Alcentra European Floating Rate Income Fund Limited

Interim Report and Unaudited Condensed Financial Statements
for the period ended 30 September 2019

Index

Financial Highlights and Performance Summary

Financial Highlights

The Net Asset Value ("NAV") total return since inception achieved by the Alcentra European Floating Rate Income Fund Limited (the "Company") was 42.30%, an annualised return of 5.52%. The NAV total return details the change in NAV from the start of the relevant period and assumes that dividends paid to shareholders are reinvested at NAV.

The Company repurchased and cancelled 10,266,098 Ordinary Shares during the period for a total cost of €11,444,481 (£10,119,819) (Year ended 31 March 2019: 28,195,844 Ordinary Shares were repurchased and cancelled for a total cost of €31,609,204 (£27,844,835)).

	At 30 September 2019 (Unaudited)	At 31 March 2019 (Audited)
Performance Summary (In millions, except per share data and the number of Ordinary Shares in issue)		
Number of Ordinary Shares in issue	119,871,529	130,137,627
Market capitalisation[1]		
– *Ordinary Shares (in Sterling)*	£118.2	£126.2
– *Ordinary Shares (in Euro)*	€133.2	€146.2
NAV attributable to Sterling shareholders		
– *Ordinary Shares*	€139.5	€156.1
NAV per share attributable to Sterling shareholders		
– *Ordinary Shares (in Sterling)*	£1.0325	£1.0361
– *Ordinary Shares (in Euro)*	€1.1638	€1.1997
Published NAV per share attributable to Sterling shareholders[2]		
– *Ordinary Shares (in Sterling)*	£1.0363	£1.0405
– *Ordinary Shares (in Euro)*	€1.1681	€1.2048
Ordinary Share price (bid price)[1]		
In Sterling	£0.9860	£0.9701
In Euro	€1.1114	€1.1232
Ordinary Share price discount to NAV		
In Sterling	£0.0465	£0.0660
In Euro	€0.0524	€0.0765
Ordinary Share price discount to NAV%		
As at the end of the period/year end	4.50%	6.37%

[1] Source: London Stock Exchange.
[2] Published NAV per Ordinary Share as at 30 September 2019 (29 March 2019). Based on mid price (bid pricing used in financial statements).

Financial Highlights and Performance Summary (continued)

	At 30 September 2019 (Unaudited)	At 31 March 2019 (Audited)
Performance Summary (continued) (In millions)		
Investment in Alcentra European Floating Rate Income S.A. at fair value	€136.7	€156.9
Cash and cash equivalents	€0.3	€1.1
Dividend yield – Ordinary Shares	4.55%	4.60%

Dividend History

Please refer to note 9 for details on dividends paid during the period and note 15 for the dividend paid subsequently to the period end.

Chairman's Statement

Dear Shareholder,

I'm pleased to present the Interim Report of the Company for the period ended 30 September 2019.

The Company's NAV has been stable over the period with the NAV per share decreasing from 103.61p as at 31 March 2019 to 103.25p as at 30 September 2019. The daily NAV published via the Regulatory News Service (the "RNS") moved from 104.05p to 103.63p.

In relation to the period the Company maintained its dividend policy and paid dividends of 2.25p per Ordinary Share. Additionally, subsequent to the period end, the Company declared and paid a dividend of 1.17p per Ordinary Share. As at 30 September 2019, total dividends paid since inception was 36.20p per Ordinary Share, giving an overall total return since inception of 42.30%, equating to an annualised return of 5.52%.

Against volatile markets this is a pleasing performance and as highlighted in the Investment Manager's Report it is also a performance record with much lower volatility than high yield or equity markets.

The Board in conjunction with its broker actively monitors the share price, and over recent years the Company has maintained an active buyback programme with the aim of limiting the discount to NAV to at or below 5%. During the current period, 10,266,098 Ordinary Shares were repurchased and cancelled, bringing the issued share capital of the Company to 119,871,529 Ordinary Shares. Shareholders raised concerns about the continuation of this policy so the Board proposed the introduction of a quarterly tender mechanism to provide current shareholders with liquidity but also to increase the Company's appeal to new investors. The Board proposals were passed at the Annual General Meeting (the "AGM") on 26 September 2019. The first tender offer is for the quarter ending 31 December 2019 with requests closing on 15 November 2019, I can report that the Company has received Tender Requests for 16,510,128 Ordinary Shares in respect of the December 2019 Tender. These Tender Requests represent 13.8% of the Company's Ordinary Shares in issue, less than the maximum 20% of the Company's Ordinary Shares in issue available to be tendered in the quarter. This result shows that shareholders remain supportive of the approach and strategy followed by the Company's Investment Manager, Alcentra.

The Company invests predominantly in senior secured loans and senior secured bonds issued by European corporates and has additional capacity to invest in mezzanine loans and other debt securities. The highly diversified portfolio of well managed credits has yielded stable dividends over five years. The Company targets long term returns (net of fees and expenses) in excess of 5% per annum, with the income component distributed through quarterly dividends. The spread compression experienced throughout global credit markets in 2016 and 2017 has halted and spreads have improved over the past two years. At the same time, market default rates remain very low despite the muted economic growth in the Eurozone. The Board is monitoring the situation and maintains confidence in the asset class owing to its floating rate nature and it having the ability to gain from future interest rate rises.

The Board continues to closely monitor the markets in the current environment, including the consequences of the Brexit vote, within the risk management framework that has been established by the Risk Committee. Whilst the impact of Brexit remains unknown, loan markets have historically been far less volatile than bond or equity markets. Moreover, your Board remains confident in the Company's portfolio comprised of well-selected, robust credits and with Alcentra Limited (the "Investment Manager") continues to seek opportunities in our markets to add further value.

The Investment Manager believes that the stable performance over the recent months demonstrates that the loan market continues to provide attractive risk adjusted returns. Other asset classes have seen heightened levels

Chairman's Statement (continued)

of financial market volatility over the past few quarters, whilst European loan returns have been much more consistent, with the default remaining at the historic low of 0.0%. A strong pipeline of M&A activity in Quarters 2 and 3 of 2019 provided plenty of loan issuance, which alongside robust demand for the asset class resulted in new issue margins slightly increasing. Your Board continues to be satisfied with the portfolio's performance to date, the diversity of the portfolio and the strategy that is being applied by the Investment Manager. The Investment Manager will continue to update you on the Company's progress by way of the monthly performance updates.

On behalf of the Board, I would like to close by thanking shareholders for your continued commitment and I look forward to updating you on the Company's progress later on this year.

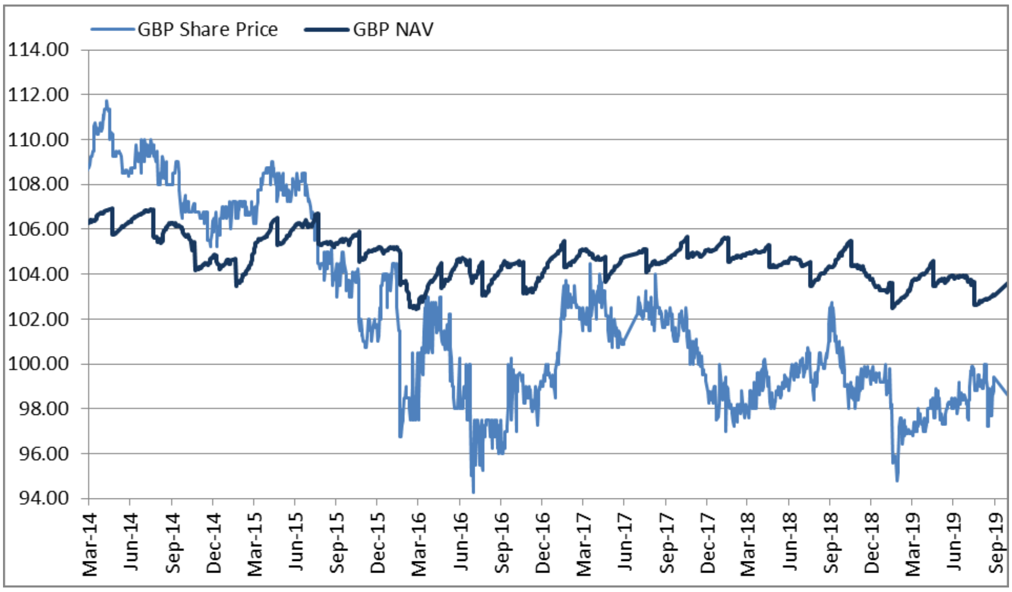
Ian Fitzgerald
Chairman
29 November 2019

Investment Manager's Report

Summary

- The Sterling NAV return for the period of 6 months to 30 September 2019 was 1.76% NET.
  - After seeing some volatility in Q4 2018 due to broader financial market conditions, and a subsequent rebound in Q1 2019, market conditions in the 6 month period ending September 2019 were broadly stable. This was due to lower new loan issuance while demand remained robust.
  - Issuance in the period was down -19.6% (to €38.4 billion) from prior year due to a thinner pipeline, while demand remained strong, particularly from ramping CLOs (CLO issuance at €15.3 million was +4.4%). This meant that the market was broadly stable during the period and prices were generally flat.
- The dividend has grown from 4.28p for the 12 months ended September 2018 to 4.53p for the 12 months ended September 2019. This was predominantly driven by the GBP base rate increase in August 2018. The weighted average spread of the assets in the fund has been broadly stable over the period.
- The share price has increased from 97.01p to 98.60p over the period, with the discount to the Bloomberg published NAV as of 30 September 2019 standing at -4.85%. We believe the share price will be partly linked to investors' views on the prospects for UK interest rate rises. At present, UK interest rates of 0.75% do not make a significant contribution to floating rate returns, or indeed have a significant negative impact on fixed rate returns in other credit portfolios. With the continued uncertainty around Brexit, the probability for a near term rate high remains low. Economists do however believe that there is scope for rate rises post a Brexit solution, due to strong underlying fundamentals. The most immediate boost to the share price of the Company is likely to come from the development of this rate rise scenario.
- European Leverage Loan Defaults hit an all-time low in January 2019 of 0.0% and have remained at the level through September 2019.

AEFS Daily NAV and Discount/Premium[1]



[1] AEFS is the Bloomberg ticker for the Fund.
Alcentra Floating Rate Income Fund Ltd – daily prices and NAVs per share.
Source: Bloomberg Company share price and NAV per share as at 30 September 2019.
Past performance is not a guide to future performance.

Investment Manager's Report (continued)

Note on Foreign Exchange Hedging in period

The Company maintains its account in EUR and with the outstanding Ordinary Shares in issue solely denominated in GBP, the Company activity hedges foreign exchange risk by utilising foreign exchange forward contracts.

Note on Liquidity

Approximately 88% of the holdings in the portfolio can be converted into cash on 30 days notice.

Portfolio and Performance

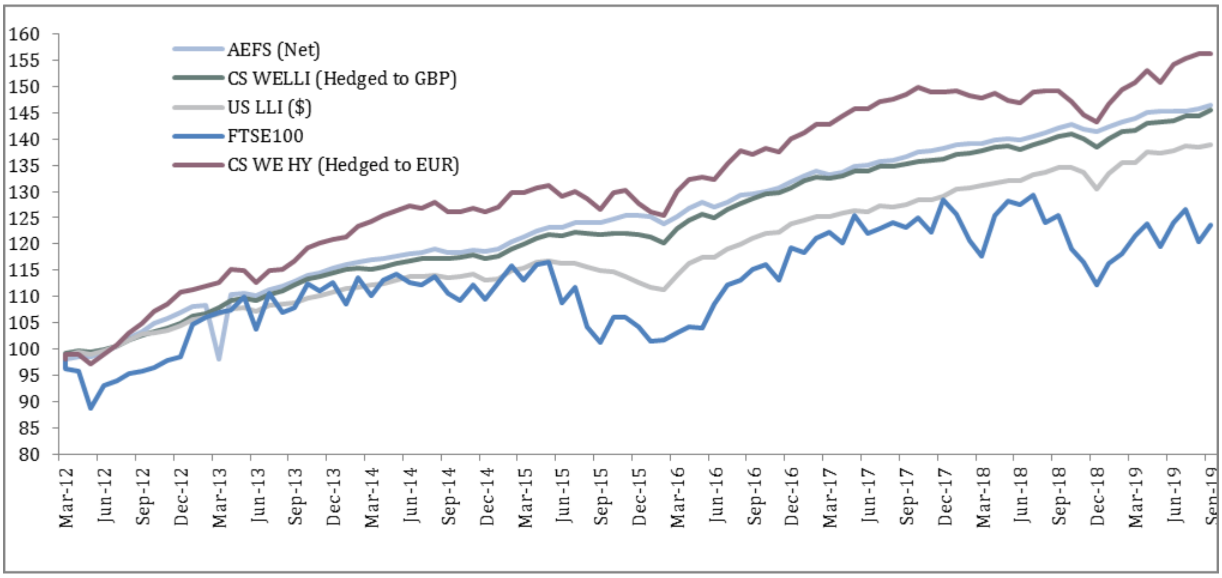
- As at 30 September 2019, the portfolio was invested in line with the Company's investment policy and was diversified by obligor and industry with 93 issuers/borrowers across 26 different industry sectors and no individual borrower representing an exposure of more than 5% of the portfolio.

- Against a volatile financial markets backdrop over the past few years, the Company's performance has been strong and with lower volatility than High Yield and equity markets.

  The Company remains relatively conservatively positioned, with low exposure to USD assets (4.4% of the Company) and fixed rate bonds (6.2%). USD and fixed rate assets were particularly weak in Q4 2018, when broader financial market volatility led to higher investor outflows in these asset classes. In comparison, European Loans the core focus of the Company held up relatively well.

- YTD September 2019 performance is marginally behind the index. The loan index (CS WELLI) now contains c.30% USD denominated loans from European issuers. These USD assets saw a recovery in prices in Q1 2019, after they were weaker in Q4 2018 on the back of technical USD market weakness. Due to high cost of hedging these USD assets back to the portfolio currency, they are not attractive for the Company to hold and we are underweight. As such we saw outperformance for the Company in Q4 2018 and some weaker relative performance in Q1 2019. Q2 2019 performance was broadly in line with the index. Q3 2019 performance was impacted by 1 or 2 positions that saw some weakness in the period. This was not driven by macroeconomic concerns or issues in any one sector, but more company-specific idiosyncratic issues.

Total return of AEFS versus the indices



CS WELLI – Credit Suisse Western European Leveraged Loan Index.
US LLI – Credit Suisse US Leveraged Loan Index.
FTSE100 – share index of the 100 companies listed on the London Stock Exchange with the highest market capitalisation.

Investment Manager's Report (continued)

Key Portfolio Statistics and Positioning as at 30 September 2019

- The Company remains relatively conservatively positioned but with an attractive current floating rate margin of 4.61% and yield to maturity of 6.00%.
    - o The Company's current exposure to junior debt at 4.55% remains low as we do not currently believe that the risk adjusted return for junior debt is attractive.
    - o Similarly, exposure to fixed rate assets remains low at 6.23% for the same reason.
    - o The Company maintains a low exposure to USD debt at 4.36% as the cost of hedging these assets means the returns for a Euro NAV fund are not attractive, while volatility for USD Loans is higher than for EUR loans.
- From a sector point of view we are focussed on investing in more defensive sectors, with the largest sector exposure being Business Equipment and Services, Healthcare and Drugs. We remain underweight on sectors such as Retail, which is experiencing structural changes away from the high street as well as more cyclical and capex intensive sectors such as Autos and Shipping.
- While headline UK at 22% appears high, a large portion of the issuers classified as UK are actually more global or pan-European in nature, please refer to the geographical region table on page 8 for a more detailed breakdown of the geographical diversity of the portfolio. As such, the Company's direct exposure to the UK economy is lower, with limited exposure to businesses at risk from Export tariffs.

Key Statistics

Number of Issuers	93
Number of Assets	108
Number of Industries	26
Weighted Average Mid Price of the Portfolio	96.48
Portfolio Current Yield	5.15%
Yield to Maturity (Legal)	6.00%
Percentage of Portfolio in Floating Rate Assets	90.32%
Weighted Average Floating Rate Plus Margin	4.61%
Weighted Average Coupon	5.75%
Weighted Average Maturity (Years)	5.08

5 Largest Holdings

Issuer	% of NAV	Currency	Country
Busy Bees	2.40	GBP	UK
Oberthur Technologies	2.14	EUR	FR
Stiga	2.11	EUR	ITA
Infinitas	2.07	EUR	NL
HRA	2.07	EUR	FR

5 Largest Industry Positions

Issuer	% of NAV
Business Equipment and Services	13.49
Health Care	11.97
Financial Intermediaries	10.22
Drugs	6.81
Retailers (other than food/drug)	6.05

Investment Manager's Report (continued)

Asset Breakdown	% of NAV
Senior secured loans	82.30
Senior secured FRNs	3.48
Junior Debt	4.54
Senior secured bonds	6.23
Cash	3.45

Currency Breakdown	% of NAV
Euro	69.48
Pound Sterling	21.72
US Dollar	4.36
Swiss Franc	0.99
Cash	3.45

Geographical Region	% of NAV
France	20.50
UK	16.49
Germany	15.01
Netherlands	9.44
Luxembourg	7.11
Spain	6.49
USA	4.46
Ireland	3.11
Sweden	2.51
Other	11.43
Cash	3.45

Senior Secured Loans – An Investment Opportunity

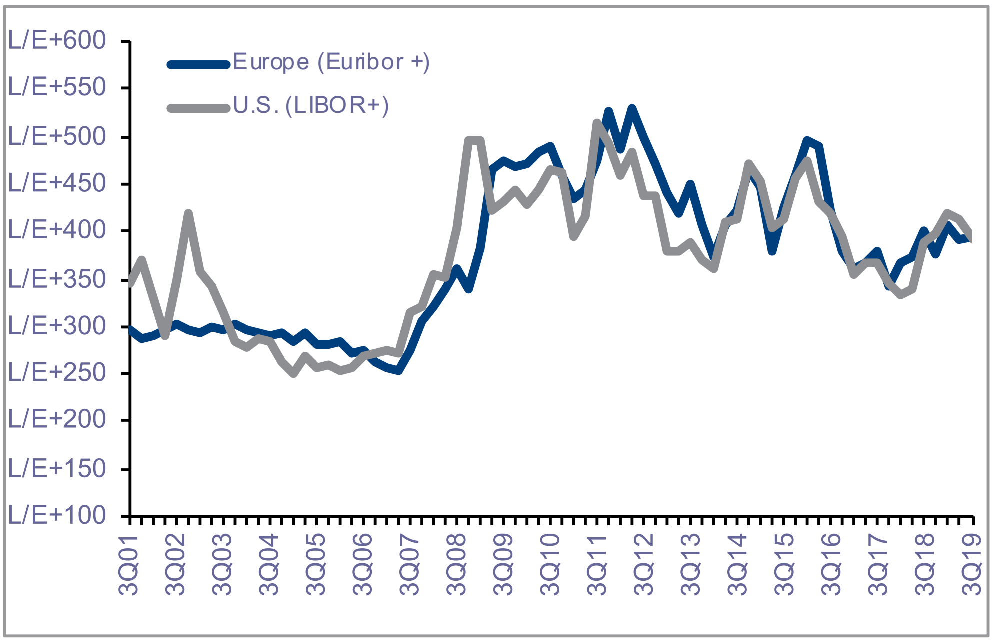
Key attractions of loans

- In Q3 2019 the average new issue spread was E+3.96%, with an average interest rate floor of 9bps[2].
- Senior secured, so lower risk of loss in the event of default than unsecured asset classes.
- Defaults have stayed low, with the S&P's default rate at 0.00% in September 2019[3].
- Low secondary market price volatility compared to other asset classes.
- Floating rate income benefiting from an interest rate rise.

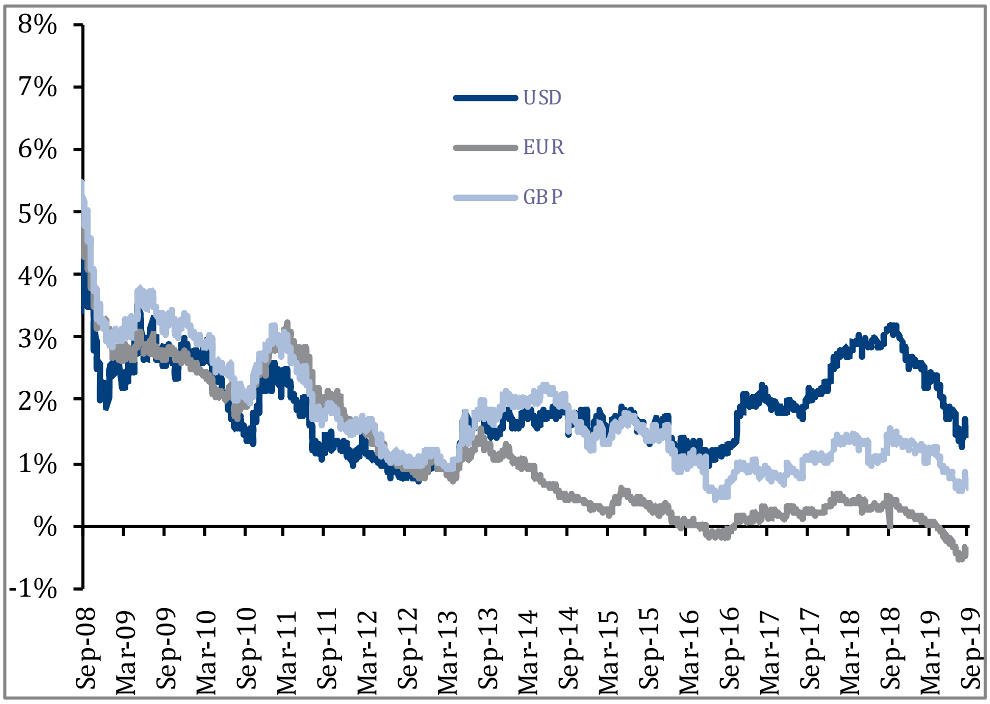
[2] Standard & Poor's LCD Global Leveraged Lending Review Q3 2019.
[3] Standard & Poor's LCD European Leveraged Lending Review September 2019.

Investment Manager's Report (continued)

New issue spreads[4]



Interest Rates: European and US 5-year Swap rates[5]



[4] Standard & Poor's LCD Global Leveraged Lending Review Q3 2019.
[5] Bloomberg, US Dollar, EURO and GBP 5-Year Swap Rates, 30 September 2019.

Investment Manager's Report (continued)

European Loan Market Commentary
Robust Fundamentals

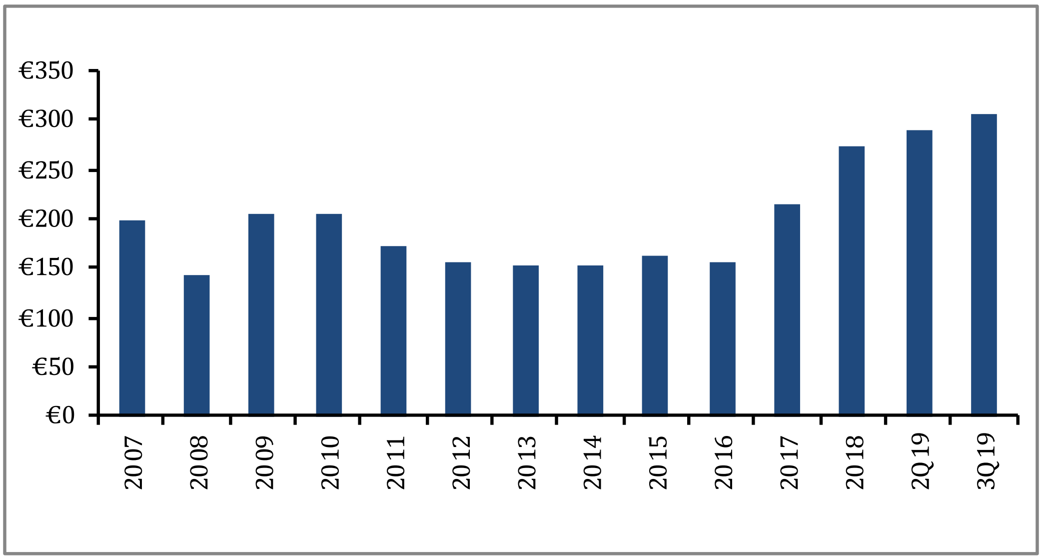
- Despite a continued low growth environment in Europe, defaults have stayed low, with the S&P's default rate at 0.00% in September 2019, versus 0.11% in September 2018. The Company has had no impairments from defaults since inception.
- The US has seen a strong GDP recovery since the financial crisis and there is much current debate about US being late cycle.
- Core European economies have seen a shallower recovery and growth differs by country.

Supportive Technicals

After strong net issuance growth in 2018, YTD September 2019 European loan issuance volumes were down 30% after the broader financial market volatility seen in Q4 2018 led to a lighter pipeline for issuance going into the start of the year. The pace of issuance has picked up since May 2019 however, with Q3 2019 issuance only -9.5% on the prior year[6].

New issue spreads averaged 407bps in the third quarter. Demand has remained solid with CLO issuance +6% in YTD September 2019, supported by the recent tightening in CLO liability costs from their early 2019 wides[7].

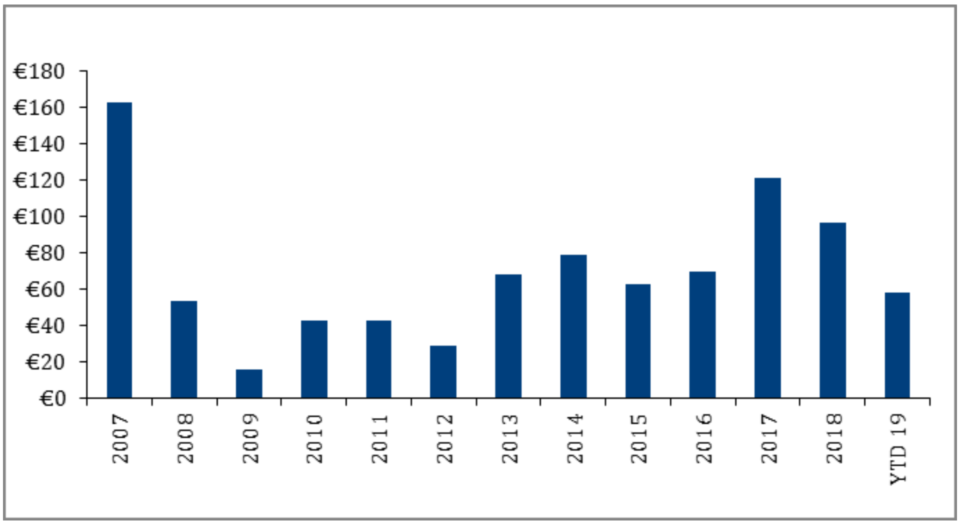
European Loan Market Size (billion)[8]



[6] Standard & Poor's Global Interactive Report September 2019.
[7] Standard & Poor's European Monthly Report September 2019.
[8] Credit Suisse Western European Leveraged Loan Index September 2019.

Investment Manager's Report (continued)

Institutional new-issue loan volume[9]



Outlook for 2019

- Credit markets performed strongly in the first nine months of 2019 as prices rebounded from the Q4 2018 weakness. The more volatile credit markets performed particularly well after trading lower in Q4 2018, with US loans up 6.39%[10] and Euro High Yield, which also benefited from a change in rate expectations, up 9.22%[11]. The Credit Suisse Western European Leveraged Loan Index ("CS WELLI") (hedged to EUR) returned 3.81%[12] for the same period.
- We continue to expect solid issuance for the full year at €70 billion to €80 billion, albeit lower than the €96 billion level seen in 2018 due to the quieter start to the year. Issuance is expected to remain robust given private equity sponsors still have excess capital to put to work, however we do not expect as many jumbo deals as were seen in 2018[13].
- On the demand side we expect appetite for European loans to remain solid. We expect the CLO market, a large part of the European investor base, to see continued robust issuance, aided by the recent tightening of the cost of leverage (particularly AAA spreads).
- We continue to expect low default rates and we would anticipate 1.5%-2.0%[14] over the medium term. There remains some scope for volatility with Brexit, trade negotiations, global growth concerns, QE and political developments all likely to feature in the headlines.
- However, we would still expect the core European Loan market to continue to be relatively well insulated in comparison to other asset classes. New CLOs, unlevered loan funds and to a lesser extent banks, will all continue to drive demand and the underlying, senior secured borrowers are more resilient to the macro factors mentioned above.

Alcentra Limited

29 November 2019

[9] Standard & Poor's Global Interactive Report September 2019.
[10] Credit Suisse Leveraged Loan Index.
[11] EU High Yield (HP00).
[12] Credit Suisse Western European Leveraged Loan Index, 30 September 2019.
[13] Standard & Poor's Global Interactive Report September 2019.
[14] Standard & Poor's Global Interactive Report September 2019.

Corporate summary

Principal Activities and Business Review

The principal activity of the Company is to carry out business as an investment company. The Directors do not envisage any changes in this activity for the foreseeable future.

The following review is designed to provide information primarily about the Company's business, the principal risks and uncertainties it faces, and results for the period. The review should be read in conjunction with the Chairman's Statement and with the Investment Manager's Report which give a detailed review of the investment activities for the period and an outlook on the future.

Structure

The Company is a non-cellular company limited by shares and was incorporated in Guernsey on 3 November 2011 under the Companies (Guernsey) Law, 2008, as amended (the "Companies Law"). The Company has registration number 54200 and has been authorised by the Guernsey Financial Services Commission as an authorised closed-ended collective investment scheme.

The Initial Public Offering of the Company took place on 29 February 2012 and the Company commenced business on 6 March 2012, when its Ordinary Shares were admitted to the premium segment of the UK Listing Authority's Official List and to trading on the Main Market of the London Stock Exchange. For details on the Company's share capital refer to note 8.

The Company's Ordinary Shares are denominated in Sterling.

Investment Manager

The investment manager during the period was Alcentra Limited (the "Investment Manager"), a company incorporated in England and Wales on 4 March 2003, with registration number 2958399. The Investment Manager is regulated by the UK's Financial Conduct Authority and the US Securities and Exchange Commission.

Investment Objective

The investment objective of the Company is to provide its shareholders with quarterly dividends and the opportunity for capital growth by utilising the skills of the Investment Manager in selecting suitable investments.

The Company, together with its wholly-owned Subsidiary, Alcentra European Floating Rate Income S.A., as advised by the Investment Manager, invests either directly or, through sub-participation, indirectly in floating rate, secured loans or high-yield bonds issued by European and US corporate entities predominantly rated below investment grade or deemed by the Investment Manager to be of a corresponding credit quality.

The Company aims to satisfy the guideline in its investment policy that at least 80% of its investments are to be in debt obligations of corporate entities with significant operations, or which are domiciled, in Western Europe (including the United Kingdom). Investments are expected to be denominated in, but not limited to, Euro, Sterling or US Dollars. The Investment Manager seeks to identify investment opportunities that combine an attractive current return with a strong probability of ultimate return of capital.

Corporate summary (continued)

Changes to the Board

Jonathan Bridel retired from the Board on 30 June 2019 and Trudi Clark assumed the Chair of the Audit Committee on the same date.

Discount Control Mechanism

Article 49 relating to the redemption offer was deleted from the Articles of Association of the Company after a special resolution was approved by shareholders at the AGM on 26 September 2019. From 1 April 2019 to 26 September 2019, under Article 49, if, as at 31 March, 30 June, 30 September or 31 December in any calendar year, the Shares of any class in issue had, on average over the last twelve calendar months preceding such date (a ''Discount Calculation Period"), traded at a discount in excess of 5% of the average NAV per share of that class[1], the Directors were required to, subject to any legal or regulatory requirements, implement a redemption offer (''Redemption Offer") pursuant to which each shareholder of the relevant class was permitted to redeem up to 50% of their shares in that class. No more than one Redemption Offer could be made in respect of any class of Ordinary Share in a twelve month period. The last quarter end that the Redemption Offer was applicable was for the quarter ending 30 June 2019.

Quarterly Tender Offer

The ordinary resolution proposing the quarterly tender offer was approved by shareholders at the AGM on 26 September 2019. The first tender offer will be for the quarter ending 31 December 2019.

The details of the quarterly tender offer are as follows:

- On a quarterly basis (the last day of March, June, September, and December each year), ordinary shareholders will have the option to redeem up to 20% of their holding of ordinary shares (the "Basic Entitlement") as at the relevant record date (a "Quarterly Tender Offer").
- Quarterly Tender Offers will be made at a 1.5% discount to the NAV calculated on the final business day in each relevant quarter, or such other date as the Board in its absolute discretion may determine (the "Calculation Date"), such that ongoing shareholders are not disadvantaged by shareholders electing to redeem.
- No later than 30 business days prior to each quarter end, shareholders will be able to submit their redemption requests. The Company's NAV and therefore the Quarterly Tender Offer price will be struck on the last business day of each quarter. The Company will aim to settle each quarterly redemption 30 business days following a quarter end, however this may be delayed due to any abnormal market conditions arising at the relevant time impacting the underlying portfolio.
- Shareholders may request to redeem Ordinary Shares in excess of their Basic Entitlement and such requests will be satisfied on a pro rata basis to the extent that other shareholders do not request to redeem any or all of their Basic Entitlement.
- In each year, no more than 50% of the Ordinary Shares in issue (excluding Ordinary Shares held in treasury) may be redeemed.
- Ordinary Shares purchased will be held by the Company in treasury and will be available for reissue.

[1] Calculated by reference to the middle market quotations of the shares of that class on the Daily Official List of the London Stock Exchange on each trading day in the relevant Discount Calculation Period and the most recently published NAV per share of the relevant class for each such trading day.

Corporate summary (continued)

Quarterly Tender Offer (continued)

The Quarterly Tender Offer is subject to annual shareholder approval, at the 2020 AGM it is anticipated that a resolution will be proposed by the Board to continue tender offers for the forthcoming year. The Quarterly Tender Offer must comply with the Guernsey Law solvency requirements and also the realisation condition. The Directors in their absolute discretion can terminate the Quarterly Tender Offers at any time.

Share Buybacks

On 26 September 2019, the Directors were granted authority to repurchase 18,295,003 Shares for cancellation or to be held as treasury shares. This authority will expire at the next AGM which will be held on 22 September 2020.

Pursuant to this authority, and subject to the Companies Law and the discretion of the Directors, the Company may purchase Ordinary Shares in the market on an ongoing basis with a view to addressing any imbalance between the supply of and demand for Ordinary Shares, thereby increasing the NAV per Ordinary Share and assisting in controlling the discount to NAV per Ordinary Share in relation to the price at which the Ordinary Shares may be trading.

Please refer to note 8 for details of Ordinary Share buy backs during the period ended 30 September 2019.

Life of the Company

The Company does not have a fixed life. As required by the Company's Articles of Incorporation, the Directors are required to convene an annual continuation vote. A continuation resolution was passed at the AGM on 26 September 2019. The next continuation resolution will be considered at the AGM on 22 September 2020.

Directors' Biographies

Ian Fitzgerald (Non-Executive Chairman and Chairman of the Risk Committee)

Ian is currently a Director and Chief Executive Officer of Loans Specialist Advisory Services Limited, a company established to provide specialist loan product business services. Ian held senior management positions within Lloyds Bank Capital Markets from 1997 to 2011. From 2004 he was Managing Director and Head of Loan Markets, responsible for the bank's primary and secondary loan market businesses globally, including all corporate, acquisition, leveraged, project, infrastructure and property-related loan finance.

Ian joined Lloyds from Hill Samuel as Head of Loan Syndication and Distribution, upon Lloyds' merger with Hill Samuel TSB Bank plc in 1997. Prior to joining Hill Samuel in 1992, Ian held senior lending and syndicate roles at Chemical Bank, Manufacturers Hanover Limited, Bankers Trust International Limited, and other financial institutions. Ian commenced his banking career with Barclays Bank International in 1975. Ian was formerly a non-executive Director of the Loan Market Association and chairman from 2009 to 2011.

Anne Ewing (Non-Executive Senior Independent Director, Chairman of the Remuneration and Nomination Committee)

Anne graduated with a Masters of Science Degree in Corporate Governance & Administration/Grad ICSA and holds an ACCA Certified Diploma in Accounting & Finance. Anne is a Chartered Fellow of the Chartered Institute of Securities & Investment, a Fellow of the Institute of Chartered Secretaries and Administrators and a past Guernsey Chairman, a Retired Member of the Association of Corporate Treasurers, a member of the Institute of Directors and is a past Guernsey Branch Chairman. Anne is a personal member of the Guernsey Investment Fund Association.

Anne has over 35 years of financial services experience in banking, asset and fund management, corporate treasury, life insurance and the fiduciary sector. Anne has held senior roles in Citibank, Rothschilds, Old Mutual International and KPMG Channel Islands Limited and latterly has been instrumental in the start-ups of a Guernsey fund manager and two fiduciary licensees. Anne has a number of Non-Executive Directorships in private equity structures, and in a banking group in London and the Channel Islands. Anne is currently an Independent Non-Executive Director of Alcentra Structured Credit Opportunities Fund III GP Limited and of Merian Chrysalis Investment Company Limited.

Trudi Clark (Non-Executive Director, Chairman of Audit Committee, Chairman of the Management Engagement Committee)

Trudi Clark graduated with a first class honours degree in business studies and is a qualified Chartered Accountant. She spent 10 years in Chartered Accountancy practices in the UK and Guernsey. In 1991 she joined the Bank of Bermuda to head their European Internal Audit function before moving into private banking in 1993.

Between 1995 and 2005 she was with Schroders (C.I.) Limited, an offshore private bank and investment manager. She was appointed Banking Director in 2000 and Managing Director in 2003. In 2006 she left Schroders to establish and run a private family office. Between 2009 and 2017 Trudi established the Guernsey practice of David Rubin & Partners Limited, an internationally known insolvency and liquidation specialist. Since 2017 Trudi is concentrating on a portfolio of non-executive directorships. Trudi is currently an Independent Non-Executive Director of BMO Commercial Property Trust, NB Private Equity Partners Limited, River and Mercantile UK Micro Cap Investment Company Limited and The Schiehallion Fund Limited.

Directors' Responsibilities Statement

The principal risks and uncertainties of the Company remain unchanged from what was disclosed in the Audited Financial Statements for the year ended 31 March 2019 with the exception of amendments to the Company's discount management policy whereby from 26 September 2019 a Quarterly Tender Offer was introduced. This is more fully explained under the heading Quarterly Tender Offer in the Corporate Summary on pages 13 to 14 in note 2 to the Unaudited Condensed Financial Statements. The Board's view is that these risks remain appropriate up to 31 March 2020.

We confirm that to the best of our knowledge:

- the Unaudited Condensed Financial Statements have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union;
- the Chairman's Statement, the Investment Manager's Report and the notes to the Unaudited Condensed Financial Statements together meet the requirements of an interim management report, and include a fair view of the information required by:
  - (1) Rule 4.2.7R of the Disclosure Guidance and Transparency Rules of the UK's Financial Conduct Authority ("DTR"), being an indication of important events that have occurred during the first six months of the financial year and their impact on the set of Unaudited Condensed Financial Statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
  - (2) DTR 4.2.8R, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the Company during that period; and any changes in the related party transactions described in the last Annual Report that could do so.

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

Signed on behalf of the Board of Directors on 29 November 2019:

Anne Ewing	**Trudi Clark**
Director	Director

Independent Review Report to Alcentra European Floating Rate Income Fund Limited

Conclusion

We have been engaged by Alcentra European Floating Rate Income Fund Limited (the "Company") to review the unaudited condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2019 (the "Financial Statements") of the Company which comprises of the Unaudited Condensed Statement of Comprehensive Income, the Unaudited Condensed Statement of Financial Position, the Unaudited Condensed Statement of Changes in Shareholders' Equity, the Unaudited Condensed Statement of Cash Flows and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the unaudited condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2019 is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU and the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA").

Emphasis of matter – disclosures related to going concern

We draw attention to Note 2 to the Financial Statements, which describes how the Board has formed a judgment that it is appropriate to adopt the going concern basis of preparation for the Company's financial statements.

In line with the Company's Articles of Association, the Company is required to hold an annual Continuation Resolution, with the next planned Continuation Resolution to be tabled at the Annual General Meeting on 22 September 2020. In addition, the Quarterly Tender Offer requires the Company, subject to any legal or regulatory requirements, to offer shareholders the option to tender up to 20% of their holding of Ordinary Shares on a calendar quarter basis subject to an annual limit of 50% of the issued share capital. Our conclusion on the financial statements is not modified in respect of these matters.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the unaudited condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

As disclosed in Note 3, the annual financial statements of the Company are prepared in accordance with International Financial Reporting Standards as adopted by the EU. The directors are responsible for preparing the unaudited condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 as adopted by the EU.

Our responsibility

Our responsibility is to express to the Company a conclusion on the unaudited condensed set of financial statements in the half-yearly financial report based on our review.

Independent Review Report to Alcentra European Floating Rate Income Fund Limited (continued)

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

This report is made solely to the Company in accordance with the terms of our engagement letter to assist the Company in meeting the requirements of the DTR of the UK FCA. Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this 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 for our review work, for this report, or for the conclusions we have reached.

David Alexander
For and on behalf of
KPMG Channel Islands Limited
Chartered Accountants,
Guernsey

29 November 2019

Unaudited Condensed Statement of Comprehensive Income

For the six months ended 30 September 2019

	Notes	Six months ended 30 September 2019 (Unaudited) €	Six months ended 30 September 2018 (Unaudited) €
Other income		31,390	39,724
Total income		**31,390**	**39,724**
Realised foreign exchange loss on derivatives		(5,933,061)	(1,098,782)
Unrealised foreign exchange gain/(loss) on derivatives		3,531,220	(456,230)
Foreign exchange loss		(633,030)	(538,127)
Net gain on investment at fair value through profit or loss	6	1,916,750	4,063,443
Net realised and unrealised (loss)/gain		**(1,118,121)**	**1,970,304**
Investment management fees	14	(512,264)	(653,332)
Directors' fees and expenses	14	(86,749)	(80,327)
Administration and professional fees		(235,178)	(223,256)
Total operating expenses		**(834,191)**	**(956,915)**
(Loss)/profit and total comprehensive (loss)/income for the period		**(1,920,922)**	**1,053,113**
Basic and diluted (loss)/gain per Ordinary Share (in Euro)	4	(1.5346)c	0.6718c
Basic and diluted (loss)/gain per Ordinary Share (in Sterling)	4	(1.3614)p	0.5982p

All results are derived from continuing operations.

The accompanying notes form an integral part of these unaudited condensed financial statements.

Unaudited Condensed Statement of Financial Position

As at 30 September 2019

	Notes	30 September 2019 (Unaudited) €	31 March 2019 (Audited) €
Non-current assets			
Investment at fair value through profit or loss	6	136,678,904	156,925,154
Current assets			
Cash and cash equivalents		346,440	1,132,421
Other receivables and prepayments		91,104	93,619
Derivative assets	6	2,895,282	–
Dividend receivable		31,390	–
Total current assets		**3,364,216**	**1,226,040**
Total assets		**140,043,120**	**158,151,194**
Current liabilities			
Other payables and accrued expenses	7	(533,898)	(1,388,073)
Derivative liabilities	6	–	(635,938)
Total current liabilities		**(533,898)**	**(2,024,011)**
Net assets		**139,509,222**	**156,127,183**
Capital and reserves			
Share capital	8	153,609,553	165,054,034
Retained earnings		(14,100,331)	(8,926,851)
Equity shareholders' funds		**139,509,222**	**156,127,183**
Number of Ordinary Shares	8	119,871,529	130,137,627
NAV per Ordinary Share (in Euro)	5	116.3823c	119.9708c
NAV per Ordinary Share (in Sterling)	5	103.2474p	103.6104p

These unaudited condensed financial statements were approved and authorised for issue by the Board of Directors on 29 November 2019, and signed on its behalf by:

Anne Ewing
Director

Trudi Clark
Director

The accompanying notes form an integral part of these unaudited condensed financial statements.

Unaudited Condensed Statement of Changes in Shareholders' Equity

For the six months ended 30 September 2019 (Unaudited)

	Notes	Share capital €	Retained earnings €	Total €
Opening equity shareholders' funds at 1 April 2019		**165,054,034**	**(8,926,851)**	**156,127,183**
Total comprehensive loss for the period		–	(1,920,922)	(1,920,922)
Transactions with owners, recorded directly to equity				
Dividends	9	–	(3,252,558)	(3,252,558)
Ordinary Shares repurchased and cancelled	8	(11,444,481)	–	(11,444,481)
Closing equity shareholders' funds at 30 September 2019		**153,609,553**	**(14,100,331)**	**139,509,222**

For the six months ended 30 September 2018 (Unaudited)

	Note	Share capital €	Retained earnings €	Total €
Opening equity shareholders' funds at 1 April 2018		**196,663,238**	**(8,166,570)**	**188,496,668**
Total comprehensive income for the period		–	1,053,113	1,053,113
Transactions with owners, recorded directly to equity				
Dividends	9	–	(3,909,497)	(3,909,497)
Ordinary Shares repurchased and cancelled		(7,373,974)	–	(7,373,974)
Closing equity shareholders' funds at 30 September 2018		**189,289,264**	**(11,022,954)**	**178,266,310**

The accompanying notes form an integral part of these unaudited condensed financial statements.

Unaudited Condensed Statement of Cash Flows

For the six months ended 30 September 2019

	Six months ended 30 September 2019 (Unaudited) €	Six months ended 30 September 2018 (Unaudited) €
Cash flow from operating activities		
(Loss)/profit for the period	(1,920,922)	1,053,113
Adjustments for:		
Net gain on investment at fair value through profit or loss	(1,916,750)	(4,063,443)
Unrealised foreign exchange (gain)/loss on derivatives	(3,531,220)	456,230
(Increase)/decrease in other receivables and prepayments	(28,875)	43,814
Decrease in other payables and accrued expenses	(854,175)	(356,626)
Proceeds from sale of investment at fair value through profit or loss	22,163,000	14,500,000
Net cash from operating activities	**13,911,058**	**11,633,088**
Cash flow from financing activities		
Ordinary Shares repurchased	(11,444,481)	(7,373,974)
Dividends paid	(3,252,558)	(3,909,497)
Net cash used in financing activities	**(14,697,039)**	**(11,283,471)**
Net (decrease)/increase in cash and cash equivalents	**(785,981)**	**349,617**
Cash and cash equivalents at start of the period	1,132,421	74,563
Cash and cash equivalents at end of the period	**346,440**	**424,180**

The accompanying notes form an integral part of these unaudited condensed financial statements.

Notes to the Unaudited Condensed Financial Statements

For the six months ended 30 September 2019

1. General Information

The Company is a non-cellular company limited by shares and was registered in Guernsey under the Companies (Guernsey) Law, 2008 (as amended) (the "Companies Law") on 3 November 2011 with registered number 54200 as a closed-ended investment company. The Company's Ordinary Shares are listed on the FCA's Official List and on the main market of the London Stock Exchange.

The registered office and principal place of business of the Company is BNP Paribas House, St Julian's Avenue, St Peter Port, Guernsey, GY1 1WA.

The Company controls its subsidiary, Alcentra European Floating Rate Income S.A. (the "Subsidiary"), through a holding of 100% (31 March 2019: 100%) of the Subsidiary's shares. The Subsidiary is domiciled in Luxembourg and has no subsidiaries. No financial or other support was provided without a contractual obligation to do so during the reporting period. As at 30 September 2019, there were no significant restrictions on the ability of the Subsidiary to transfer funds to the Company in the form of redemption of the shares held by the Company.

The Company's investment objective is to provide its shareholders with regular quarterly dividends and the opportunity for capital growth by utilising the skills of the Investment Manager in selecting suitable investments. To pursue its investment objective, the Company uses net issue proceeds to invest into Profit Participating Bonds issued by the Subsidiary. The Subsidiary then uses these proceeds to invest in floating rate, secured loans or high-yield bonds issued by European or US corporate entities predominantly rated below investment grade or deemed by the Investment Manager to be of corresponding credit quality.

The Company expects at least 80% of the Subsidiary's investments to be debt obligations of corporate entities domiciled or with significant operations in Western Europe (including the UK). Investments are expected to be denominated in Euros, Sterling or US Dollars.

Alcentra Limited has been appointed by the Company as the investment manager (the "Investment Manager") and the administration of the Company is delegated to BNP Paribas Securities Services S.C.A., Guernsey Branch (the "Administrator").

2. Going Concern

Going concern refers to the assumption that the Company has the resources to continue in operation for the foreseeable future being twelve months from the date of approval of the financial statements. The Directors believe that it is appropriate to adopt the going concern basis in preparing these audited financial statements based on the following assessment:

1. Working capital – As at 30 September 2019, the working capital surplus in the Company was approximately €2.83 million. The Company has the ability to sell bonds in the Subsidiary and/or request repayment of accrued interest. The Subsidiary has a working capital surplus of approximately €2.11 million. The Directors noted that as at 30 September 2019, the Company had no borrowings. As such it has sufficient capital in hand to cover all expenses (which mainly consist of Investment Manager's fees, administration fees and professional fees) and to meet all of its obligations as they fall due.

2. In accordance with the Articles of Incorporation, a continuation resolution was passed at the AGM on 26 September 2019. The next continuation resolution will be considered at the AGM on 22 September 2020. If the continuation resolution is not passed, the Directors shall put proposals to the shareholders for the reconstruction or reorganisation of the Company. The Board have a reasonable expectation that the continuation resolution will be passed.

Notes to the Unaudited Condensed Financial Statements (continued)

2. Going Concern (continued)

3. On 26 September 2019, Article 49 was deleted from the Company's Articles of Association by Special Resolution. Prior to this date Article 49 made the Company subject to a Redemption Offer request of up to 50% of the share capital if the average 12 month discount test was not met. If triggered such a redemption request may have impacted the Company's ability to continue as a going concern. This is no longer relevant and has been replaced with the quarterly tender offer described below.

4. Quarterly Tender Offer – the ordinary resolution proposing the Quarterly Tender Offer was approved by shareholders at the AGM on 26 September 2019. The first Quarterly Tender Offer will be for the quarter ending 31 December 2019. Shareholders will have the option to tender up to 20% of their holding of Ordinary Shares as at the relevant record date for repurchase by the Company at a 1.5% discount to the NAV calculated on the final business day of each quarter ending March, June, September and December. The Quarterly Tender Offer is subject to shareholder approval at the annual AGM. There is a maximum annual limit of 50% of the issued share capital of the Company under the Quarterly Tender Offer. During the period 2 September to 15 November 2019, shareholders opted to redeem 16,510,128 Ordinary Shares through the Quarterly Tender Offer which represent 13.8% of the Company's Ordinary Shares in issue. As at 30 September 2019 the Company has a positive balance sheet of €139,509,222 with no gearing and 88% of the Company's loan portfolio can be liquidated within one week to satisfy the realisation of the Tender Offer by February 2020.

Having received the result of the Tender Offer, it is the Board opinion that the Company is a going concern. Please refer to pages 13 to 14 for further details on the quarterly redemption mechanism.

Taking into consideration the uncertainties detailed above, the Company's ability to meet its liabilities as they fall due and reasonably manage those uncertainties as they arise, and after making enquiries of the Company's Investment Manager and Corporate Brokers, the Directors who are also in regular contact with a range of investors, are satisfied that it is appropriate to continue to prepare the financial statements on a going concern basis.

3. Principal Accounting Policies

a) Basis of Preparation

The Unaudited Condensed Financial Statements for the period ended 30 September 2019 have been prepared in accordance with IAS 34 – Interim Financial Reporting, as adopted by the European Union.

The Unaudited Condensed Financial Statements do not include all the information and disclosures required in the Annual Audited Financial Statements and therefore should be read in conjunction with the 31 March 2019 Audited Financial Statements, which were prepared in accordance with International Financial Reporting Standards, as adopted by the European Union ("IFRS").

The Directors have determined that the Company continues to meet the investment entity criteria. Therefore, in accordance with the investment entity exemption within IFRS 10 – Consolidated Financial Statements ("IFRS 10"), the Company has prepared individual financial statements and measures its investment in the Subsidiary at fair value.

b) Significant Accounting Policies

The accounting policies, critical accounting judgements and key sources of estimation uncertainty adopted in the preparation of the Unaudited Condensed Financial Statements are consistent with those followed in the preparation of the Audited Financial Statements for the year ended 31 March 2019.

Notes to the Unaudited Condensed Financial Statements (continued)

4. Basic and Diluted (Loss)/Earnings per Ordinary Share

	30 September 2019 (Unaudited)		30 September 2018 (Unaudited)	
	In Euro	In Sterling	In Euro	In Sterling
Total comprehensive (loss)/income for the period	€(1,920,922)	£(1,704,127)	€1,053,113	£937,797
Weighted average number of Ordinary Shares in issue during the period	125,173,389	125,173,389	156,761,559	156,761,559
Basic and diluted (loss)/income per Ordinary Share	(1.5346)c	(1.3614)p	0.6718c	0.5982p

5. NAV per Ordinary Share

	30 September 2019 (Unaudited)		31 March 2019 (Audited)	
	In Euro	In Sterling	In Euro	In Sterling
NAV	€139,509,222	£123,764,211	€156,127,183	£134,836,119
Number of Ordinary Shares in issue at period/year end	119,871,529	119,871,529	130,137,627	130,137,627
NAV per Ordinary Share	116.3823c	103.2474p	119.9708c	103.6104p

6. Financial Assets at Fair Value through Profit or Loss

The Company's investment at fair value through profit or loss is the Profit Participating Bonds it holds in the Subsidiary. The fair value of the Profit Participating Bonds is based on the NAV of the Subsidiary, which has been prepared in accordance with IFRS.

Fair values of the Company's forward foreign exchange contracts are determined with reference to the forward exchange rates applicable as at valuation date.

Fair Value Hierarchy

The Company categorises its financial assets according to the following fair value hierarchy which reflects the significance of the inputs used in determining their fair values:

Level 1: Inputs that reflect unadjusted price quotes in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date;

Level 2: Inputs that reflect price quotes of similar assets and liabilities in active markets, and price quotes of identical assets and liabilities in markets that are considered to be less than active as well as inputs other than price quotes that are observable for the asset or liability either directly or indirectly; and

Level 3: Inputs that are unobservable for the asset or liability and reflect the Investment Manager's own assumptions.

Notes to the Unaudited Condensed Financial Statements (continued)

6. Financial Assets at Fair Value through Profit or Loss (continued)

Fair Value Hierarchy (continued)

The following table details the Company's fair value hierarchy.

30 September 2019 (Unaudited)	Level 1 €	Level 2 €	Level 3 €	Total €
Financial assets				
Designated at fair value through profit or loss				
Investment at fair value through profit or loss[1]	–	–	136,678,904	136,678,904
Held for trading				
Derivative assets	–	2,895,282	–	2,895,282

31 March 2019 (Audited)	Level 1 €	Level 2 €	Level 3 €	Total €
Financial assets				
Designated at fair value through profit or loss				
Investment at fair value through profit or loss[1]	–	–	156,925,154	156,925,154
Held for trading				
Derivative liabilities	–	(635,938)	–	(635,938)

Reconciliation of the Company's Financial Assets Categorised within Level 3

The following table shows a reconciliation of all movements in the fair value of financial assets categorised within Level 3 during the reporting period/year.

	30 September 2019 (Unaudited) €	31 March 2019 (Audited) €
Opening balance	156,925,154	186,463,716
Purchases	–	–
Sales	(22,163,000)	(35,970,000)
Net gain on investment at fair value through profit or loss	1,916,750	6,431,438
Dividend	–	–
Capitalised interest	6,449,578	5,992,594
Interest received in specie[2]	(6,449,578)	(5,992,594)
Closing balance	**136,678,904**	**156,925,154**

During the period ended 30 September 2019 and year ended 31 March 2019, there were no reclassifications between levels of the fair value hierarchy.

[1] Page 28 details the Level of the investments held by the Subsidiary.
[2] As at 30 September 2019, accumulated interest of €6,449,578 (31 March 2019: €5,992,594) was due to the Company by the Subsidiary.

Notes to the Unaudited Condensed Financial Statements (continued)

6. Financial Assets at Fair Value through Profit or Loss (continued)

Company's Investment in the Subsidiary

The NAV of the Subsidiary predominantly comprises the fair values of the investment portfolio of the Subsidiary consisting of Level 1, Level 2 and Level 3 investments and other financial assets and liabilities at carrying value, which together form the NAV of the Subsidiary.

The investments in the Subsidiary's portfolio are valued as follows:

Fair values of debt instruments are initially based on price quotes, where available. Price quotes are sourced from the Company's approved pricing providers. The approved pricing providers source price quotes from brokers/market makers and determine an average bid price (mid-price in the published NAV) based on the quotes obtained, after adjusting for outliers.

Where price quotes are unavailable, the Investment Pricing Committee of the Investment Manager determines fair value using valuation techniques. Valuation techniques used include comparison to similar instruments for which market observable prices exist. Assumptions and inputs used in the valuation technique include interest rates and credit spreads used in estimating discount rates. The Investment Pricing Committee has applied judgment and estimation and used significant unobservable inputs in selecting the appropriate valuation technique used, consideration of identical or similar instruments, and selection of appropriate discount rates.

As at 30 September 2019 and 31 March 2019, the fair value measurement of the Profit Participating Bonds is categorised into Level 3 within the fair value hierarchy. This classification reflects the Company's ability to redeem its investment in the Subsidiary on the reported date at the NAV and whether adjustments to the NAV are required to reflect the inherent uncertainty in the timing and range of possible outcomes of any realisation between the NAV and the ultimate recoverable amount. The fair value level of the investment in the Subsidiary reflects management's consideration that this investment is not readily tradable. Management has considered that there are no reasonably possible alternatives in determining the fair value of the Subsidiary.

The fair value of the Subsidiary is predominantly influenced by the fair value determination of the underlying debt investments held by the Subsidiary. The Company recognises any transfers between levels of the fair value hierarchy as at the end of the reporting period during which the change occurred. No adjustment was made to the NAV of the subsidiary in determining the fair value of the Profit Participating Bonds as at 30 September 2019 and 31 March 2019.

The following table provides a reconciliation of the Company's investment in the Subsidiary measured at fair value:

	30 September 2019 (Unaudited) €	31 March 2019 (Audited) €
Subsidiary's investments at fair value through profit and loss	134,680,983	145,364,539
Subsidiary's net current assets	1,997,921	11,560,615
Closing balance	**136,678,904**	**156,925,154**

Notes to the Unaudited Condensed Financial Statements (continued)

6. Financial Assets at Fair Value through Profit or Loss (continued)

Company's Investment in the Subsidiary (continued)

As at 30 September 2019, the net gain on the Company's investment in the Subsidiary included in the Unaudited Condensed Statement of Comprehensive Income amounted to €1,916,750 (30 September 2018: €4,063,443). The breakdown of the gain is detailed in the table below:

	30 September 2019 (Unaudited) €	30 September 2018 (Unaudited) €
Investment income	3,546,715	4,262,967
Realised gain/(loss) on investments at fair value through profit or loss	256,634	(1,992,263)
Unrealised (loss)/gain on investments at fair value through profit or loss	(1,739,653)	1,878,421
Dividend paid to the Company	(31,390)	(39,724)
Expenses	(115,556)	(45,958)
Total	**1,916,750**	**4,063,443**

Subsidiary Financial Assets and Liabilities Designated at Fair Value through Profit or Loss

The following table details the investment holding of the Subsidiary, categorising these assets by level, according to the fair value hierarchy. The disclosures have been included to provide an insight to shareholders of the asset class mix held by the Subsidiary.

30 September 2019 (Unaudited)	Level 1 €	Level 2 €	Level 3 €	Total €
Financial assets				
Interest bearing securities				
Corporate bonds and debt instruments	–	116,358,960	18,322,023[3]	134,680,983
Total	**–**	**116,358,960**	**18,322,023**	**134,680,983**

31 March 2019 (Audited)	Level 1 €	Level 2 €	Level 3 €	Total €
Financial assets				
Interest bearing securities				
Corporate bonds and debt instruments	–	130,263,154	15,101,385[4]	145,364,539
Total	**–**	**130,263,154**	**15,101,385**	**145,364,539**

[3] €1,834,358 of the Level 3 investments are priced by the Alcentra Pricing Committee, €16,487,665 the Level 3 investments have one broker quote.
[4] €2,816,512 of the Level 3 investments are priced by the Alcentra Pricing Committee, €12,284,873 of the Level 3 investments have one broker quote.

Notes to the Unaudited Condensed Financial Statements (continued)

7. Other Payables and Accrued Expenses

	30 September 2019 (Unaudited) €	31 March 2019 (Audited) €
Investment management fees	422,254	282,520
Administration and company secretarial fees	25,719	24,582
Audit fees	48,370	63,420
Other expenses	–	6,571
Share buybacks	–	974,559
Loan administration fees	8,110	9,119
Printing fees	11,541	8,177
Director fees and expenses	12,445	17,185
Registrar fees	5,459	1,940
Total	**533,898**	**1,388,073**

The Company has financial risk management policies in place to ensure that all payables are paid within the credit time frame. The Directors considers that the carrying amount of all payables approximates to their fair value.

8. Share Capital

The authorised share capital of the Company is represented by an unlimited number of Ordinary Shares with or without a par value, which upon issue, the Directors may designate as: (a) Ordinary Shares; (b) B Shares; (c) C Shares, in each case of such classes and denominated in such currencies as the Directors may determine. Since inception of the Company, no B or C shares have been issued.

Since inception of the Company, only Sterling Ordinary Shares have been issued, but the Company has the authority to issue Euro Ordinary Shares.

The Company had issued and fully paid up share capital as follows:

	30 September 2019 (Unaudited)	31 March 2019 (Audited)
Ordinary Shares of no par value		
Issued and fully paid	119,871,529	130,137,627

Rights attached to Ordinary Shares

The Company's share capital may be denominated in Sterling and Euro. At any general meeting of the Company each Euro share carries one vote and each Sterling share carries 1.2 votes. The shares also carry rights to receive all income and capital available for distribution by the Company.

Notes to the Unaudited Condensed Financial Statements (continued)

8. Share Capital (continued)

Share Buybacks

At the AGM held on 26 September 2019 the Directors were granted authority to repurchase 18,295,003 Ordinary Shares for cancellation or to be held as treasury shares. This authority will expire at the next AGM which will be held on 22 September 2020. No shares have been bought back between 26 September 2019 and 30 September 2019.

To assist in controlling the discount in the Ordinary Share price to NAV per Ordinary Share, during the period ended 30 September 2019, the Company used the authorities detailed above to repurchase and cancel 10,266,098 Ordinary Shares in the market at a total cost of €11,444,481 (£10,119,819).

Significant Share Movements

	30 September 2019 (Unaudited)		31 March 2019 (Audited)	
	Number	€	Number	€
Balance at start of the period/year	130,137,627	165,054,034	158,333,471	196,663,238
Ordinary Shares repurchased and cancelled during the period/year	(10,266,098)	(11,444,481)	(28,195,844)	(31,609,204)
Balance at end of the period/year	**119,871,529**	**153,609,553**	**130,137,627**	**165,054,034**

9. Dividends

In any financial year, the Company will aim to pay regular quarterly dividends to shareholders subject to the solvency test prescribed by the Companies Law. It is expected that a distribution will be made by way of a dividend with respect to each calendar quarter. Immediately after the distribution of dividends the Board of Directors is of the opinion that the Company will satisfy the solvency test.

The Directors in their absolute discretion can offer a scrip dividend alternative to shareholders when a cash dividend is declared from time to time.

The Company has declared and paid the following dividends to its shareholders:

Period ended 30 September 2019 (Unaudited)	Date declared	Payment date	Amount per share	Amount
1 January 2019 to 31 March 2019	12 April 2019	17 May 2019	1.13p	€1,695,150
1 April 2019 to 30 June 2019	11 July 2019	9 August 2019	1.12p	€1,557,408
			Total	**€3,252,558**

Period ended 30 September 2018 (Unaudited)	Date declared	Payment date	Amount per share	Amount
1 January 2018 to 31 March 2018	12 April 2018	11 May 2018	1.08p	€1,966,016
1 April 2018 to 30 June 2018	12 July 2018	10 August 2018	1.10p	€1,943,481
			Total	**€3,909,497**

Notes to the Unaudited Condensed Financial Statements (continued)

10. Reconciliation of NAV to Published NAV

	30 September 2019 (Unaudited) NAV €	30 September 2019 (Unaudited) NAV per share €	31 March 2019 (Audited) NAV €	31 March 2019 (Audited) NAV per share €
Published NAV	140,018,218	1.1681	156,785,157	1.2048
Impact of fair value adjustment on investments held by the Subsidiary[5]	(508,981)	(0.0042)	(657,273)	(0.0051)
Adjustment	(15)	–	(701)	–
NAV attributable to shareholders	**139,509,222**	**1.1639**	**156,127,183**	**1.1997**

11. Risk Management Policies and Procedures

The Company's financial risk management objectives and policies are consistent with those disclosed in the Audited Financial Statements for the year ended 31 March 2019. In the opinion of the Directors, there have been no changes to the financial risk management objectives.

12. Seasonality of Operations

The Company's operations are not cyclical or seasonal in nature. As such its performance is not subject to seasonal fluctuations.

13. Operating Segments

The Chief Operating Decision Makers of the Company are the Board of Directors. The Directors are of the opinion that the Company is engaged in a single segment of business, being investing, via its Subsidiary, in investments in floating rate, secured loans or high-yield bonds. Segment information is measured on the same basis as those used in the preparation of the Company's audited financial statements with the exception of the valuation of financial instruments. For the purpose of segment reporting, at the Subsidiary level, financial instruments are measured in accordance with the method set out in the Company's prospectus, this being the mid-price of the securities as at the valuation day.

The Board of Directors reviews internal management reports on a quarterly basis. The Investment Manager, together with the Administrator and the Company Secretary, ensure that all Directors receive all relevant information in a timely manner.

The key measurement of performance used by the Board to assess the Company's performance and to allocate resources is the movement in the NAV which is prepared on a daily basis.

The majority of the Subsidiary's assets are held in Europe and are held in Sterling, Euros and US Dollars.

A detailed analysis of the operating segment with respect to geographical disclosures and significant customers is included in the Investment Manager's Report and Directors' Report respectively.

The Company has one shareholder with a holding of greater than 10% as at 30 September 2019: CCLA Investment Management Limited (31 March 2019: one shareholder, CCLA Investment Management Limited).

[5] The investments held by the Subsidiary have been valued at mid-price in the published NAV and at bid price in the unaudited condensed financial statements and the audited financial statements.

Notes to the Unaudited Condensed Financial Statements (continued)

14. Related Party Transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

Total investment management fees for the period amounted to €512,264 (30 September 2018: €653,332, 31 March 2019: €1,241,359), with outstanding fees of €422,254 at 30 September 2019 (31 March 2019: €282,520).

The table below provides details of the Ordinary Shares held in the Company by the Directors:

	30 September 2019 (Unaudited)	**31 March 2019 (Audited)**
Ian Fitzgerald	15,000	15,000
Anne Ewing (together with their spouse)	5,000	5,000
Trudi Clark	7,500	7,500

The total Directors' fees and expenses for the period amounted to €86,749 (30 September 2018: €80,327, 31 March 2019: €179,694), with outstanding fees of €12,445 (31 March 2019: €17,185) being due to the Directors at 30 September 2019.

15. Events After the Reporting Date

On 10 October 2019, the Company declared a dividend of 1.17p per Ordinary Share, covering the period 1 July 2019 to 30 September 2019. This dividend was paid to the shareholders on 8 November 2019.

On 15 November 2019, applications closed for the first quarterly tender in respect of December 2019. Requests to redeem and cancel 16,510,128 Ordinary Shares were received which will be satisfied in full on 10 January 2020 at a price based on the 31 December 2019 NAV less 1.50% and expenses. Redemptions will be settled on 12 February 2020.

There were no other events which occurred subsequent to the period-end until the date of approval of the financial statements, which would have a material impact on the financial statements of the Company as at 30 September 2019.

Alternative Performance Measures

NAV Total Return

NAV total return per share is calculated as the movement in the NAV per share plus the total dividends paid per share during the period, with such dividends paid being re-invested at NAV, as a percentage of the NAV per share as at period end.

Total return since inception is for the period 5 March 2012 to 30 September 2019.

Reason for use

To provide transparency in the Company's performance and to help investors identify and monitor the compounded returns of the Company.

Recalculation

NAV total return per share has been calculated as follows:

Compounded since inception to:

	30 September 2019 (Unaudited) £
Opening NAV (5 March 2012)	0.9800
Closing NAV (30 September 2019)	1.0325
Change in NAV	0.0525
Dividends paid (5 March 2012 to 30 September 2019)	0.3620
NAV total return per share (change in NAV and dividends paid)	0.4145
NAV total return per share	42.30%

Annualised return

The annualised return is calculated as the geometric average amount of money earned each year over the total period of time from inception.

Reason for use

To provide transparency in the Company's performance and to help investors identify and monitor their earnings over a period of time if the annual return was compounded.

Company Information

Directors
Ian Fitzgerald (*Non-Executive Chairman*)
Anne Ewing (*Non-Executive Senior Independent Director*)
Trudi Clark (*Non-Executive Director*)
Jonathan Bridel (*Non-Executive Director*) – retired on 30 June 2019

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Investment Manager
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Advocates to the Company (as to Guernsey law)
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Glategny Court, Glategny Esplanade, St Peter Port, GY1 1WR, Guernsey, Channel Islands

Registrar
Computershare Investor Services (Guernsey) Limited
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Principal Bankers
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Designated Manager, Administrator, Custodian and Company Secretary
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