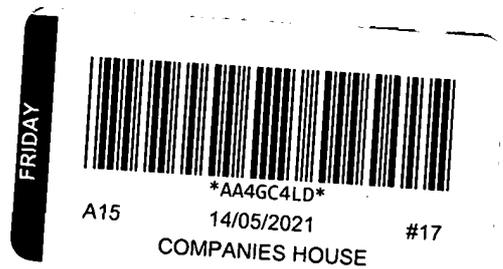


Alcentra Asset Management Limited

Strategic report, Directors' report and financial statements

Registered number 04380759

31 December 2020



Alcentra Asset Management Limited

Contents

Board of Directors and other information	1
Strategic report	2 - 3
Directors' report	4 - 6
Statement of directors' responsibilities	7
Independent auditor's report	8 - 10
Statement of profit and loss and other comprehensive income	11
Balance sheet	12
Statement of changes in equity	13
Notes to the financial statements	14 - 23

Alcentra Asset Management Limited

Board of Directors and other information

Directors

G Brisk (Non-Executive Director)

J DeSimone (Executive Director)

S Sumal (Non-Executive Director)

Secretary

BNY Mellon Secretaries (UK) Limited

160 Queen Victoria Street

London

EC4V 4LA

Auditor

KPMG LLP

Chartered Accountants

15 Canada Square

London

E14 5GL

Registered Office

160 Queen Victoria Street

London

EC4V 4LA

Registered Number

04380759

Alcentra Asset Management Limited

Strategic report

In accordance with Section 414A(1) of the Companies Act 2006, we have prepared the Strategic report which includes a review of Alcentra Asset Management Limited (“the Company”) business and future developments, a description of the principal risks and uncertainties facing the Company and key performance indicators.

The ultimate parent company is The Bank of New York Mellon Corporation (“BNY Mellon” or “Group”).

Business review

The Company has continued to operate profitably and there have been no significant changes in the Company’s core operations during the year.

Financial key performance indicators

The Company’s key financial and other performance indicators during the year were as follows:

	2020	2019	Change	Change
	€000's	€000's	€000's	%
Income from shares in Group undertaking	-	106,157	(106,157)	100%
Profit before taxation	(10)	106,372	(106,382)	100%
Net assets	29,810	29,705	105	0%

Income from shares in Group undertaking decreased by €106,157,000 (100%) as no dividends were received from its direct subsidiary, Alcentra Limited in 2020.

Net assets increased by €105,000 due to profit during the year.

Principal risks and uncertainties

The principal risks and uncertainties affecting the business have been considered and addressed in the Directors’ report on pages 4 to 6.

Coronavirus (“COVID-19”)

Since early 2020, COVID-19 has created significant disruption to global markets and economies. Management recognises that the pandemic presents risks to the Company and has put in place procedures to monitor and mitigate those risks. An assessment of the impact of the uncertainty on the Company’s year-end financial position and operational resilience has been performed and management has concluded that the pandemic will not have a substantial impact on the Company’s ability to continue as a going concern. This consideration has been detailed within the ‘Risk management’ section of the Directors’ report on page 4.

Business and future developments

Alcentra Asset Management Limited is a holding company for the European entities within BNY Alcentra Group Holdings, Inc (“Alcentra Group”) whose ultimate parent is BNY Mellon.

The Strategic focus of the Company and Alcentra Group is to develop the business to maximise shareholders' value. This will initially be achieved through the pursuit of organic growth of operations within the Group. In the forthcoming year, the Directors expect to increase management fees with the Group by launching new funds and increasing assets under management within existing funds.

Alcentra Asset Management Limited

Strategic report - continued

Business and future developments - continued

Brexit

The UK formally left the European Union (“EU”) on 31 January 2020 and ceased to be an EU member state on that date. The departure was subject to a transition period which ended on 31 December 2020. On 24 December 2020, the UK and EU reached a “Trade and Cooperation Agreement” which offered some major free-trade benefits, but also represented an end to most aspects of the free market access that the UK previously enjoyed as an EU member state. The new rules apply from 1 January 2021.

The UK’s withdrawal from the European Union (“Brexit”) has had a limited impact on the Company. The Company continues to monitor other risks which may arise as a result of post-Brexit changes to the UK legal and regulatory framework in which it operates. It could also be impacted by changing economic factors including changes in interest rates and foreign exchange rates.

The Directors expect the Company to remain profitable over the next 12 months. Accordingly, there is no material uncertainty that may cast significant doubt on the Company’s ability to continue as a going concern due to Brexit.

Approval

By order of the Board

Greg Brisk

Greg Brisk (Apr 23, 2021 16:53 GMT+1)

G Brisk
Director

Alcentra Asset Management Limited
160 Queen Victoria Street
London
EC4V 4LA

22 April 2021

Registered number: 04380759

Alcentra Asset Management Limited

Directors' report

The directors present their report and financial statements for the year ended 31 December 2020.

Principal activities

Alcentra Asset Management Limited is a holding company for the European entities within the Alcentra Group. The Alcentra Group is an asset management business focused on sub-investment grade debt capital markets globally.

Results and dividends

The profit for the year after taxation amounted to €105,000 (2019: €106,357,000).

Interim dividends paid during the year amounted to €nil (2019: €143,033,000). The directors do not recommend a final dividend for the year ended 31 December 2020 (2019: €nil).

Future developments

See 'Business and future developments' section in Strategic report for details.

Political donations

The Company made no political donations or incurred any political expenditure during the year.

Risk management process

The Company's operating subsidiaries are responsible for actively identifying the risks associated with their key business processes, business change or external threats, identifying and assessing the quality of controls in place to mitigate risk and assigning accountability for the effectiveness of those controls. The objective of this detailed self-assessment is to present or minimise:

- Errors or service delivery failures, especially those with impact on clients
- Financial losses
- Compliance breaches
- Reputational damage

The Company subsidiaries utilise the Group Operational Risk Platform to achieve the above. The platform is used to maintain risk and control self-assessments, key risk indicators and tracking of operational risk events. A second line of defense Risk Management function works in partnership with the businesses to ensure that there is adequate understanding and assessment of, and accountability for, all risks.

The Risk Appetite for Alcentra Group level is set and owned by the Group's Board of directors, giving the overall strategy and willingness to take on risk at a global level. The Company's risk appetite is commensurate with local business requirements, within the guidance set by the Alcentra Group and in coordination with the relevant business expertise.

Other macro-environmental risks (including "COVID-19")

In 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. The situation remains dynamic and has led to a continued level of uncertainty among companies and global financial markets. Management has considered the specific factors that could affect the Company as a result of the risks faced by its main operating subsidiary Alcentra Limited.

Alcentra Asset Management Limited

Directors' report - continued

Risk management process continued

Other macro-environmental risks (including "COVID-19") continued

- The Company's main operating subsidiary, Alcentra Limited's revenue increased by £6,955,030 (7%) during the year due to increased Assets under Management indicating the pandemic has had no significant adverse impact on its performance and continues to remain profitable.
- The above factor has a direct impact on the value of the Company's investments in subsidiaries. However, no impairment loss arising as a result of the current economic environment has been noted as at 31 December 2020.
- Liquidity: The Company continues to closely monitor the impact of market volatility on its Balance sheet. Management has reviewed the Company's liquidity position as at 31 December 2020 and concluded that there are no liquidity concerns.
- Going concern consideration: Management has performed an assessment to determine whether there are any material uncertainties arising due to the pandemic that could cast significant doubt on the ability of the Company to continue as a going concern. This assessment is disclosed in note 1.4 'Going concern' and focuses on the Company's financial and operational resilience to continue in operational existence for the foreseeable future (for a period of at least twelve months after the date that the financial statements are signed). Accordingly, the Directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

The Company and its subsidiaries continue to carefully monitor and mitigate the risk on an ongoing basis in order to minimise exposure while maintaining a robust Balance sheet.

Directors

The directors who served during the year and up to the date of the report were as follows:

	Appointed	Resigned
G Brisk	-	-
D Fabian	-	10 February 2021
D Forbes-Nixon	-	24 February 2021
J DeSimone	24 February 2021	-
S Sumal	24 February 2021	-

The resignations and appointments undertaken during the year form part of our wider succession plan with recent retirements and facilitates the development of a more diverse board.

Directors' indemnity provision

The articles of association of the Company provide that in certain circumstances the directors are entitled to be indemnified out of the assets of the Company against claims from third parties in respect of certain liabilities arising in connection with the performance of their functions, in accordance with the provisions of the Companies Act 2006. Indemnity provisions of this nature have been in place during the year but have not been utilised by the directors (2019: £nil).

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that he or she ought to have taken as a director to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Alcentra Asset Management Limited

Directors' report - continued

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the Board

Greg Brisk

Greg Brisk (Apr 23, 2021 16:53 GMT+1)

G Brisk
Director

Alcentra Asset Management Limited
160 Queen Victoria Street
London
EC4V 4LA

22 April 2021

Registered number: 04380759

Alcentra Asset Management Limited

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic report, 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 UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including Financial Reporting Standard 101: *Reduced Disclosure Framework* ("FRS 101").

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these 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 applicable UK Accounting Standards have been followed, including FRS 101, subject to any material departures disclosed and explained in the financial statements;
- 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 to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible 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, and 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.

Independent auditor's report to the members of Alcentra Asset Management Limited

Opinion

We have audited the financial statements of Alcentra Asset Management Limited (“the Company”) for the year ended 31 December 2020 which comprise the Statement of profit and loss and other comprehensive income, Balance sheet, Statement of change in equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company’s affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101: *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (“ISAs (UK)”) and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company’s financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements (“the going concern period”).

In our evaluation of the directors’ conclusions, we considered the inherent risks to the Company’s business model and analysed how those risks might affect the Company’s financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors’ use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors’ assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, above conclusions are not a guarantee that the Company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud (“fraud risks”) we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included enquiring of directors and inspection of policy documentation as to the BNY Alcentra Group Holdings Inc’s policies and procedures to prevent and detect fraud that apply to this group company as well as enquiring whether the directors have knowledge of any actual, suspected or alleged fraud.

Independent auditor's report to the members of Alcentra Asset Management Limited

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because there are no revenue transactions. We did not identify any additional fraud risks.

We performed procedures including agreeing all accounting entries in the period to supporting documentation.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors (as required by auditing standards), and discussed with the directors the policies and procedures regarding compliance with laws and regulations.

The company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

This company, as a holding company, is not subject to other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and directors' report

The directors are responsible for Strategic report and the Directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read Strategic report and the Directors' report 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 strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Independent auditor's report to the members of Alcentra Asset Management Limited

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view; 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; 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 they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities

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

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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.


Neil Palmer (Apr 26, 2021 18:01 GMT+1)

**Neil Palmer (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor**

Chartered Accountants
15 Canada Square
London, E14 5GL

26 April 2021

Alcentra Asset Management Limited

Statement of profit and loss and other comprehensive income for the year ended 31 December 2020

	Note	2020 €000's	2019 €000's
Administrative expenses	2	(15)	-
Operating loss		(15)	-
Income from shares in Group undertaking	4	-	106,157
Interest receivable and similar income	5	5	215
(Loss)/profit before taxation		(10)	106,372
Taxation	6	115	(15)
Total profit for the financial year		105	106,357
Total comprehensive income for the financial year		105	106,357

Notes 1 to 14 are integral to these financial statements.

All items dealt with in arriving at the Company's results for the financial year and prior year relate to continuing operations.

The Company had no items going through other comprehensive income during the year (2019: €nil).

Alcentra Asset Management Limited

Balance sheet

at 31 December 2020

	Note	2020 €000's	2019 €000's
Fixed assets			
Fixed asset investments	7	29,833	29,833
		<u>29,833</u>	<u>29,833</u>
Current assets			
Debtors	8	45	44
Cash at bank and in hand	9	351	-
		<u>396</u>	<u>44</u>
Creditors: amounts falling due within one year	10	(419)	(172)
Net current liabilities		<u>(23)</u>	<u>(128)</u>
Total assets less current liabilities		<u>29,810</u>	<u>29,705</u>
Net assets		<u>29,810</u>	<u>29,705</u>
Capital and reserves			
Called up share capital	11	278	278
Profit and loss account		<u>29,532</u>	<u>29,427</u>
Shareholders' funds		<u>29,810</u>	<u>29,705</u>

Notes 1 to 14 are integral to these financial statements.

These financial statements were approved by the Board of Directors and were signed on its behalf by:

Greg Brisk

Greg Brisk (Apr 23, 2021 16:53 GMT+1)

G Brisk
Director

22 April 2021

Company registered number: 04380759

Alcentra Asset Management Limited

Statement of changes in equity

31 December 2020

	Called up share capital €000's	Profit and loss account €000's	Total equity €000's
Balance at 1 January 2019	278	66,103	66,381
Total comprehensive income for the financial year	-	106,357	106,357
Dividends	-	(143,033)	(143,033)
Balance at 31 December 2019	<u>278</u>	<u>29,427</u>	<u>29,705</u>
	Called up share capital €000's	Profit and loss account €000's	Total equity €000's
Balance at 1 January 2020	278	29,427	29,705
Total comprehensive income for the financial year	-	105	105
Balance at 31 December 2020	<u>278</u>	<u>29,532</u>	<u>29,810</u>

Notes 1 to 14 are integral to these financial statements.

Alcentra Asset Management Limited

Notes to the financial statements for the year ended 31 December 2020

1 Accounting policies

1.1 Basis of preparation and statement of compliance with FRS 101

The Company is a private company limited by shares incorporated and domiciled in the UK and registered in England and Wales. The registered address is given on page 1.

These financial statements were prepared in accordance with FRS 101.

The Company's ultimate parent undertaking, The Bank of New York Mellon Corporation includes the Company and all its subsidiary undertakings in its consolidated financial statements. The consolidated financial statements of The Bank of New York Mellon Corporation are prepared in accordance with U.S. Generally Accepted Accounting Principles, which is considered equivalent under the requirements of Section 401 of the Companies Act 2006. The Bank of New York Mellon Corporation's consolidated financial statements are available at <https://www.bnymellon.com/us/en/investor-relations/>. Accordingly the Company is a *qualifying entity* for the purpose of FRS 101 disclosure exemptions.

Therefore, in preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of international accounting standards in conformity with the requirements of the Companies Act 2006 ("Adopted IFRSs"), but makes amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- A Statement of cash flows and related notes;
- Comparative period reconciliations for share capital;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management; and
- Disclosures in respect of compensation of key management personnel.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 1.13.

1.2 Exemption from preparation of group financial statements

As noted in section 1.1 above, the Company's ultimate parent company includes the Company in its consolidated financial statements, which are prepared under a basis equivalent to adopted IFRS. Accordingly, the Company is exempt by virtue of section 401 of the Companies Act 2006 from the requirement to prepare Group financial statements. Therefore, these financial statements present information about the Company as an individual undertaking and not about its Group.

1.3 Measurement convention

These financial statements are prepared on the historical cost basis. Non-current assets are stated at the lower of previous carrying amount and fair value less costs to sell.

Alcentra Asset Management Limited

Notes to the financial statements for the year ended 31 December 2020

1 Accounting policies continued

1.4 Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic report on pages 2 to 3. In addition, the Directors' report on pages 4 to 6 includes the Company's objectives, policies and processes for managing its capital; its financial risk management objectives and its exposures to credit and liquidity risk.

The directors perform an annual going concern review that considers, under a stress test scenario, the Company's ability to meet its financial obligations as they fall due, for a period of at least twelve months after the date that the financial statements are signed. As a consequence, the directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

Management has performed an assessment to determine whether there are any material uncertainties arising that could cast significant doubt on the ability of the Company to continue as a going concern. No significant issues have been noted. In reaching this conclusion, management considered:

- The financial impact of the uncertainty on the Company's Balance sheet;
- Stress tests on reasonable plausible scenarios in addition to a significant reduction in revenue for a period of 12 months from the date of signing the financial statements;
- Liquidity position based on current cash resources and other working capital balances that will be converted to cash over a period of one year and;
- The Company's operational resilience including the impact of the pandemic on existing processes and key stakeholders such as suppliers and its existing IT systems and infrastructure.

Based on the above assessment of the Company's financial position, credit, market, operational, liquidity, business and compliance risk, the directors have concluded that the Company has adequate resources to continue in operational existence for the foreseeable future (for a period of at least twelve months after the date that the financial statements are signed). Accordingly, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

1.5 Related party transactions

As the Company is a wholly owned indirect subsidiary of the ultimate parent company, The Bank of New York Mellon Corporation, it has taken advantage of the exemption contained in IAS 24 and has therefore not disclosed transactions with entities which form part of the Group.

1.6 Foreign currency

The Company's functional and presentational currency is Euro. Transactions in foreign currencies are recorded in the functional currency at the rate of exchange prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rate of exchange ruling at the balance sheet date. Any resulting exchange differences are reported net in the Statement of profit and loss and other comprehensive income within interest receivable or payable as appropriate.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Any resulting exchange differences are reported net in the Statement of profit and loss and other comprehensive income within interest receivable or payable as appropriate.

Alcentra Asset Management Limited

Notes to the financial statements for the year ended 31 December 2020

1 Accounting policies continued

1.7 Interest income and similar income

Interest receivable and payable is recognised in the Statement of profit and loss and other comprehensive income, using the effective interest rate method.

Interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest payable and similar charges include interest payable and net foreign exchange gains or losses that are recognised in the Statement of profit and loss and other comprehensive income (see note 1.6).

1.8 Dividends

Dividend income is recognised in the Statement of profit and loss and other comprehensive income on the date the entity's right to receive payments is established.

Dividends are recognised as a liability at the date that they are declared, to the extent that they are declared prior to the year end. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

1.9 Taxation

Taxation on profit or loss for the year comprises current and deferred tax. Tax is recognised in the Statement of profit and loss and other comprehensive income except to the extent that it relates to items recognised directly in equity, in which case the tax is recognised in the same statement as the related item appears.

Current tax is the expected tax payable or receivable on the taxable profit or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable or receivable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of assets or liabilities that affect neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

1.10 Non-derivative financial instruments - classification and measurement

Non-derivative financial instruments comprise debtors, cash at bank and in hand trade and other creditors.

Financial assets are measured at amortised cost if they meet both of the following conditions and are not designated as at Fair value through profit and loss ("FVTPL"):

Alcentra Asset Management Limited

Notes to the financial statements for the year ended 31 December 2020

1 Accounting policies continued

1.10 Non-derivative financial instruments - classification and measurement continued

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Such financial assets include debtors and cash at bank and in hand.

Financial assets are measured at Fair value through other comprehensive income ("FVOCI") only if they meet both of the following conditions:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is classified into one of these categories on initial recognition. However, for financial assets held at initial application, the business model assessment is based on facts and circumstances at that date. Also, IFRS 9 *Financial Instruments* permits new elective designations at FVTPL or FVOCI to be made on the date of initial application depending on the facts and circumstances at that date.

A Financial liability is initially recognised at fair value and in the case of loans and borrowings and trade and other creditors, net of directly attributable transaction costs. After initial recognition, financial liabilities are measured at amortised cost or FVTPL. Trade and other creditors are measured at amortised cost using the effective interest rate method.

Business model assessment

Certain financial assets, for example, deposits with central banks and financial institutions, always will be held for collection of contractual cash flows as the nature of the asset means that it cannot be sold. For other financial assets, the Company makes an assessment of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. Information that is considered includes:

- the stated policies and objectives for the portfolio;
- how the performance of the portfolio is evaluated and reported to management;
- how managers of the business are compensated; and
- the frequency and volume of historical and expected sales.

The Company generally does not hold assets for trading.

Assessment of whether cash flows are solely payments of principal and interest

'Principal' for these purposes is defined as the fair value of the financial asset at 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 (e.g. liquidity risk and administrative costs), as well as profit margin.

Alcentra Asset Management Limited

Notes to the financial statements for the year ended 31 December 2020

1 Accounting policies continued

1.10 Non-derivative financial instruments - classification and measurement continued

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains contractual terms that would 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 terms;
- terms that limit the Company's claim to cash flows from specified assets; and
- features that modify consideration for the time value of money – e.g. periodic reset of interest rates.

1.11 Impairment of financial assets (including debtors)

Under IFRS 9, the Company generally recognises loss allowances at an amount equal to 12-month expected credit loss ("ECL") (Stage 1, the portion of ECL that results from default events that are possible within 12 months after the reporting date) unless there has been significant increase in credit risk since origination of the instrument, in which case ECLs are recognised on a lifetime loss basis (Stage 2). Exposures that are in default are regarded as credit impaired (Stage 3) and are also measured on a lifetime ECL basis.

Measurement of ECL

ECLs are a probability-weighted estimate of credit losses and are measured as follows:

- Financial assets that are not credit-impaired at the reporting date: the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive);
- Financial assets that are credit-impaired at the reporting date – the difference between the gross carrying amount and the present value of estimated future cash flows; and
- Financial guarantee contracts – the expected payments to reimburse the holder less any amounts that the Company expects to recover.

1.12 Fixed asset investments

Investments in subsidiaries are carried at cost less impairment.

1.13 Accounting estimates and judgements

In preparing these financial statements, management has made judgements, estimates and assumptions about future conditions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Management believes that the Company's critical accounting policies for which judgement is necessarily applied are those which relate to impairment of investments in subsidiaries. Further information about key assumptions concerning the future, and other key sources of estimation uncertainty, are set out in the note 7 of the financial statements.

Alcentra Asset Management Limited

Notes to the financial statements for the year ended 31 December 2020

2 Expenses and auditor's remuneration

Auditor's remuneration:

	2020	2019
	€000's	€000's
Amounts receivable by the Company's auditor and its associates in respect of:		
Audit of these financial statements pursuant to legislation	15	14

3 Directors' remuneration

The aggregate amount of remuneration paid to or receivable by directors in respect of qualifying services is disclosed below. Qualifying services include services as a director of the Company, as a director of any of its subsidiary undertakings or otherwise in connection with the management of the affairs of the Company or any of its subsidiary undertakings. The amounts are disclosed irrespective of which Group company actually makes the payment to the directors.

	2020	2019
	€000's	€000's
Directors' emoluments	1,980	2,699
Amounts receivable under long-term incentive schemes	10	17
Company contributions to money purchase pension plans	22	18
	<u>2,012</u>	<u>2,734</u>

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was €1,375,032 (2019: €2,114,000), and Company pension contributions of €nil (2019: €nil) were made to a money purchase scheme on their behalf. During the year, the highest paid directors did not exercise share options nor receive shares under a long term incentive scheme.

	Number of Directors	
	2020	2019
Money purchase schemes	2	2
The number of directors in respect of whose services shares were received or receivable under long-term incentive schemes was	1	1

4 Income from shares in Group undertaking

	2020	2019
	€000's	€000's
Dividend income from Group undertaking	-	106,157

Income from group undertaking relates to a dividend received from Alcentra Limited of €nil (2019: €106,157,000).

Alcentra Asset Management Limited

Notes to the financial statements for the year ended 31 December 2020

5 Interest receivable and similar income

	2020 €000's	2019 €000's
Net foreign exchange gain	5	-
Receivable from Group undertaking	-	215
Total interest receivable and similar income	<u>5</u>	<u>215</u>

6 Taxation

Recognised in the statement of profit and loss and other comprehensive income

	2020 €000's	2019 €000's
<i>UK corporation tax</i>		
Current tax on profit for the period	-	41
Adjustments in respect of prior periods	(115)	(26)
Total tax expense	<u>(115)</u>	<u>15</u>

Factors affecting total tax charge for the current period

	2020 €000's	2019 €000's
Total profit for the year	105	106,357
Total tax (credit)/expense	<u>(115)</u>	<u>15</u>
Profit excluding taxation	(10)	106,372
Tax using the UK corporation tax rate of 19.00% (2019: 19.00%)	(2)	20,211
Adjustments in respect of prior years	(115)	(26)
Tax rate changes	-	(1)
Non-deductible expenses	-	1
Tax exempt income	-	(20,170)
Effects of group relief/other reliefs	2	-
Total tax expense	<u>(115)</u>	<u>15</u>

The UK Corporate Tax rate for 2020 of 19% (2019 : 19%), as per Finance Act 2020, received Royal Assent on 22 July 2020. In the 3 March 2021 Budget it was announced that the UK tax rate will increase to 25% from 1 April 2023. This will have a consequential effect on the company's future tax charge when the rate change will be substantively enacted.

Alcentra Asset Management Limited

Notes to the financial statements for the year ended 31 December 2020

7 Fixed asset investments

	Subsidiaries €000's	Total €000's
Cost		
At 1 January 2020	29,833	29,833
At 31 December 2020	<u>29,833</u>	<u>29,833</u>
Net book value		
At 31 December 2019	<u>29,833</u>	<u>29,833</u>
At 31 December 2020	<u><u>29,833</u></u>	<u><u>29,833</u></u>

Subsidiaries

The Company had 7 subsidiaries in 2020 (2019: 7) and had majority voting power in all.

The Company has the following investments in subsidiaries:

Name of subsidiary	Registered office	Principal activity	Class of shares held	Ownership 2020	Ownership 2019
Alcentra Limited	160 Queen Victoria Street, London, EC4V 4LA.	Fund Management Services	Ordinary	98%	98%
Alcentra Flandre Limited	160 Queen Victoria Street, London, EC4V 4LA.	Corporate Directorship	Ordinary	100%	100%
Alcentra Jersey GP Limited	Lime Grove House Green Street, St Helier, Jersey, JE1 2ST	General Partner	Ordinary	100%	100%
Alcentra MF II GP Limited	Lime Grove House Green Street, St Helier, Jersey, JE1 2ST	General Partner	Ordinary	100%	100%
Alcentra Mezzanine Nominee Limited	160 Queen Victoria Street, London, England, EC4V 4LA	Nominee	Ordinary	100%	100%
Alcentra UK DLF GP Limited	Asticus Building 2nd Floor 21 Palmer Street, London, SW1H 0AD	General Partner	Ordinary	100%	100%
Alcentra European DLF GP Limited	IFC 5, St Helier, Jersey, JE1 1ST	General Partner	Ordinary	100%	100%

Alcentra Asset Management Limited

Notes to the financial statements for the year ended 31 December 2020

8 Debtors

	2020	2019
	€000's	€000's
Amounts due from Group undertakings	45	44

9 Cash at bank and in hand

	2020	2019
	€000's	€000's
Cash at bank and in hand	351	-

Cash at bank relate to funds deposited with a UK regulated banking entity within the Group.

10 Creditors: amounts falling due within one year

	2020	2019
	€000's	€000's
Amounts due to Group undertakings	362	2
Accruals and deferred income	-	6
Taxation	42	164
Other creditors	15	-
	419	172

11 Capital and reserves

Share capital

	2020	2019
	€000's	€000's
<i>Allotted, called up and fully paid</i>		
171,501 (2019:171,501) ordinary shares of £1 each	278	278

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

12 Transactions involving Directors, officers and others

At 31 December 2020 there were no loans and other transactions made to directors, officers or other related parties of the Company (2019: €nil).

Alcentra Asset Management Limited

Notes to the financial statements for the year ended 31 December 2020

13 Commitments

During 2020, the Company had a commitment to provide funds through loan note arrangements with 2 wholly owned subsidiaries i.e. Alcentra Jersey GP Limited and Alcentra MF II GP Limited which was undrawn as at 31 December 2020. The loans amounted to €116,500 (2019: nil) and €199,500 (2019: nil) with respect to Alcentra Jersey GP Limited and Alcentra MF II GP Limited respectively. The interest on the loan notes are at a fixed rate per annum of 1.32% with a maturity period of 2 years and an extension option of 1 year.

14 Ultimate parent company and parent company of larger group

The largest and smallest Group in which the results of the Company are consolidated is that headed by The Bank of New York Mellon Corporation, incorporated in the United States of America.

The ultimate parent company as at 31 December 2020 was The Bank of New York Mellon Corporation, incorporated in the United States of America. The consolidated accounts of the ultimate parent company may be obtained from its registered address:

The Secretary
The Bank of New York Mellon Corporation
240 Greenwich Street
New York, NY
10286
USA.