Apollo TXU. In connection with the amendment and extension of the TXU Term Loan in April 2011, for which Apollo TXU received a consent fee along with an increase in the rate of the TXU Term Loan to Libor plus 4.5%, Apollo TXU extended its TRS to 2016 at a rate of Libor plus 2.0%.

In the third of these investments, in September 2008 we invested through AIC Holdco $10,022 in AIC (Boots) Holdings, LLC (Apollo Boots). Apollo Boots acquired 23,383 and £12,465 principal amount of senior term loans of AB Acquisitions Topco 2 Limited, a holding company for the Alliance Boots group of companies (the Boots Term Loans), out of the proceeds of our investment and a multicurrency $40,876 equivalent non-recourse loan to Apollo Boots (the Acquisition Loan) by an unaffiliated third party that matures in September 2013 and pays interest at LIBOR plus 1.25% or, in certain cases, the higher of the Federal Funds Rate plus 0.50% or the lender s prime-rate. The Boots Term Loans pay interest at the rate of LIBOR plus 3% per year and mature in June 2015.

We do not consolidate AIC Holdco or its wholly owned subsidiaries and accordingly only the value of our investment in AIC Holdco is included on our statement of assets and liabilities. Our investment in AIC Holdco is valued in accordance with our normal valuation procedures and is based on the values of the underlying assets held by each of Apollo FDC, Apollo TXU and Apollo Boots net of associated liabilities.

The Senior Note, TRS and Acquisition Loan are non-recourse to AIC Holdco, its subsidiaries and us and have standard events of default including failure to pay contractual amounts when due and failure by each of the underlying Apollo special purpose entities to provide additional credit support, sell assets or prepay a portion of its obligations if the value of the FDC Term Loan, the TXU Term Loan or the Boots Term Loans, as applicable, declines below specified levels. We may unwind any of these transactions at any time without penalty. From time to time we may provide additional capital to AIC Holdco for purposes of reserving for or funding margin calls under one or more of the transactions described above among other reasons. During the fiscal year ended

Table of Contents

March 31, 2009, we provided $18,480 in additional net capital to AIC Holdco. During the fiscal year ended March 31, 2010, $9,336 of net capital was returned to us from AIC Holdco. During the fiscal year ended March 31, 2011, $1,700 of net capital was provided to AIC Holdco. During the fiscal year ended March 31, 2012, $8,712 of net capital was returned to us from AIC Holdco. The Junior Note, TRS and Boots Term Loans were performing assets as of the date of these financial statements.

Below is summarized financial information for AIC Holdco for the fiscal years ended March 31, 2012 and March 31, 2011 (all dollar amounts in thousands).

	March 31, 2012	March 31, 2011
Assets		
Cash	$ 15	$
Apollo FDC[1]	27,947	60,458
Apollo TXU[2]	26,066	16,749
Apollo Boots[3]	47,999	52,084
Other Assets	2,886	5,141
Total Assets	$ 104,913	$ 134,432
Liabilities		
Apollo FDC[4]	$	$
Apollo TXU[5]	16,045	2,919
Apollo Boots[6]	29,948	31,181
Other Liabilities	2,886	5,120
Total Liabilities	$ 48,879	$ 39,220
Net Assets		
Apollo FDC	$ 27,947	$ 60,458
Apollo TXU	10,021	13,830
Apollo Boots	18,051	20,903
Other	15	21
Total Net Assets	$ 56,034	$ 95,212

	Fiscal Year End March 31, 2012	Fiscal Year End March 31, 2011
Net Operating Income (Loss)		
Apollo FDC[7]	$ 9,412	$ 10,286
Apollo TXU[7]	2,809	1,154
Apollo Boots[7]	1,243	939
Other	(26)	(24)
Total Operating Income	$ 13,438	$ 12,355
Net Realized Gain		
Apollo FDC	$ 2,862	$
Net Change in Unrealized Gain (Loss)		
Apollo FDC	$ (14,484)	$ 16,208
Apollo TXU	(13,126)	2,909

Apollo Boots		(2,852)		2,560
Total Net Change in Unrealized Gain (Loss)	$	(30,462)	$	21,677
Net Income (Loss)[8]				
Apollo FDC	$	(2,210)	$	26,494
Apollo TXU		(10,317)		4,063
Apollo Boots		(1,609)		3,499
Other		(26)		(24)
Total Net Income (Loss)	$	(14,162)	$	34,032

Table of Contents

(1) Represents fair value of the Junior Note held by Apollo FDC. Cost: $21,472 and $39,500, respectively.

(2) Represents fair value of collateral posted in relation to the TRS held by Apollo TXU. Cost: $26,066 and $16,749, respectively.

(3) Represents fair value of the Boots Term Loans held by Apollo Boots. Cost: $50,109 and $50,109, respectively.

(4) Apollo FDC s interest is subject to a senior note of a separate entity of $20,283 and $39,500, respectively; However, Apollo FDC has no liability for such senior note.

(5) Represents liability on the TRS held by Apollo TXU.

(6) Represents liability of Apollo Boots on the Acquisition Loan.

(7) In the case of Apollo FDC, net operating income consists of interest income on the Junior Note less interest paid on the senior note together with immaterial administrative expenses. In the case of Apollo TXU, net operating income consists of net payments from (to) the swap counterparty of Apollo TXU s obligation to pay interest and its right to receive the proceeds in respect of the reference asset, together with immaterial administrative expenses. In the case of AIC Boots, net operating income consists of interest income on the Boots Term Loans, less interest payments on the Acquisition Loan together with immaterial administrative expenses. There are no management or incentive fees.

(8) Net income is the sum of operating income, realized gain (loss) and net change in unrealized gain (loss).

Investments for the Company

Investments consisted of the following as of March 31, 2012 and March 31, 2011.

	March 31, 2012		March 31, 2011	
	Cost	Fair Value	Cost	Fair Value
Bank Debt/Senior Secured Loans	$ 826,914	$ 791,810	$ 994,742	$ 1,013,745
Subordinated Debt/Corporate Notes	1,684,625	1,592,827	1,719,439	1,730,656
Collateralized Loan Obligations	7,109	7,691	24,739	28,770
Preferred Equity	39,017	34,927	136,429	33,132
Common Equity/Interests	291,820	240,096	418,967	227,771
Warrants	2,099	9,729	4,520	16,084
Total Investments	$ 2,851,584	$ 2,677,080	$ 3,298,836	$ 3,050,158

Table of Contents

At March 31, 2012, our investments were categorized as follows in the fair value hierarchy for ASC 820 purposes:

		Fair Value Measurement at Reporting Date Using:		
Description	**March 31, 2012**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Bank Debt/Senior Secured Loans	$ 791,810	$	$	$ 791,810
Subordinated Debt/Corporate Notes	1,592,827			1,592,827
Collateralized Loan Obligations	7,691			7,691
Preferred Equity	34,927			34,927
Common Equity/Interests	240,096			240,096
Warrants	9,729			9,729
Total Investments	$ 2,677,080	$	$	$ 2,677,080

At March 31, 2011, our investments were categorized as follows in the fair value hierarchy for ASC 820 purposes:

		Fair Value Measurement at Reporting Date Using:		
Description	**March 31, 2011**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Bank Debt/Senior Secured Loans	$ 1,013,745	$	$	$ 1,013,745
Subordinated Debt/Corporate Notes	1,730,656			1,730,656
Collateralized Loan Obligations	28,770			28,770
Preferred Equity	33,132			33,132
Common Equity/Interests	227,771			227,771
Warrants	16,084			16,084
Total Investments	$ 3,050,158	$	$	$ 3,050,158

Table of Contents

The following chart shows the components of change in our investments categorized as Level 3, for the fiscal year ended March 31, 2012.

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)*						
	Bank Debt / Senior Secured Loans	Subordinated Debt/ Corporate Notes	Collateralized Loan Obligations	Preferred Equity	Common Equity/ Interests	Warrants	Total
Beginning Balance, March 31, 2011	$ 1,013,745	$ 1,730,656	$ 28,770	$ 33,132	$ 227,771	$ 16,084	$ 3,050,158
Total realized gains or losses included in earnings	3,296	(88,271)		(102,012)	(161,071)	7,198	(340,860)
Total unrealized gains or losses included in earnings	(54,105)	(102,966)	(3,439)	99,207	139,469	(3,933)	74,233
Purchases, including capitalized PIK (1)	460,507	998,111	1,113	4,600	87,125		1,551,456
Sales	(631,633)	(944,703)	(18,753)		(53,198)	(9,620)	(1,657,907)
Transfer in and/or out of Level 3 (2)							
Ending Balance, March 31, 2012	$ 791,810	$ 1,592,827	$ 7,691	$ 34,927	$ 240,096	$ 9,729	$ 2,677,080
The amount of total gains or losses for the period included in earnings attributable to the change in unrealized gains or losses relating to our Level 3 assets still held at the reporting date and reported within the net change in unrealized gains or losses on investments in our Statement of Operations.	$ (44,272)	$ (140,846)	$ (925)	$ (2,805)	$ (28,485)	$ 1,319	$ (216,014)

(1) Includes accretion of discount and amortization of premiums of approximately $3,764, $13,735, $1,114, $194, $0, $0 and $18,807, respectively.

(2) There were also no transfers into or out of Level 1 or Level 2 fair value measurements during the period shown.

* Pursuant to fair value measurement and disclosure guidance, the Company currently categories investments by class as shown above.
PIK activity for the fiscal year ended March 31, 2012:

	Fiscal Year End March 31, 2012
PIK investment balance at beginning of period	$ 165,651
Gross PIK income capitalized	14,915
Adjustments due to investment exits	(87,687)
PIK income received in cash	(59,916)
PIK investment balance at end of period	$ 32,963

Table of Contents

The following chart shows the components of change in our investments categorized as Level 3, for the fiscal year ended March 31, 2011.

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)*						
	Bank Debt / Senior Secured Loans	Subordinated Debt/ Corporate Notes	Collateralized Loan Obligations	Preferred Equity	Common Equity/ Interests	Warrants	Total
Beginning Balance, March 31, 2010	$ 843,098	$ 1,659,504	$ 25,866	$ 33,868	$ 281,009	$ 10,235	$ 2,853,580
Total realized gains or losses included in earnings	(2,564)	(169,042)	56		(7,669)	2,654	(176,565)
Total unrealized gains or losses included in earnings	46,679	123,971	2,621	(5,466)	(33,450)	5,849	140,204
Purchases, including capitalized PIK (1)	601,753	501,249	442	4,730	43,718		1,151,892
Sales	(475,221)	(385,026)	(215)		(831)	(2,654)	(863,947)
Transfer in and/or out of Level 3 (2)					(55,006)		(55,006)
Ending Balance, March 31, 2011	$ 1,013,745	$ 1,730,656	$ 28,770	$ 33,132	$ 227,771	$ 16,084	$ 3,050,158
The amount of total gains or losses for the period included in earnings attributable to the change in unrealized gains or losses relating to our Level 3 assets still held at the reporting date and reported within the net change in unrealized gains or losses on investments in our Statement of Operations.	$ 42,866	$ 1,757	$ 2,637	$ (5,466)	$ (8,754)	$ 5,849	$ 38,889

(1) Includes accretion of discount and amortization of premiums of approximately $6,957, $33,842, $442, $192, $0, $0 and $41,433, respectively.

(2) MEG Energy Corp. common stock was transferred from Level 3 to Level 1 due to its initial public offering. There were no other transfers into or out of Level 1, Level 2 or Level 3 during the period shown.

* Pursuant to fair value measurement and disclosure guidance, the Company currently categories investments by class as shown above.

Table of Contents

The following table provides quantitative information about our Level 3 fair value measurements of our investments as of March 31, 2012. In addition to the techniques and inputs noted in the table below, according to our valuation policy we may also use other valuation techniques and methodologies when determining our fair value measurements. The below table is not intended to be all-inclusive, but rather provides information on the significant Level 3 inputs as they relate to our fair value measurements.

	Quantitative Information about Level 3 Fair Value Measurements			
	Fair Value as of March 31, 2012	**Valuation Techniques/ Methodologies**	**Unobservable Input**	**Range (Weighted Average)**
Corporate Debt & Collateralized Loan Obligations	**$ 1,517,432**	Broker quoted	Bid-Ask Spread	NA
Corporate Debt & Collateralized Loan Obligations	**$ 871,296**	Market Rate Approach	Market Interest Rate	7.7% - 16.5% (11.6%)
Equity(1,2)	**232,111**	Market Comparable Companies	EBITDA Multiples	4.0x - 15.2x (8.5x)

(1) Includes $3,600 of certain non-performing debt investments that are valued using equity valuation techniques.

(2) Excludes $56,241 of equity securities that are valued on the basis of the net asset value of their underlying holdings.

The significant unobservable inputs used in the fair value measurement of the Company s debt and equity securities are earnings before interest, taxes, depreciation and amortization (EBITDA) multiples and market interest rates. The Company uses EBITDA multiples on its equity securities to determine any credit gains or losses. Significant increases or decreases in either of these inputs in isolation would result in a significantly lower or higher fair value measurement. The Company uses market interest rates for debt securities to determine if the effective yield on a debt security is commensurate with the market yields for that type of debt security. If a debt security s effective yield is significantly less than the market yield for a similar debt security with a similar credit profile, then the resulting fair value of the debt security may be lower.

Note 7. Foreign Currency Transactions and Translations

At March 31, 2012, the Company had outstanding non-US borrowings on its multicurrency revolving credit facility denominated in euros and pounds sterling. Unrealized appreciation or depreciation on these outstanding borrowings is indicated in the table below:

Foreign Currency	**Local Currency**	**Original Borrowing Cost**	**Current Value**	**Reset Date**	**Unrealized Appreciation (Depreciation)**
British Pound	£ 3,000	$ 4,791	$ 4,793	04/10/2012	$ (2)
Euro	£ 5,500	7,976	7,324	04/23/2012	652
British Pound	£ 13,500	21,485	21,570	04/23/2012	(85)
Euro	£ 63,218	86,951	84,187	04/30/2012	2,764
British Pound	£ 63,500	101,968	101,753	04/30/2012	215
		$ 223,171	$ 219,627		$ 3,544

F-36

Table of Contents

At March 31, 2011, the Company had outstanding non-US borrowings on its multicurrency revolving credit facility denominated in euros, pounds sterling, and Canadian dollars. Unrealized appreciation or depreciation on these outstanding borrowings is indicated in the table below:

Foreign Currency	Local Currency	Original Borrowing Cost	Current Value	Reset Date	Unrealized Appreciation (Depreciation)
British Pound	£ 2,202	$ 3,631	$ 3,530	04/13/2011	$ 101
British Pound	£ 6,047	9,476	9,694	04/13/2011	(218)
British Pound	£ 10,989	17,607	17,615	04/13/2011	(8)
Euro	£ 9,098	11,936	12,913	04/13/2011	(977)
British Pound	£ 7,266	11,978	11,647	04/26/2011	331
British Pound	£ 19,953	31,265	31,983	04/26/2011	(718)
British Pound	£ 36,258	58,093	58,120	04/28/2011	(27)
Euro	£ 30,018	39,380	42,604	04/28/2011	(3,224)
		$ 183,366	$ 188,106		$ (4,740)

Note 8. Expense Offset Arrangement

The Company benefits from an expense offset arrangement with JPMorgan Chase Bank, N.A. (custodian bank) whereby the Company earns credits on any uninvested US dollar cash balances held by the custodian bank. These credits are applied by the custodian bank as a reduction of the monthly custody fees charged to the Company. The total amount of credits earned during the years ended March 31, 2012, 2011, and 2010 are $0, $0, and $0, respectively.

Note 9. Cash Equivalents

There were $0 and $0 of cash equivalents held at March 31, 2012 and March 31, 2011, respectively.

Note 10. Repurchase Agreements

The Company may enter into repurchase agreements as part of its investment program. The Company s custodian takes possession of collateral pledged by the counterparty. The collateral is marked-to-market daily to ensure that the value, plus accrued interest, is at least equal to the repurchase price. In the event of default of the obligor to repurchase, the Company has the right to liquidate the collateral and apply the proceeds in satisfaction of the obligation. Under certain circumstances, in the event of default or bankruptcy by the counterparty to the agreement, realization and/or retention of the collateral or proceeds may be subject to legal proceedings. There were no repurchase agreements outstanding at March 31, 2012 or March 31, 2011.

Table of Contents

Note 11. Financial Highlights

The following is a schedule of financial highlights for the years ended March 31, 2012, 2011, 2010, 2009, and 2008:

	Fiscal Year Ended March 31,				
	2012	**2011**	**2010**	**2009**	**2008**
Per Share Data:					
Net asset value, beginning of period	$ 10.03	$ 10.06	$ 9.82	$ 15.83	$ 17.87
Net investment income	0.88	0.99	1.26	1.48	1.82
Net realized and unrealized gain (loss)	(1.32)	(0.05)	0.45	(5.74)	(1.90)
Net increase (decrease) in net assets resulting from operations	(0.44)	0.94	1.71	(4.26)	(0.08)
Dividends to stockholders (1)	(1.04)	(1.13)	(1.14)	(1.86)	(2.06)
Effect of anti-dilution (dilution)	*	0.16	(0.33)	0.11	0.10
Offering costs	*	*	*	*	*
Net asset value at end of period	$ 8.55	$ 10.03	$ 10.06	$ 9.82	$ 15.83
Per share market value at end of period	$ 7.17	$ 12.07	$ 12.73	$ 3.48	$ 15.83
Total return (2)	(32.4)%	5.1%	313.0%	(73.90)%	(17.50)%
Shares outstanding at end of period	197,043,398	195,501,549	176,213,918	142,221,335	119,893,835
Ratio/Supplemental Data:					
Net assets at end of period (in millions)	$ 1,685.2	$ 1,961.0	$ 1,772.8	$ 1,396.1	$ 1,897.9
Ratio of net investment income to average net assets	9.77%	10.19%	12.36%	10.71%	9.85%
Ratio of operating expenses to average net assets**	6.70%	6.37%	7.21%	6.35%	4.92%
Ratio of interest and other debt expenses to average net assets	3.76%	2.56%	1.52%	2.54%	2.73%
Ratio of total expenses to average net assets**	10.46%	8.93%	8.73%	8.89%	7.65%
Average debt outstanding	$ 1,213,943	$ 1,072,646	$ 1,041,084	$ 1,193,809	$ 882,775
Average debt per share	$ 6.18	$ 5.55	$ 6.53	$ 8.56	$ 7.88
Portfolio turnover ratio	50.6%	33.6%	17.2%	11.2%	24.2%

(1) Dividends and distributions are determined based on taxable income calculated in accordance with income tax regulations which may differ from amounts determined under GAAP. Per share amounts reflect total dividends paid divided by average shares for the respective periods.

(2) Total return is based on the change in market price per share during the respective periods. Total return also takes into account dividends and distributions, if any, reinvested in accordance with the Company s dividend reinvestment plan.

F-38

Table of Contents

* Represents less than one cent per average share.

** The ratio of operating expenses to average net assets and the ratio of total expenses to average net assets is 6.70% and 10.46%, respectively, at March 31, 2012, inclusive of the expense offset arrangement (see Note 8). At March 31, 2011, the ratios were 6.37% and 8.93%, respectively. At March 31, 2010, the ratios were 7.21% and 8.73%, respectively. At March 31, 2009, the ratios were 6.33% and 8.87%, respectively. At March 31, 2008, the ratios were 4.91% and 7.64%, respectively.

Information about our senior securities is shown in the following table as of each year ended March 31 since the Company commenced operations, unless otherwise noted. The indicates information which the SEC expressly does not require to be disclosed for certain types of senior securities.

Class and Year	Total Amount Outstanding (1)	Asset Coverage Per Unit (2)	Involuntary Liquidating Preference Per Unit (3)	Average Market Value Per Unit (4)
Revolving Credit Facility				
Fiscal 2012	$ 539,337	$ 1,427	$	N/A
Fiscal 2011	628,443	1,707		N/A
Fiscal 2010	1,060,616	2,671		N/A
Fiscal 2009	1,057,601	2,320		N/A
Fiscal 2008	1,639,122	2,158		N/A
Fiscal 2007	492,312	4,757		N/A
Fiscal 2006	323,852	4,798		N/A
Fiscal 2005				N/A
Senior Secured Notes				
Fiscal 2012	$ 270,000	$ 714	$	N/A
Fiscal 2011	225,000	611		N/A
Fiscal 2010				N/A
Fiscal 2009				N/A
Fiscal 2008				N/A
Fiscal 2007				N/A
Fiscal 2006				N/A
Fiscal 2005				N/A
Unsecured Notes				
Fiscal 2012	$ 200,000	$ 529	$	N/A
Fiscal 2011	200,000	544		N/A
Fiscal 2010				N/A
Fiscal 2009				N/A
Fiscal 2008				N/A
Fiscal 2007				N/A
Fiscal 2006				N/A
Fiscal 2005				N/A

(1) Total amount of each class of senior securities outstanding at the end of the period presented.

(2) The asset coverage ratio for a class of senior securities representing indebtedness is calculated as our consolidated total assets, less all liabilities and indebtedness not represented by senior securities, divided by senior securities representing indebtedness. This asset coverage ratio is multiplied by $1 to determine the Asset Coverage Per Unit. In order to determine the specific Asset Coverage Per Unit for each class of debt, the total Asset Coverage Per Unit was divided based on the amount outstanding at the end of the period for each.

(3) The amount to which such class of senior security would be entitled upon the involuntary liquidation of the issuer in preference to any security junior to it.

(4) Not applicable, as senior securities are not registered for public trading.

Table of Contents

Note 12. Debt

Revolving Credit Facility

At March 31, 2012, under the terms of our senior secured multi-currency revolving credit facility maturing on April 12, 2013 (the Facility), certain lenders have agreed to extend credit to Apollo Investment in an aggregate principal or face amount not exceeding $1,253,750 at any one time outstanding. The Facility permits Apollo Investment to seek additional commitments from new and existing lenders in the future, up to an aggregate Facility size not to exceed $2,000,000. The Facility is secured by substantially all of the assets in Apollo Investment s portfolio, including cash and cash equivalents. Pricing with respect to the commitments is 300 basis points over LIBOR. The Facility contains affirmative and restrictive covenants, including: (a) periodic financial reporting requirements, (b) maintaining minimum stockholders equity of the greater of (i) 40% of the total assets of Apollo Investment and its consolidated subsidiaries as at the last day of any fiscal quarter and (ii) the sum of (A) $725,000 plus (B) 25% of the net proceeds from the sale of equity interests in Apollo Investment after the closing date of the Facility, (c) maintaining a ratio of total assets, less total liabilities (other than indebtedness) to total indebtedness, in each case of Apollo Investment and its consolidated subsidiaries, of not less than 2.0:1.0, (d) maintaining minimum liquidity, (e) limitations on the incurrence of additional indebtedness, including a requirement to meet a certain minimum liquidity threshold before Apollo Investment can incur such additional debt, (f) limitations on liens, (g) limitations on investments (other than in the ordinary course of Apollo Investment s business), (h) limitations on mergers and disposition of assets (other than in the normal course of Apollo Investment s business activities), (i) limitations on the creation or existence of agreements that permit liens on properties of Apollo Investment s consolidated subsidiaries and (j) limitations on the repurchase or redemption of certain unsecured debt and debt securities. In addition to the asset coverage ratio described in clause (c) of the preceding sentence, borrowings under the Facility (and the incurrence of certain other permitted debt) are subject to compliance with a borrowing base that applies different advance rates to different types of assets in Apollo Investment s portfolio. The remaining capacity under the Facility was $714,413 at March 31, 2012.

Senior Secured Notes

On September 30, 2010, the Company entered into a note purchase agreement with certain institutional accredited investors providing for a private placement issuance of $225,000 in aggregate principal amount of five-year, senior secured notes with a fixed interest rate of 6.25% and a maturity date of October 4, 2015 (the Senior Secured Notes). On October 4, 2010, the Senior Secured Notes issued by Apollo Investment were sold to certain institutional accredited investors pursuant to an exemption from registration under the Securities Act of 1933, as amended. Interest on the Senior Secured Notes is due semi-annually on April 4 and October 4, commencing on April 4, 2011.

On September 29, 2011, the Company closed a private offering of $45,000 aggregate principal amount of senior secured notes (the Notes) consisting of two series: (1) 5.875% Senior Secured Notes, Series A, of the Company due September 29, 2016 in the aggregate principal amount of $29,000; and (2) 6.250% Senior Secured Notes, Series B, of the Company due September 29, 2018, in the aggregate principal amount of $16,000. The Notes were issued in a private placement only to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended.

Senior Unsecured Convertible Notes

On January 25, 2011, the Company closed a private offering of $200,000 aggregate principal amount of senior unsecured convertible notes (the Convertible Notes). The Convertible Notes were issued in a private placement only to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933. The Convertible Notes bear interest at an annual rate of 5.75%, payable semi-annually in arrears on January 15 and July 15 of each year, commencing on July 15, 2011. The Convertible Notes will mature on January 15, 2016 unless earlier converted or repurchased at the holder s option. Prior to December 15, 2015, the Convertible Notes will be convertible only upon certain corporate reorganizations, dilutive recapitalizations or dividends, or if, during specified periods our shares trade at more than 130% of the then applicable conversion price or the Convertible Notes trade at less than 97% of their conversion value and, thereafter, at any time. The Convertible Notes will be convertible by the holders into shares of common stock, initially at a conversion rate of 72.7405 shares of the Company s common stock per $1 principal amount of Convertible Notes (14,548,100 common shares) corresponding to an initial conversion price per share of approximately $13.75, which represents a premium of 17.5% to the $11.70 per share closing price of the Company s common stock on The NASDAQ Global Select Market on January 19, 2011. The conversion rate will be subject to adjustment upon certain events, such as stock splits and combinations, mergers, spin-offs, increases in dividends in excess of $0.28 per share per quarter and certain changes in control. Certain of these adjustments, including adjustments for increases in dividends, are subject to a conversion price floor of $11.70 per share. The Convertible Notes are senior unsecured obligations and rank senior in right of payment to our existing and future indebtedness that is expressly subordinated in right of payment to the Convertible Notes; equal in right of payment to our existing and future unsecured indebtedness that is not so subordinated; effectively junior in right of payment to any of our secured indebtedness (including existing unsecured indebtedness that we later secure) to the extent of the value of the assets securing such indebtedness; and structurally junior to all existing and future indebtedness (including trade payables) incurred by our subsidiaries, financing vehicles or similar facilities. As more fully reflected in Note 5, the issuance is to be considered as part of the if-converted method for calculation and presentation of diluted EPS.

The average outstanding debt balance was $1,213,943 and $1,072,646 for the fiscal years ended March 31, 2012 and 2011, respectively. The weighted average annual interest cost for the fiscal year ended March 31, 2012 was 4.42%, exclusive of 1.03% for commitment fees and for other prepaid expenses related to establishing debt. The weighted average annual interest cost for the fiscal year ended March 31, 2011 was 3.43%, exclusive of 1.05% for commitment fees and for other prepaid expenses related to establishing debt. This weighted average annual interest cost reflects the average interest cost for all debt. The maximum amount of debt outstanding during the fiscal years ended March 31, 2012 and 2011 was $1,429,163 and $1,235,464, respectively, at value. As of March 31, 2012, the Company is in compliance with all debt covenants.

On August 11, 2011, the Company adopted a plan for the purpose of repurchasing up to $200 million of its common stock in accordance with the guidelines specified in Rule 10b-18 and Rule 10b5-1 of the Securities Exchange Act of 1934. The Company s plan was designed to allow it to repurchase its shares both during its open window periods and at times when it otherwise might be prevented from doing so under insider trading laws or because of self-imposed trading blackout periods. A broker selected by the Company will have the authority under the terms and limitations specified in the plan to repurchase shares on the Company s behalf in accordance with the terms of the plan. Repurchases are subject to SEC regulations as well as certain price, market volume and timing constraints specified in the plan. While the portion of the plan reliant on Rule 10b-18 remains in effect, the portion reliant on Rule 10b5-1 is subject to periodic renewal and is not currently in effect. As of March 31, 2012, no shares have been repurchased.

Note 13(a). Income Tax Information and Distributions to Stockholders

The tax character of dividends for the fiscal year ended March 31, 2012 was as follows:

Ordinary income	$ 204,427

As of March 31, 2012, the components of accumulated losses on a tax basis were as follows[1]:

Distributable ordinary income	$ 906
Capital loss carryforward	(648,651)[2,3]
Other book/tax temporary differences	(287,148)
Unrealized depreciation	(266,400)
Total accumulated losses	$ (1,201,293)

Table of Contents

As of March 31, 2012, we had a post-October capital loss deferral of $247,738.

1 Tax information for the fiscal year ended March 31, 2012 is an estimate and will not be finally determined until the Company files its 2011 tax return in December 2012.

2 On March 31, 2012, the Company had net capital loss carryforwards of $37,323, $199,331 and $411,998 which expire in 2017, 2018 and 2019, respectively. These amounts will be available to offset like amounts of any future taxable gains. It is unlikely that capital gains distributions will be paid to shareholders of the Company until net gains have been realized in excess of such capital loss carryforward or the carryforward expires.

3 On December 22, 2010, the Regulated Investment Company Modernization Act of 2010 (the Act) was enacted which changed various technical rules governing the tax treatment of regulated investment companies. The changes are generally effective for taxable years beginning after the date of enactment. Under the Act, the fund will be permitted to carry forward capital losses incurred in taxable years beginning after the date of enactment for an unlimited period. However, any losses incurred during those future taxable years will be required to be utilized prior to the losses incurred in pre-enactment taxable years, which carry an expiration date. As a result of this ordering rule, pre-enactment capital loss carryforwards may be more likely to expire unused. Additionally, post-enactment capital losses that are carried forward will retain their character as either short-term or long-term losses rather than being considered all short-term as under previous law.

The tax character of dividends for the fiscal year ended March 31, 2011 was as follows:

Ordinary income	$ 218,079

As of March 31, 2011, the components of accumulated losses on a tax basis were as follows:

Distributable ordinary income	$ 87,648
Capital loss carryforward	(670,511)[1]
Other book/tax temporary differences	(70,333)
Unrealized depreciation	(257,528)
Total accumulated losses	$ (910,724)

As of March 31, 2011, we had a post-October capital and foreign currency loss deferral of $5,855 and $9,720, respectively.

1 On March 31, 2011, the Company had net capital loss carryforwards of $59,182, $199,331 and $411,998 which expire in 2017, 2018 and 2019, respectively. These amounts will be available to offset like amounts of any future taxable gains. It is unlikely that capital gains distributions will be paid to shareholders of the Company until net gains have been realized in excess of such capital loss carryforward or the carryforward expires.

Note 13(b). Other Tax Information

The percentage of ordinary income distributions paid during the fiscal year ended March 31, 2012 eligible for qualified dividend income treatment is 2.97%. The percentage of ordinary income distributions paid during the fiscal year ended March 31, 2012 eligible for the 70% dividends received deduction for corporate stockholders is 2.97%.

The percentage of ordinary income distributions paid during the fiscal year ended March 31, 2011 eligible for qualified dividend income treatment is 4.18%. The percentage of ordinary income distributions paid during the fiscal year ended March 31, 2011 eligible for the 70% dividends received deduction for corporate stockholders is 4.18%.

Table of Contents

Note 14. Selected Quarterly Financial Data (unaudited)

Quarter Ended	Investment Income		Net Investment Income		Net Realized And Unrealized Gain (Loss) on Assets		Net Increase (Decrease) In Net Assets From Operations	
	Total	Per Share	Total	Per Share	Total	Per Share	Total	Per Share
March 31, 2012	85,196	0.43	41,010	0.21	76,223	0.39	117,233[1]	0.60[1]
December 31, 2011	83,815	0.43	38,538	0.20	25,159	0.13	63,697[2]	0.32[2]
September 30, 2011	93,981	0.48	45,532	0.23	(312,782)	(1.59)	(267,250)[3]	(1.36)[3]
June 30, 2011	94,592	0.48	47,662	0.24	(47,606)	(0.24)	56[4]	0.00[4]
March 31, 2011	94,715	0.48	50,037	0.26	62,014	0.32	112,052[5]	0.57[5]
December 31, 2010	94,318	0.48	50,126	0.26	34,378	0.18	84,504	0.43
September 30, 2010	91,499	0.47	50,182	0.26	17,984	0.09	68,166	0.35
June 30, 2010	78,248	0.42	40,827	0.22	(125,137)	(0.67)	(84,310)	(0.45)
March 31, 2010	87,657	0.50	48,532	0.28	(58,396)	(0.33)	(9,864)	(0.06)
December 31, 2009	85,617	0.51	50,158	0.30	29,365	0.18	79,523	0.48
September 30, 2009	84,403	0.55	51,391	0.34	57,766	0.38	109,157	0.71
June 30, 2009	82,561	0.58	49,330	0.35	35,144	0.25	84,474	0.59

(1) Net Increase (Decrease) in Net Assets from Operations is shown on a basic, non-diluted basis. On a diluted basis, the total and per share amounts would be 119,806 and 0.57, respectively.

(2) Net Increase (Decrease) in Net Assets from Operations is shown on a basic, non-diluted basis. On a diluted basis, the total and per share amounts would be 66,274 and 0.31, respectively.

(3) Net Increase (Decrease) in Net Assets from Operations is shown on a basic, non-diluted basis. On a diluted basis, the total and per share amounts would be (264,673) and (1.36), respectively.

(4) Net Increase (Decrease) in Net Assets from Operations is shown on a basic, non-diluted basis. On a diluted basis, the total and per share amounts would be 2,631 and 0.00, respectively.

(5) Net Increase (Decrease) in Net Assets from Operations is shown on a basic, non-diluted basis. On a diluted basis, the total and per share amounts would be 113,935 and 0.55, respectively.

Note 15. Commitments and Contingencies

As of March 31, 2012, AIC had two outstanding commitments with two banks to purchase unsecured bridge loans in the aggregate amount of $80,000. AIC s commitments were subject to the consummation of the underlying corporate transactions and conditional upon receipt of all necessary shareholder, regulatory and other applicable approvals. Subsequent to March 31, 2012, such unsecured bridge loan commitments were extinguished with the permanent placement of high yield securities.

The Company also has a commitment to fund a revolving senior loan in the amount of $5,500. As of March 31, 2012, $3,300 of this revolving senior loan remained unfunded.

Note 16. Subsequent Events

On April 2, 2012, the Company announced that a subsidiary of Apollo Global Management, LLC has purchased approximately $50,000, or approximately 5,900,000 newly issued shares, of Apollo Investment Corporation s common stock, at an estimated NAV of $8.45 per share. The final number of shares issued is 5,847,953, based on the NAV as of March 31, 2012 of $8.55 per share. AIC s Investment Advisor, Apollo

Investment Management, L.P., or AIM , is waiving the base management and incentive fees associated with this equity capital for a one year period.

On April 4, 2012, the Company made a $40.4 million equity investment in a newly launched senior loan fund being managed by an affiliate of Madison Capital Funding LLC (Madison Capital). The loan vehicle purchased from Madison Capital an existing pool of senior secured loans to middle market companies in the United States with approximately $250 million of combined face value. These loans were originated by Madison Capital between April 2011 and March 2012.

On May 23, 2012, the Company amended and restated its senior secured, multi-currency, revolving credit facility (the Amended & Restated Facility). The Amended & Restated Facility extends the lenders commitments totaling approximately $1.14 billion through May, 2015, and allows the Company to seek additional commitments from new and existing lenders in the future, up to an aggregate facility size not to exceed $1.71 billion. The final maturity date of the Amended & Restated Facility is May 23, 2016. Commencing June 23, 2015, the Company is required to repay, in twelve consecutive monthly installments of equal size, the outstanding amount under the Amended & Restated Facility as of May 23, 2015. Pricing for Alternate Base Rate (ABR) borrowings will be 125 basis points over the applicable Prime Rate and pricing for eurocurrency borrowings will be 225 basis points over the LIBO Rate. Terms used in the foregoing sentence have the meanings set forth in the Amended & Restated Facility.

Table of Contents

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PROSPECTUS SUPPLEMENT

BofA Merrill Lynch

Morgan Stanley

October , 2012