

# **Alcentra Asset Management Limited**

**Strategic report, Directors' report and financial statements**

**Registered number 04380759**

**31 December 2017**

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## **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 - 9
Statement of profit and loss	10
Balance Sheet	11
Statement of changes in equity	12
Notes to the financial statements	13 - 20

**Alcentra Asset Management Limited**

**Board of Directors and other information**

**Directors**

D Forbes-Nixon

D Fabian

P Hatfield

**Secretary**

D Fabian

**Auditor**

KPMG LLP

Chartered Accountants

15 Canada Square

London

E14 5GL

**Registered Office**

160 Queen Victoria Street

London

EC4V 4LA

**Registered Number**

04380759

## 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's ("the Company") business and future developments, a description of the principal risks and uncertainties facing the Company and key performance indicators.

### 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:

	2017 €000's	2016 €000's	Change €000's	Change %
Profit after tax	374	100	274	274%
Net assets	66,221	65,847	374	1%

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

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

Net profit after tax increased by €274,000 (274%) during the year, driven by an increase in interest earned on balances held with affiliated entities.

Net assets increased by €374,000 (1%) 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 2018, 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 within the Group by launching new funds and increasing assets under management within existing funds.

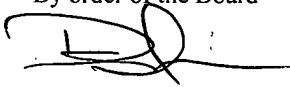
As at 1 January 2018 BNY Alcentra Group Holdings Inc, the Company's parent, assigned its shares in the Company to another of its direct subsidiaries Alcentra Investments Limited a company incorporated in Bermuda.

Alcentra Asset Management Limited

## Strategic report

### Approval

By order of the Board



D Fabian  
Director

Alcentra Asset Management Limited  
160 Queen Victoria Street  
London

1 May 2018

Registered number: 04380759

## Directors' report

The directors present their report and financial statements for the year ended 31 December 2017.

### 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 €374,000 (2016: €100,000).

The directors do not recommend a dividend for the year ended 31 December 2017 (2016: €nil).

### 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 BNY Mellon 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. Risk Management 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.

The risk appetite at Bank of New York Mellon Corporation group ("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. 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.

### *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

## Directors' report

### Risk management process continued

#### *Market risk continued*

in non-functional pound currencies. These exposures are actively managed through a monthly spot sell-off process of non-euro currency balances by BNY Mellon 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 BNY Mellon 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 BNY Mellon 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.

### 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
D Forbes-Nixon	-	-
D Fabian	-	-
P Hatfield	1 September 2017	-
G Brisk	28 March 2018	-

## Directors' report

### 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 (2016: £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.

### Post balance sheet events

As at 1 January 2018 BNY Alcentra Group Holdings Inc, the Company's parent, assigned its shares in the Company to another of its direct subsidiaries Alcentra Investments Limited a company incorporated in Bermuda.

### 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



Director

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

1 May 2018

Registered number: 04380759



## **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.

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 2017 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 2017 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 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.

### **Going concern**

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

### **Strategic report and directors' report**

The directors are responsible for the 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 the 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/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

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

*Chartered Accountants*

*15 Canada Square*  
*London, E14 5GL*

1 May 2018

Alcentra Asset Management Limited

**Statement of profit and loss**  
for the year ended 31 December 2017

	Note	2017 €000's	2016 €000's
Interest receivable and similar income	3	<u>444</u>	<u>111</u>
<b>Profit on ordinary activities before tax</b>		444	111
Taxation	4	<u>(70)</u>	<u>(11)</u>
<b>Profit for the financial year</b>		<u><u>374</u></u>	<u><u>100</u></u>

Notes 1 to 10 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.

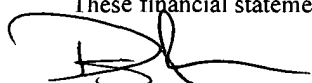
The Company has not prepared a separate statement of other comprehensive income as all the income and losses are reflected in the statement of profit and loss above.

**Balance Sheet**  
at 31 December 2017

	Note	2017 €000's	2016 €000's
<b>Fixed assets</b>			
Fixed asset investment	5	29,833	2,595
		<u>29,833</u>	<u>2,595</u>
<b>Current assets</b>			
Debtors	6	36,494	63,300
		<u>36,494</u>	<u>63,300</u>
Creditors: amounts falling due within one year	7	(106)	(48)
Net current assets		<u>36,388</u>	<u>63,252</u>
 Total assets less current liabilities		 <u>66,221</u>	 <u>65,847</u>
<b>Net assets</b>		<u>66,221</u>	<u>65,847</u>
 <b>Capital and reserves</b>			
Called up share capital	8	278	278
Profit and loss account		<u>65,943</u>	<u>65,569</u>
<b>Shareholders' equity</b>		<u>66,221</u>	<u>65,847</u>

Notes 1 to 10 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

1 May 2018

Company registered number: 04380759

**Statement of changes in equity**  
**31 December 2017**

	<b>Called up share capital €000's</b>	<b>Profit and loss account €000's</b>	<b>Total equity €000's</b>
Balance at 1 January 2016	278	65,469	65,747
Profit for the year	-	100	100
<b>Balance at 31 December 2016</b>	<b>278</b>	<b>65,569</b>	<b>65,847</b>

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

Notes 1 to 10 are integral to these financial statements.

## Notes to the financial statements for the year ended 31 December 2017

### 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.

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 Adopted IFRS. 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 Financial Reporting Standards as adopted by the EU ("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 and tangible fixed assets;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosure in respect of capital management; and
- Disclosures in respect of compensation of Key Management Personnel.

As the consolidated financial statements of The Bank of New York Mellon Corporation include equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 *Share-Based Payments* in respect of Group settled share-based payments.

The following standards are not yet effective, and are not expected to have a material impact on these financial statements:

#### • IFRS 9 Financial Instruments

##### Introduction

IFRS 9 Financial Instruments sets out requirements for recognising and measuring financial assets and liabilities, and introduces an alternative hedge accounting model to that contained in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 is effective for annual periods beginning on or after 1 January 2018 and replaces much of IAS 39.

##### Classification of financial assets

IFRS 9 contains a revised classification and measurement approach that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, measured at fair value through Other Comprehensive Income ("FVOCI") and

## Notes to the financial statements for the year ended 31 December 2017

### 1 Accounting policies continued

#### 1.1 Basis of preparation and statement of compliance with FRS 101 continued

measured at fair value through profit or loss ("FVTPL"). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

For investments in equity instruments that are held for trading, an irrevocable election is available on initial recognition on an instrument-by-instrument basis to recognise all changes in fair value in OCI.

Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not bifurcated; instead, the hybrid financial instrument as a whole is assessed for classification.

Based on its assessment, the Company believes that the new classification requirements will not affect its accounting for financial assets.

#### Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model contained in IAS 39 with a forward-looking 'expected credit loss' ("ECL") model. This will require judgment about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to debt instruments and financial guarantee contracts issued that are not measured at FVTPL. ECLs on instruments classified at FVOCI will be recognised in OCI rather than reducing the value of the instrument. No impairment loss will be recognised on equity instruments.

Under IFRS 9, the Company generally will recognise loss allowances at an amount equal to 12-month ECL (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. The Company expects the impact of the impairment requirements of IFRS 9 to be immaterial.

#### Transition

Changes in accounting arising from the adoption of IFRS 9 generally will be applied retrospectively; however, the Company plans to take advantage of the exception allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amount of financial instruments resulting from the adoption of IFRS 9 generally will be recognised in retained earnings and reserves as at 1 January 2018;

#### • IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. IFRS 15 is effective for annual periods beginning on or after 1 January 2018.

The Company has completed its evaluation of the potential impact of this guidance on its accounting policies, and based on that evaluation, the timing of all of its revenue recognition will remain the same and expects no impact from the new standards. The Company plans to adopt the guidance as of 1 January 2018 using the cumulative effect transition method. The Company is currently developing the disclosures required about revenue and contract costs and finalising changes to internal control; and

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



## **Notes to the financial statements for the year ended 31 December 2017**

### **1 Accounting policies continued**

#### **1.1 Basis of preparation and statement of compliance with FRS 101 continued** these financial statements.

#### **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.

#### **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 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.

#### **1.5 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 or balances with entities which form part of the Group.

#### **1.6 Interest receivable**

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

#### **1.7 Taxation**

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

## **Notes to the financial statements for the year ended 31 December 2017**

### **1 Accounting policies continued**

#### **1.7 Taxation continued**

Current tax is the expected tax payable or receivable on the taxable income 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 goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. 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.

#### **1.8 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.

#### **1.9 Classification of financial instruments issued by the Company**

Financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and
- (b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where a financial instrument that contains both equity and financial liability components exists these components are separated and accounted for individually under the above policy.

## Notes to the financial statements for the year ended 31 December 2017

### 1 Accounting policies continued

#### 1.10 Fixed Asset Investments

Investments in subsidiaries are carried at cost less impairment.

#### 1.11 Offsetting

Financial assets and liabilities are offset and the net amount presented in the balance sheet when, and only when, the Company has a legal right to set off the recognised amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under FRS 101, or for gains and losses arising from a group of similar transactions such as in the Company's trading activity.

### 2 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.

	2017 €000's	2016 €000's
Directors' emoluments	6,522	3,924
Company contributions to money purchase pension plans	34	17
Benefits in kind	8	7
	<u>6,564</u>	<u>3,948</u>

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid directors was €4,866,431 (2016: €3,275,000), and Company pension contributions of €33,587 (2016: €17,211) 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.

### 3 Other interest receivable and similar income

	2017 €000's	2016 €000's
Net foreign exchange gain	1	-
Receivable from group undertaking	443	111
Total interest receivable and similar income	<u>444</u>	<u>111</u>

**Notes to the financial statements**  
for the year ended 31 December 2017

**4 Taxation**

*Recognised in the profit and loss account*

	2017 €000's	2016 €000's
<i>UK corporation tax</i>		
Current tax on income for the period	85	22
Adjustments in respect of prior periods	(15)	(11)
	<u>70</u>	<u>11</u>
 Tax on profit on ordinary activities	 70	 11

*Reconciliation of effective tax rate*

	2017 €000's	2016 €000's
Profit for the year	374	100
Total tax expense	<u>70</u>	<u>11</u>
 Profit excluding taxation	 444	 111
 Tax using the UK corporation tax rate of 19.25% (2016: 20.00%)	 85	 22
Adjustments in respect of prior years	(15)	(11)
Total tax expense	<u>70</u>	<u>11</u>

*Factors that may affect current and total tax charge*

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

**Notes to the financial statements**  
for the year ended 31 December 2017

**5 Fixed asset investments**

	<b>Subsidiaries</b> <b>€000's</b>
<b>Cost</b>	
At 1 January 2017 /	2,595
Additions	27,238
At 31 December 2017	<u>29,833</u>
<b>Net book value</b>	
At 31 December 2017	<u>29,833</u>
At 31 December 2016	<u>2,595</u>

On 29 June 2017, the Company's receivable from its subsidiary, Alcentra Limited, was settled by the issue of additional ordinary shares by Alcentra Limited.

**Subsidiaries**

The Company has 7 subsidiaries in 2017 (2016: 7). The Company has a majority of the voting in 7 subsidiaries.

The Company has the following investments in subsidiaries:

	<b>Country of Incorporation</b>	<b>Principal activity</b>	<b>Class of shares held</b>	<b>Ownership</b>	
				<b>2017</b>	<b>2016</b>
Alcentra Limited	UK	Fund Management Services	Ordinary	99%	100%
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%

**6 Debtors**

	<b>2017</b> <b>€000's</b>	<b>2016</b> <b>€000's</b>
Amounts owed by group companies	<u>36,494</u>	<u>63,300</u>

**Notes to the financial statements  
for the year ended 31 December 2017**

**7 Creditors: amounts falling due within one year**

	2017	2016
	€000's	€000's
Taxation and social security	<u>106</u>	<u>48</u>

**8 Capital and reserves**

*Share capital*

	2017	2016
	€000's	€000's
<b>Allotted, called up and fully paid</b>		
Ordinary 171,501 £1 shares	<u>278</u>	<u>278</u>

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.

**9 Subsequent event**

As at 1 January 2018 BNY Alcentra Group Holdings Inc, the Company's parent, assigned its shares in the Company to another of its direct subsidiaries Alcentra Investments Limited a company incorporated in Bermuda.

**10 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 2017 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  
225 Liberty Street,  
New York, NY  
10286  
USA.