Alcentra Asset Management Limited

Strategic report, Directors' report and financial statements

Registered number 04380759

31 December 2018

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Alcentra Asset Management Limited

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Alcentra Asset Management Limited

Board of Directors and other information

Directors
G Brisk (appointed 26 March 2018)
D Fabian
D Forbes-Nixon
P Hatfield (resigned 12 July 2018)

Secretary
D Fabian
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"/"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:

	2018 €000's	2017 €000's	Change €000's	Change %
Profit before taxation	198	444	(246)	(55)%
Net assets	66,381	66,221	160	0%

No revenue was earned in the current year or prior year.

No administrative expenses were incurred during the year or prior year.

Profit before tax decreased €(246,000) (55%) during the year driven by a decrease in interest earned on balances held with affiliates.

Net assets increased by €160,000 (0%) during the year due to profits in 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.

Business and future developments

Alcentra Asset Management Limited is a holding company for the European entities within the Alcentra Group (the "Group"). During 2019, the Group will continue to develop and launch new products within its core strategies to clients.

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.

As part of the BNY Mellon Brexit Programme, the Company continues to monitor the UK's withdrawal from the European Union. The programme's analysis and planning has taken into account a range of potential economic scenarios and impact on the Company, aligned with supervisory guidance which has been communicated industry-wide.

Specific risks to the Company's business include the impact of potential changes to the legal framework in which the Company operates. By establishing a full Communications work stream as part of the wider BNY Mellon Brexit programme, a proactive approach has been taken to mitigate these risks wherever possible.

Alcentra Asset Management Limited

Strategic report

As Brexit negotiations progress, the BNY Mellon Brexit Programme continues to monitor new developments and any regulatory implications that may impact the Company.

Strategy Report

Approval

By order of the Board

D Fabian
Director

Alcentra Asset Management Limited
160 Queen Victoria Street
London
EC2V 7JD

11 June 2019

Registered number: 04380759

Alcentra Asset Management Limited

Directors' report

The directors present their report and financial statements for the year ended 31 December 2018.

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 in Europe.

Results and dividends

The profit for the year after taxation amounted to €160,000 (2017: €374,000).

Interim dividends paid during the year amounted to €nil (2017: €nil). The directors do not recommend a final dividend for the year ended 31 December 2018 (2017: €nil).

Political Donations

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

Risk management process

The lines of business are responsible for actively identifying the risks associated with their key business processes, business changes or external threats, identifying and assessing the quality of controls in place to mitigate risk and assigning accountability for the effectiveness of those controls. This is done through the Risk Control Self-Assessment Process ("RCSA"). The objective of this is to present or minimise:

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

The Company utilises 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. Alcentra's independent Risk Team works in partnership with the Company to ensure that there is adequate understanding and assessment of, and accountability for, all risks that relate to the Company. Alcentra's Risk team also oversees Company's Risk Framework which includes business line RCSA, error reporting and resolution, risk assessments and other risk management activities, subject to the Governance of Alcentra and Board level Risk Committees. Sources of operation risk are monitored, with a number of key operational controls tested through the annual Compliance Monitoring Plan.

The risk appetite for the 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 and regulatory requirements, within the guidance set by the group and in coordination with the relevant business expertise.

Risks of the Company are measured, reported and monitored monthly/quarterly as part of the risk management framework which has been adopted and which conforms to the overarching Group framework. The reporting measures risk and capital against their regulatory capital requirements as well as monitoring Pillar 2 risk assessments, the internal capital adequacy processes (ICAAP) and liquidity assessments.

Risk management process continued

Credit risk

Credit risk covers default risk from counterparties or clients for loans, commitments, securities, and other assets where realisation of the value of the asset is dependent on counterparties' ability to perform.

The Company's Risk Appetite limits the holding of cash to investment grade counter-parties only. Therefore cash deposits are held at BNY Mellon London Branch.

Market risk

Market risk is the risk of loss due to adverse changes in the financial markets. Market risk arises from foreign exchange exposure in respect of revenue, expenses, assets and liabilities.

The main source of market risk to the Company is through currency exposure on the amounts owed by group undertakings in non-functional pound currencies. These exposures are actively managed through a monthly spot sell-off process of non-euro currency balances by Group Treasury.

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events: including the potential for loss that arises from problems with operational processing, human error or omission breaches in internal controls, fraud, and unforeseen catastrophes.

As the Company is a holding company, operational risk is considered minimal.

Liquidity risk

Liquidity risk is the risk that a firm, although balance sheet solvent, cannot maintain or generate sufficient cash resources to meet its payment obligations in full as they fall due, or can only do so at materially disadvantageous terms.

The Company is subject to the Group Liquidity Policy. It is the responsibility of all BNY Mellon firms to maintain liquid resources that are adequate in both amounts and quality. The Company has adopted the Group policy. Liquidity risk is considered minimal given the Company's balance sheet.

Business risk

Business risk includes risk to a firm arising from changes in its business, including the risk that the firm may not be able to carry out its business plan and its desired strategy.

Business risk is managed through the relevant framework, and key risks are monitored and reported to the Risk Committee and Board.

Compliance risk

Compliance risk covers the risk relating to earnings or capital from violation, or non-conformance with laws, rules, regulations, prescribed practices or ethical standards which may, in turn, expose the firm and its executors to fines, payment of damages, the voiding of contracts and damaged reputation.

Alcentra Asset Management Limited

Directors' report

Pillar 3 risk disclosures

Basel II Pillar 3 disclosures about the Company (capital and risk management) can be found on the Alcentra website (https://www.alcentra.com/regulatory-information).

Directors

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

	Appointed	Resignation
G Brisk	26 March 2018	
D Fabian		
D Forbes-Nixon		
P Hatfield		12 July 2018

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 (2017: €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.

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

D Fabian
Director

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

11 June 2019

Registered number: 04380759

Alcentra Asset Management Limited

Statement of directors' responsibilities in respect of the Strategic report, the Directors' report and the financial statements

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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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

Opinion

We have audited the financial statements of Alcentra Asset Management Limited for the year ended 31 December 2018 which comprise the Statement of profit and loss and other comprehensive income, Balance sheet, Statement of changes 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 2018 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 Acts 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 Financial Reporting Council's ("FRC") Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the Company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for an entity and this is particularly the case in relation to Brexit.

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").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's business model, including the impact of Brexit, and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

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, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Company will continue in operation.

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

Other information

The directors are responsible for the other information, which comprises the Strategic report and the Directors' report. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the other information;
- in our opinion the information given in the Strategic report and the Directors' report for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Acts 2006.

Matters on which we are required to report by exception

Under the Companies Acts 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 , 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

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

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 Acts 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 (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
15 Canada Square
London, E14 5GL

11 June 2019.

Alcentra Asset Management Limited

Statement of profit and loss and other comprehensive income
for the year ended 31 December 2018

	Note	2018 €000's	2017 €000's
Interest receivable and similar income	4	198	444
Profit before taxation		198	444
Taxation	5	(38)	(70)
Total profit for the year		160	374

Notes 1 to 12 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 has not prepared a separate statement of other comprehensive income as all the income and losses are reflected in the statement of profit and loss above.

Alcentra Asset Management Limited

Balance Sheet
at 31 December 2018

	Note	2018 €000's	2017 €000's
Fixed assets			
Fixed asset investment	6	29,833	29,833
		29,833	29,833
Current assets			
Debtors	7	36,693	36,494
Cash at bank and in hand	8	1	-
		36,694	36,494
Creditors: amounts falling due within one year	9	(146)	(106)
Net current assets		36,548	36,388
Total assets less current liabilities		66,381	66,221
Net assets		66,381	66,221
Capital and reserves			
Called up share capital	10	278	278
Profit and loss account		66,103	65,943
Shareholders' equity		66,381	66,221

Notes 1 to 12 are integral to these financial statements.

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

D Fabian
Director

11 June 2019

Company registered number: 04380759

Alcentra Asset Management Limited

Statement of changes in equity
31 December 2018

	Called up share capital	Profit and loss account	Total equity
	€000's	€000's	€000's
Balance at 1 January 2017	278	65,569	65,847
Profit for the year	-	374	374
Balance at 31 December 2017	278	65,943	66,221

	Called up share capital	Profit and loss account	Total equity
	€000's	€000's	€000's
Balance at 1 January 2018	278	65,943	66,221
Profit for the year	-	160	160
Balance at 31 December 2018	278	66,103	66,381

Notes 1 to 12 are integral to these financial statements.

1 Accounting policies

1.1 Basis of preparation and statement of compliance with FRS 101

The Company is a private company 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 are *equivalent* to International Financial Reporting Standards ("Adopted IFRSs"). 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 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;
- 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 Accounting policies continued

1.2 Changes in accounting policies

The Company has initially applied IFRS 9 and IFRS 15 from 1 January 2018.

IFRS 9 ***Financial Instruments***

The requirements of IFRS 9 represent a significant change from IAS 39 *Financial Instruments: Recognition and Measurement*. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities.

The key changes to the Company's accounting policies resulting from its adoption of IFRS 9 are summarised below.

Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income ("FVOCI") and fair value through profit and loss ("FVTPL"). IFRS 9 classification is generally based on the business model in which a financial asset is managed and its contractual cash flows. The standard eliminates the existing IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale. IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities.

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an expected credit loss ("ECL") model. The new impairment model also applies to certain loan commitments and financial guarantee contracts, but not to equity investments.

The new impairment model applies to debt instruments and financial guarantee contracts issued that are not measured at FVTPL. ECLs on instruments classified as FVOCI are recognised in OCI rather than reducing the value of the instrument.

Under IFRS 9, credit losses are recognised earlier than under IAS 39.

Transition

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

- Comparative periods have not been restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9.
- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.
    - The determination of the business model within which a financial asset is held.
    - If a debt security had low credit risk at the date of initial application of IFRS 9, then the Company has assumed that credit risk on the asset had not increased significantly since its initial recognition.

1 Accounting policies continued

1.2 Changes in accounting policies continued

Effect of applying IFRS 9

Introduction of these changes had no material impact on the accounting for financial assets nor on retained earnings for the Company

IFRS 15 *Revenue from contracts with customers*

Introduction of these changes had no material impact on the accounting for revenue nor on retained earnings for the Company.

1.3 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.

1.4 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.

1.5 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 page 2-3. 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 objective and its exposures to credit and liquidity risk.

The Company has adequate liquidity and capital. 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.

Based on the above assessment of the Company's financial position, liquidity and capital, 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.

1.6 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 or balances with entities which form part of the Group.

1 Accounting policies continued

1.7 Foreign currency

The Company's functional currency is Euro. The Company's presentational currency is also 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 profit and loss account within interest payable or receivable.

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 profit and loss account within interest receivable or payable as appropriate.

1.8 Interest receivable

Interest receivable is recognised in the statement of profit and loss as it accrues, using the effective interest method.

1.9 Taxation

Income tax comprises current and deferred tax. Income 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 it 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 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 trade and other debtors and trade and other creditors.

Financial assets are measured at amortised cost if meeting both of the following conditions and are not designated as at FVTPL:

- 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 trade and other debtors.

1 Accounting policies continued

Financial assets are measured at FVOCI only if meeting 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 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.

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.

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.

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

1 Accounting policies continued

Policy applicable before 1 January 2018

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

Trade and other debtors

Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other creditors

Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

1.11 Impairment of financial assets (including trade and other debtors)

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an ECL model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39. The Company generally recognises loss allowances at an amount equal to 12-month 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.

The Company has determined that the application of IFRS 9's impairment requirements had no material impact on the allowance for impairment as at 1 January 2018.

Policy applicable before 1 January 2018

A financial asset not carried at FVTPL is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

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 notes in the financial statements.

2 Administrative expenses and auditor's remuneration

Auditor's remuneration:

	2018	2017
	€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	16	13

Amounts received by the Company's auditor and its associates in respect of the audit of these financial statements pursuant to legislation was €16,000 (2017: €13,000), which was borne by the Company's subsidiary undertaking.

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 BNY Mellon group company actually makes the payment to the directors.

	2018	2017*
	€000's	€000's
Directors' emoluments	3,130	5,513
Company contributions to money purchase pension plans	22	19
Benefits in kind	7	7
	3,159	5,539

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid directors was €2,274,000 (2017: €4,866,000), and Company pension contributions of €nil (2017: €nil) were made to a money purchase scheme on their behalf. During the year, the highest paid director did not exercise share options nor receive shares under a long term incentive scheme.

*The Company has restated certain prior year numbers relating to Directors' remuneration to disclose amounts paid in the year and amounts which became receivable under long-term incentive schemes. The charge to administrative expenses in the Statement of profit and loss and other comprehensive income has continued to be recognised on an accruals basis.

4 Other interest receivable and similar income

	2018	2017
	€000's	€000's
Receivable from group undertaking	198	444

Alcentra Asset Management Limited

Notes to the financial statements
for the year ended 31 December 2018

5 Taxation

Recognised in the profit and loss account and other comprehensive income

	2018	2017
	€000's	€000's
UK corporation tax		
Current tax on profits for the period	38	85
Adjustments in respect of prior periods	-	(15)
Total tax expense	38	70

Factors affecting total tax charge for the current period

The charge for the year can be reconciled to the income per the Statement of profit and loss and other comprehensive income as follows:	**2018**	**2017**
	€000's	€000's
Profit for the year	160	374
Total tax expense	38	70
Profit before taxation excluding taxation	198	444
Tax using the UK corporation tax rate of 19.00% (2017: 19.25%)	38	85
Adjustments in respect of prior years	-	(15)
Tax rate changes	1	-
Non-deductible expenses	(1)	-
Total tax expense	38	70

A reduction in the UK corporation tax rate from 20% to 19% (effective 1 April 2017) was substantively enacted on 26 October 2015 and a further 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the Company's future tax charge accordingly. The deferred tax asset/liability at 31 December 2018 has been calculated based on these rates.

6 Fixed asset investments

	Subsidiaries €000's
Cost	
At 1 January 2018	29,833
At 31 December 2018	29,833
Net book value	
At 31 December 2018	29,833
At 31 December 2017	29,833

Subsidiaries

The Company has 7 subsidiaries in 2018 (2017: 7). The Company has a majority of the voting in 7 subsidiaries.

The Company has the following investments in subsidiaries:

	Country of Incorporation	Principal activity	Class of shares held	Ownership 2018	2017
Alcentra Limited	UK	Fund Management Services	Ordinary	99%	99%
Alcentra Flandre Limited	UK	Corporate Directorship	Ordinary	100%	100%
Alcentra Jersey GP Limited	Jersey	General Partner	Ordinary	100%	100%
Alcentra MF II GP Limited	Jersey	General Partner	Ordinary	100%	100%
Alcentra Mezzanine Nominee Limited	UK	Nominee	Ordinary	100%	100%
Alcentra UK DLF GP Limited	UK	General Partner	Ordinary	100%	100%
Alcentra European DLF GP Limited	Jersey	General Partner	Ordinary	100%	100%

7 Debtors

	2018 €000's	2017 €000's
Amounts owed by group companies	36,693	36,494

8 Cash and cash equivalents

	2018 €000's	2017 €000's
Cash at bank and in hand	1	-

Cash at bank included €1,000 (2017: €nil) of funds on deposit with a UK regulated banking entity within the BNY Mellon group.

9 Creditors: amounts falling due within one year

	2018 €000's	2017 €000's
Taxation and social security	144	106
Other creditors	2	-
	146	106

10 Capital and reserves

Share capital

	2018 €000's	2017 €000's
Allotted, called up and fully paid		
Ordinary 171,501 £1 shares	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.

11 Transactions involving Directors, officers and others

At 31 December 2018 there were no loans or other transactions made to directors, officers or other related parties of the Company (2017: € -).

12 Ultimate parent company and parent company of larger group

The immediate parent undertaking of the Company is BNY Alcentra Group Holding Inc, a company registered in Delaware.

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 2018 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:

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