ECOF II SV S.à r.l.
Annual Accounts and Report of the Réviseur d'Entreprises Agréé for the year ended December 31, 2020

5, Heienhaff
L-1736 Senningerberg, Luxembourg
R.C.S. Luxembourg B197003
Share Capital: EUR 12,500

ECOF II SV S.À R.L.

Share Capital: EUR 12,500

MANAGEMENT REPORT

DECEMBER 31, 2020

The Board of Managers presents its report and the annual accounts of ECOF II SV S.à r.l. (the "Company") for the year ended December 31, 2020.

General

The Company was incorporated on May 12, 2015 and organised under the laws of Luxembourg as a "société à responsabilité limitée" for an unlimited period and is subject to the Law of March 22, 2004 on securitisation as amended (the "Securitisation Law").

On September 18, 2020, the Company changed its registered address from 51, avenue John F. Kennedy, L-1855 Luxembourg to 5, Heienhaff, L-1736 Senningerberg, Luxembourg.

The Company's financial year starts on January 1 and ends on December 31, with the exception of the first year, which began on the date of the incorporation of the Company on May 12, 2015 and ended on December 31, 2015.

The Company is a securitisation company within the meaning of the Securitisation Law and has as its corporate purpose the holding of investments in a portfolio of debt securities.

Summary of activities

The results for the financial year amounted to USD nil (2019: USD nil).

The total carrying value of loan notes issued and outstanding as at December 31, 2020 amounted to USD 356,472,482 (2019: USD 358,630,186). The interest accrued on the loan notes amounted to USD 4,837,976 as of December 31, 2020 (2019: USD 7,585,621).

Risk exposures

The principal risks facing the Company during the year relate to the financial instruments held by it and the Company expects the nature of these risks to remain the same for the foreseeable future.

Market risk

The market price of fixed financial assets is expected to fluctuate as a result of changes in general market conditions as the assets are measured at fair value.

Concentration risk

The Company may invest a high percentage of its assets in specific sectors of the market in order to achieve a potentially greater investment return. As a result, the investments may be more susceptible to economic, political, and regulatory developments in a particular sector of the market, positive or negative, and may result in increased volatility of the investment balances as a result.

Risk exposures (continued)

Counterparty risk

The participants in the markets in which the Company invests are typically not subject to credit evaluation and regulatory oversight as are members of exchange based markets. This exposes the Company to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the applicable contract (whether or not such dispute is bona fide) or because of a credit or liquidity problem, causing the Company to potentially suffer a loss. Such “counterparty risk” is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where the Company has concentrated its transactions with a single or small group of counterparties.

Credit risk

There are no restrictions on the credit quality of the investments in which the Company intends to invest. Investments may be deemed by nationally recognised rating agencies to have substantial vulnerability to default in payment of interest and/or principal. Some investments may have low quality ratings or be unrated. Lower rated and unrated investments have major risk exposure to adverse conditions and are considered to be predominantly speculative. Generally, such investment offer a higher return potential than higher rated investments, but involve greater volatility of price and greater risk of loss of income and principal.

Liquidity risk and cash flow risk

The loan notes issued by the Company are limited recourse. Due to the limited recourse nature of the debt securities issued all liquidity and cash flow risks are ultimately borne by the sole loan noteholder.

Research and development activities

The Company was neither involved nor participated in any kind of research or development activities in the years ended December 31, 2020 and December 31, 2019.

Branches of the Company

The Company does not have any branches.

Events during the year

Impact of COVID-19

The COVID-19 outbreak was declared a pandemic by the World Health Organization on March 11, 2020. The situation is dynamic with various cities and countries around the world responding in different ways to address the outbreak. There have been meaningful direct and indirect effects, particularly with respect to the portfolio investments to which the Company has exposure, and some of these effects are still developing. The Portfolio Manager evaluated the fair value of the underlying assets as at December 31, 2020 held by the Company and where required, recommended fair value adjustments on those assets, which is in turn reflected in these annual accounts via the Company's share of the respective underlying investments. The Portfolio Manager will continue to monitor the impact of COVID-19 on the underlying valuations going forward. The fair values as at December 31, 2020 are unrealised, and actual realised proceeds may differ.

In line with current market practice, the Board of Managers believes that the impact of the virus outbreak could potentially be material on the economy and will largely depend on the evolution of the pandemic, period of lockdowns and recovery paths thereafter. Undoubtedly, this will have implications for the underlying portfolio, particularly the following portfolio companies

- highly impacted risk portfolio companies - valuation as at 31 December 2020 of USD 97,851,832 equaling 19.75% of the Company's total assets; and
- medium impact on risk portfolio companies - valuation as at 31 December 2020 of USD 111,949,273 equaling 22.60% of the Company's total asset.

The Board of Managers is currently in discussions with investee companies to assess the impact,including for the purposes of determining the effect on estimated fair value and any emerging risks of impairment. As at the date of issuance of these annual accounts, the impact on fair value remains uncertain.

Brexit

A proportion of the Company's portfolio is located in the UK or are exposed to the UK market (in that sales are made there or supplies are delivered from there). With the UK formally exiting the European Union at the end of December 2020, we have continued to analyse and assess the impact on portfolio companies and valuations. Overall, we did not see a materially disruptive impact of Brexit on our investments either in Europe or the UK, both during the transition period and in the immediate aftermath of Brexit. Consistently firms were duly prepared, we noted a particular focus throughout the proceeding period on supply chain rigor, stability and business continuity. This diligence was rewarded, and as a consequence we saw little measurable impact deriving from Brexit on investment performance and valuations. Going forwards, we continue to stay close to management teams to retain oversight of any potential issues that may arise within the portfolio.

BVA SAS

On May 29, 2020, one investee filed for Redressement Judiciare, a French insolvency proceeding which was challenged legally by Alcentra Limited, the Portfolio Manager. Alcentra Limited launched an enforcement process over investee's US business and was successful in its effort to acquire the latter's US business on July 29, 2020.

As at December 31, 2020, the debt investment in that investee amounted to USD 11,006,925 in the annual accounts.

There remains an ongoing court process to rule whether Alcentra Limited will be granted control over the remaining group entities of that investee. On September 15, 2020, the court ruled in favour of Alcentra Limited, however, this ruling is subsequently being appealed by the public prosecutor.

Alcentra Limited and the Board of Managers acknowledges the consequential uncertainty in the amount recoverable from the investment, and the possible outcomes over the coming period could vary considerably from this estimated fair value.

Subsequent events

On February 8, 2021 Listing and Membership Committee (the "LMC") of The International Stock Exchange Authority Limited (the "Authority") agreed to admit the Loan Notes to the Official List of the Authority with effect from 18:00 on February 8, 2021.

It was noted that the maturity date of the Notes was February 28, 2030. The Notes would be automatically delisted from the Official List of the Authority on the business day following the maturity date.

San-Marie Greeff and Marketa Stranska have resigned as managers, Joerg Oster and Peter Dickinson have been appointed as new managers effective February 22, 2021.

No other events have occurred subsequent to the year-end which would have a material impact on the annual accounts for the year ended December 31, 2020.

DocuSigned by:

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Manager

DocuSigned by:

94FC0F08925140E...

Manager

Date: 4/13/2021

KPMG Luxembourg, Société coopérative
39, Avenue John F. Kennedy
L-1855 Luxembourg

Tel.: +352 22 51 51 1
Fax: +352 22 51 71
E-mail: info@kpmg.lu
Internet: www.kpmg.lu

To the Shareholders of
ECOF II SV S.à r.l.
5, Heienhaff
L-1736 Senningerberg

REPORT OF THE REVISEUR D'ENTREPRISES AGREE

Report on the audit of the annual accounts

Opinion

We have audited the annual accounts of ECOF II SV S.à r.l. (the "Company"), which comprise the balance sheet as at 31 December 2020, and the profit and loss account for the year then ended, and notes to the annual accounts, including a summary of significant accounting policies.

In our opinion, the accompanying annual accounts give a true and fair view of the financial position of the Company as at 31 December 2020, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts.

Basis for Opinion

We conducted our audit in accordance with the Law of 23 July 2016 on the audit profession ("Law of 23 July 2016") and with International Standards on Auditing ("ISAs") as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" ("CSSF"). Our responsibilities under the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the « Responsibilities of "réviseur d'entreprises agréé" for the audit of the annual accounts » section of our report. We are also independent of the Company in accordance with the International Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for Accountants ("IESBA Code") as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the annual accounts, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The Board of Managers is responsible for the other information. The other information comprises the information stated in the management report but does not include the annual accounts and our report of the "réviseur d'entreprises agréé" thereon.

Our opinion on the annual accounts does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the annual accounts, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the annual accounts or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

T.V.A. LU 27351518
R.C.S. Luxembourg B 149133

Responsibilities of the Board of Managers and Those Charged with Governance for the annual accounts

The Board of Managers is responsible for the preparation and fair presentation of these annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts, and for such internal control as the Board of Managers determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, the Board of Managers is responsible for 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 the Board of Managers either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the réviseur d'entreprises agréé for the audit of the annual accounts

The objectives of our audit are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the "réviseur d'entreprises agréé" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.

As part of an audit in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Managers.

— Conclude on the appropriateness of Board of Managers use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the "réviseur d'entreprises agréé" to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the "réviseur d'entreprises agréé". However, future events or conditions may cause the Company to cease to continue as a going concern.

— Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

The management report is consistent with the annual accounts and has been prepared in accordance with the applicable legal requirements.

Luxembourg, 13 April 2021

KPMG Luxembourg
Société coopérative
Cabinet de révision agréé

T. Ramphul

Annual Accounts Helpdesk :

Tel. **: (+352) 247 88 494**
Email **: centralebilans@statec.etat.lu**

RCSL Nr. : B197003	Matricule : 2015 2424 885
	eCDF entry date :

BALANCE SHEET

Financial year from 01 01/01/2020 **to** 02 31/12/2020 *(in* 03 USD *)*

ECOF II SV S.à r.l.

5, Heienhaff
L-1736 Senningerberg

ASSETS

	Reference(s)	Current year	Previous year
A. Subscribed capital unpaid	1101	101	102
I. Subscribed capital not called	1103	103	104
II. Subscribed capital called but unpaid	1105	105	106
B. Formation expenses	1107	107	108
C. Fixed assets	1109 Note 3	109 485.590.005,00	110 581.601.340,00
I. Intangible assets	1111	111	112
1. Costs of development	1113	113	114
2. Concessions, patents, licences, trade marks and similar rights and assets, if they were	1115	115	116
a) acquired for valuable consideration and need not be shown under C.I.3	1117	117	118
b) created by the undertaking itself	1119	119	120
3. Goodwill, to the extent that it was acquired for valuable consideration	1121	121	122
4. Payments on account and intangible assets under development	1123	123	124
II. Tangible assets	1125	125	126
1. Land and buildings	1127	127	128
2. Plant and machinery	1129	129	130

RCSL Nr. : B197003 | Matricule : 2015 2424 885

		Reference(s)		Current year		Previous year
3. Other fixtures and fittings, tools and equipment	1131		131		132	
4. Payments on account and tangible assets in the course of construction	1133		133		134	
III. Financial assets	1135	Note 3	135	485.590.005,00	136	581.601.340,00
1. Shares in affiliated undertakings	1137		137		138	
2. Loans to affiliated undertakings	1139		139		140	
3. Participating interests	1141		141		142	
4. Loans to undertakings with which the undertaking is linked by virtue of participating interests	1143		143		144	
5. Investments held as fixed assets	1145	Note 3	145	485.590.005,00	146	581.601.340,00
6. Other loans	1147		147		148	
D. Current assets	1151	Note 4	151	9.817.789,00	152	13.935.452,00
I. Stocks	1153		153		154	
1. Raw materials and consumables	1155		155		156	
2. Work in progress	1157		157		158	
3. Finished goods and goods for resale	1159		159		160	
4. Payments on account	1161		161		162	
II. Debtors	1163	Note 4	163	5.273.359,00	164	7.917.317,00
1. Trade debtors	1165		165		166	
a) becoming due and payable within one year	1167		167		168	
b) becoming due and payable after more than one year	1169		169		170	
2. Amounts owed by affiliated undertakings	1171	Note 4.1	171	356.817,00	172	0,00
a) becoming due and payable within one year	1173	Note 4.1	173	341.535,00	174	0,00
b) becoming due and payable after more than one year	1175	Note 4.1	175	15.282,00	176	0,00
3. Amounts owed by undertakings with which the undertaking is linked by virtue of participating interests	1177		177		178	
a) becoming due and payable within one year	1179		179		180	
b) becoming due and payable after more than one year	1181		181		182	
4. Other debtors	1183	Note 4.2	183	4.916.542,00	184	7.917.317,00
a) becoming due and payable within one year	1185	Note 4.2	185	4.916.542,00	186	7.917.317,00
b) becoming due and payable after more than one year	1187		187		188	

RCSL Nr. : B197003	Matricule : 2015 2424 885

		Reference(s)		Current year		Previous year
III. Investments	1189		189		190	
1. Shares in affiliated undertakings	1191		191		192	
2. Own shares	1209		209		210	
3. Other investments	1195		195		196	
IV. Cash at bank and in hand	1197		197	4.544.430,00	198	6.018.135,00
E. Prepayments	1199		199		200	
TOTAL (ASSETS)			201	495.407.794,00	202	595.536.792,00

RCSL Nr. : B197003 | Matricule : 2015 2424 885

CAPITAL, RESERVES AND LIABILITIES

	Code	Reference(s)	Code	Current year	Code	Previous year
A. Capital and reserves	1301	Note 5	301	13.582,00	302	13.582,00
I. Subscribed capital	1303	Note 5	303	13.582,00	304	13.582,00
II. Share premium account	1305		305		306	
III. Revaluation reserve	1307		307		308	
IV. Reserves	1309		309		310	
1. Legal reserve	1311		311		312	
2. Reserve for own shares	1313		313		314	
3. Reserves provided for by the articles of association	1315		315		316	
4. Other reserves, including the fair value reserve	1429		429		430	
a) other available reserves	1431		431		432	
b) other non available reserves	1433		433		434	
V. Profit or loss brought forward	1319		319		320	
VI. Profit or loss for the financial year	1321		321	0,00	322	0,00
VII. Interim dividends	1323		323		324	
VIII. Capital investment subsidies	1325		325		326	
B. Provisions	1331		331		332	
1. Provisions for pensions and similar obligations	1333		333		334	
2. Provisions for taxation	1335		335		336	
3. Other provisions	1337		337		338	
C. Creditors	1435	Note 6.1	435	495.394.212,00	436	595.523.210,00
1. Debenture loans	1437		437		438	
a) Convertible loans	1439		439		440	
i) becoming due and payable within one year	1441		441		442	
ii) becoming due and payable after more than one year	1443		443		444	
b) Non convertible loans	1445		445		446	
i) becoming due and payable within one year	1447		447		448	
ii) becoming due and payable after more than one year	1449		449		450	
2. Amounts owed to credit institutions	1355	Note 6.1	355	137.427.709,00	356	235.470.812,00
a) becoming due and payable within one year	1357	Note 6.1	357	234.906,00	358	400.562,00
b) becoming due and payable after more than one year	1359	Note 6.1	359	137.192.803,00	360	235.070.250,00

RCSL Nr. : B197003	Matricule : 2015 2424 885

	Reference(s)		Current year		Previous year
3. Payments received on account of orders in so far as they are not shown separately as deductions from stocks	1361	361		362	
a) becoming due and payable within one year	1363	363		364	
b) becoming due and payable after more than one year	1365	365		366	
4. Trade creditors	1367	367		368	
a) becoming due and payable within one year	1369	369		370	
b) becoming due and payable after more than one year	1371	371		372	
5. Bills of exchange payable	1373	373		374	
a) becoming due and payable within one year	1375	375		376	
b) becoming due and payable after more than one year	1377	377		378	
6. Amounts owed to affiliated undertakings	1379 Note 6.2	379	357.673.531,00	380	358.630.186,00
a) becoming due and payable within one year	1381 Note 6.2	381	24.921.635,00	382	20.319.103,00
b) becoming due and payable after more than one year	1383 Note 6.2	383	332.751.896,00	384	338.311.083,00
7. Amounts owed to undertakings with which the undertaking is linked by virtue of participating interests	1385	385		386	
a) becoming due and payable within one year	1387	387		388	
b) becoming due and payable after more than one year	1389	389		390	
8. Other creditors	1451 Note 6.3	451	292.972,00	452	1.422.212,00
a) Tax authorities	1393	393		394	
b) Social security authorities	1395	395		396	
c) Other creditors	1397 Note 6.3	397	292.972,00	398	1.422.212,00
i) becoming due and payable within one year	1399 Note 6.3	399	292.972,00	400	1.422.212,00
ii) becoming due and payable after more than one year	1401	401		402	
D. Deferred income	1403	403		404	
TOTAL (CAPITAL, RESERVES AND LIABILITIES)		405	495.407.794,00	406	595.536.792,00

The notes in the annex form an integral part of the annual accounts

Annual Accounts Helpdesk :

Tel. : (+352) 247 88 494
Email : centralebilans@statec.etat.lu

RCSL Nr. : B197003	Matricule : 2015 2424 885
	eCDF entry date :

PROFIT AND LOSS ACCOUNT

Financial year from 01 01/01/2020 **to** 02 31/12/2020 *(in* 03 USD *)*

ECOF II SV S.à r.l.

5, Heienhaff
L-1736 Senningerberg

		Reference(s)		Current year		Previous year
1. Net turnover	1701		701		702	
2. Variation in stocks of finished goods and in work in progress	1703		703		704	
3. Work performed by the undertaking for its own purposes and capitalised	1705		705		706	
4. Other operating income	1713		713		714	
5. Raw materials and consumables and other external expenses	1671	Note 7	671	-5.554.290,00	672	-5.351.800,00
a) Raw materials and consumables	1601		601		602	
b) Other external expenses	1603	Note 7	603	-5.554.290,00	604	-5.351.800,00
6. Staff costs	1605		605		606	
a) Wages and salaries	1607		607		608	
b) Social security costs	1609		609		610	
i) relating to pensions	1653		653		654	
ii) other social security costs	1655		655		656	
c) Other staff costs	1613		613		614	
7. Value adjustments	1657		657		658	
a) in respect of formation expenses and of tangible and intangible fixed assets	1659		659		660	
b) in respect of current assets	1661		661		662	
8. Other operating expenses	1621		621		622	

RCSL Nr. : B197003	Matricule : 2015 2424 885

		Reference(s)		Current year		Previous year
9. Income from participating interests	1715	Note 9	715		716	57.564.849,00
a) derived from affiliated undertakings	1717	Note 9	717		718	7.102.869,00
b) other income from participating interests	1719	Note 9	719		720	50.461.980,00
10. Income from other investments and loans forming part of the fixed assets	1721	Note 10	721	36.264.756,00	722	
a) derived from affiliated undertakings	1723		723		724	
b) other income not included under a)	1725	Note 10	725	36.264.756,00	726	
11. Other interest receivable and similar income	1727	Note 8	727	6.079,00	728	
a) derived from affiliated undertakings	1729		729		730	
b) other interest and similar income	1731	Note 8	731	6.079,00	732	
12. Share of profit or loss of undertakings accounted for under the equity method	1663		663		664	
13. Value adjustments in respect of financial assets and of investments held as current assets	1665	Note 11	665	1.658.137,00	666	
14. Interest payable and similar expenses	1627	Note 12	627	-32.363.841,00	628	-52.208.234,00
a) concerning affiliated undertakings	1629	Note 12.1	629	-17.132.732,00	630	-29.683.569,00
b) other interest and similar expenses	1631	Note 12.2	631	-15.231.109,00	632	-22.524.665,00
15. Tax on profit or loss	1635		635		636	
16. Profit or loss after taxation	1667		667	10.841,00	668	4.815,00
17. Other taxes not shown under items 1 to 16	1637	Note 13	637	-10.841,00	638	-4.815,00
18. Profit or loss for the financial year	1669		669	0,00	670	0,00

1. ORGANISATION

ECOF II SV S.à r.l. (hereafter the “Company”) was incorporated on May 12, 2015 for an unlimited period. The Company is organised under the laws of Luxembourg as a private limited liability company (société à responsibilité limitée) and was granted the status of a securitisation company (société de titrisation) within the meaning of the law of March 22, 2004 on securitisation, as amended from time to time and that is governed by the laws of the Grand Duchy of Luxembourg, including the Luxembourg Law dated August 10, 1915 on commercial companies. The Company is registered under R.C.S. in Luxembourg, number B 197003.

On September 18, 2020, the Company changed its registered address from 51, avenue John F. Kennedy, L-1855 Luxembourg to 5, Heienhaff, L-1736 Senningerberg, Luxembourg.

The principal activity of the Company is to lend to Middle Market companies, primarily through senior secured loans, unitranche lending, second lien loans and mezzanine loans.

The Company’s financial year starts on January 1 and ends on December 31 of each year, with the exception of the first period which ran from date of incorporation on May 12, 2015 to December 31,

The Company is a wholly-owned subsidiary of ECOF II ParentCo SV S.à r.l., a company incorporated under the Luxembourg Law of August 10, 1915 on commercial companies as amended, having its registered address at 5, Heienhaff, L-1736 Senningerberg, Luxembourg (formerly: 51, avenue John F. Kennedy, L-1855 Luxembourg).

2. SIGNIFICANT ACCOUNTING POLICIES

2.1. BASIS OF PREPARATION

The annual accounts have been prepared in accordance with Luxembourg legal and regulatory requirements under the historical cost convention except for financial assets and foreign currency forward contracts that have been measured at fair value. The annual accounts have been prepared on a going concern basis. Accounting policies and valuation rules, besides ones laid down by the law of August 10, 1915 (as amended), are determined and applied by the Board of Managers of the Company.

The preparation of annual accounts requires the use of certain critical accounting estimates. It also requires the Board of Managers to exercise its judgement in the process of applying the accounting policies. Changes in assumptions may have a significant impact on the annual accounts in the period in which the assumptions change. Management believes that the underlying assumptions are appropriate and that the annual accounts therefore present the financial position and results fairly.

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities in the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are expected to be reasonable under the circumstances.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1. BASIS OF PREPARATION

Prior year comparative figures have been changed to conform with current year presentation.

2.2. INVESTMENTS HELD AS FIXED ASSETS

Investments held as fixed assets are valued individually at their fair value.

The Company uses the Alcentra Pricing Committee to evaluate illiquid assets. The fair value is estimated using the market comparison/discounted cash flow techniques. This considers (i) current or recent quoted process for identical securities in markets that are not active and (ii) a net present value calculated using discount rates derived from quoted prices of securities with similar maturity and credit rating that are traded in active markets, adjusted by an illiquidity factor.

The fair value of the unlisted private equity investments is determined using the market comparison technique. The valuation model is based on market multiples derived from quoted prices of companies comparable to the underlying investment and the expected revenue and EBITDA of the underlying investment. The estimate is adjusted for the effect of the non-market ability of the equity securities.

Private debt investments will primarily be valued using available market price sources where available i.e. Bloomberg, Markit, and Reuters. Where none of the defined price sources herein are available an asset will be deemed illiquid. In this scenario, the asset will be valued internally by the credit analyst responsible for the company or sector in question.

The analyst will determine the fair value of the asset via fundamental or technical credit analysis. The analyst will give consideration to numerous fundamental factors e.g. current performance, leverage, or covenant compliance. In addition, comparative measures may be employed whereby observable market data is used to benchmark or ascribe value to the asset e.g. yields or recent deal pricing.

The changes in fair value of the investment are charged to the Profit and Loss Account.

2.3. INVESTMENT IN DEBT INSTRUMENTS

Investments in debt instruments are measured initially at fair value excluding transaction costs. Subsequent to initial recognition investments are measured at fair value with changes recognised in profit or loss statement. The fair value option has been adopted in line with the way the debt instruments are managed given their performance is evaluated on a fair value basis in accordance with; each entity's documented risk management policies, investment strategy and information that is provided to key management personnel on a periodic basis. Payment in Kind (PIK) income for the period from the income due date until the reporting date shall be a component of investments at fair value through profit or loss. Amounts accrued are treated as part of the debt instruments in line with the terms of the respective agreements.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4. FAIR VALUE MEASUREMENT

Fair value based on a valuation technique using observable market data will generally include evaluated pricing techniques using inputs such as quoted prices for similar instruments. Fair value based on a valuation technique that relies significantly on non-observable market data will include values not primarily derived from observable market data. Valuation techniques include comparison with similar instruments for which observable market prices exist and other valuation models. Some or all of the significant inputs into these models may not be observable in the market, and are derived from market prices or rates or are estimated based on recent transactions that have been completed or market information obtained from deals that are under negotiation.

For debt investments the Company applies primary and secondary valuation models in line with IPEV. Valuation models include the EV/EBITDA multiples methodology, discounted cash-flows and income yield approach. For assets which experience marked increases in leverage since entry a required yield adjustment to the valuation has been considered. Due to the nature of the asset class, inputs into the debt instruments' valuation model take into consideration the costs incurred when the assets were acquired (purchase price) adjusted by a market overlay, which reflects any changes in the environment, performance of the asset relative to similar instruments, market appetite as well as other factors (e.g., level of interest rates) at the end of the financial reporting period. Fair values reflect the credit risk of the instrument and include adjustments which take into account the credit risk of the Platform and the counterparty where appropriate.

2.5. CASH AT BANK AND IN HAND

Cash at bank and in hand is valued at its nominal value.

2.6. DEBTORS

Debtors are recorded at their nominal value. They are subject to value adjustments when their recoverability is either uncertain or compromised at the Balance Sheet date.

2.7. AMOUNTS OWED TO AFFILIATED UNDERTAKINGS

This caption consists mainly of loan notes in issue. Loan notes in issue are initially recorded at their nominal amount. Subsequent to initial recognition, these loan notes in issue are valued at their fair values which represent the fair value of the net assets (assets less liabilities excluding the loan notes in issue) of the Company as at the Balance Sheet date. Movements in the carrying amount of the loan notes in issue may vary as a result of the performance of the underlying portfolio and the resulting value adjustments. In order to reflect the value adjustments to the loan notes in issue, a net gain or loss allocated to the sole noteholder is recorded in the Profit and Loss Account.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8. AMOUNTS OWED TO CREDIT INSTITUTIONS

Amounts owed to credit institutions are valued at their repayment value representing the drawn amount and the accrued interest at the year end.

2.9. OTHER CREDITORS

Other creditors represent fees accrued during the year and are recorded at their repayment value.

2.10. VALUE ADJUSTMENTS

Value adjustments are adjusted directly on related assets.

2.11. PROVISIONS FOR LIABILITIES AND CHARGES

Provisions for liabilities and charges are intended to cover losses or debts, the nature of which is clearly defined and which, at the Balance Sheet date, are either likely to be incurred or certain to be incurred but uncertain as to their amount or the date on which they arise.

Provisions may also be created to cover charges which originate in the financial year under review or in a previous financial year, the nature of which is clearly defined and which, at the Balance Sheet date, are either likely to be incurred or certain to be incurred but uncertain as to their amount or the date on which they arise.

Provisions for taxation are recognised for the difference between the tax liability estimated by the Company and the advance payments for the financial years for which the tax return has not yet been filed.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12. FOREIGN CURRENCY TRANSLATION

The Company maintains its books and records in the United States Dollar ("USD") and the annual accounts have been prepared in this currency.

Transactions in foreign currencies during the year are recorded at exchange rates ruling at the time the transactions take place. Long term assets and liabilities expressed in currencies other than USD remain translated at their historical exchange rates at the Balance Sheet date.

Cash at bank and amounts owed to credit institutions are translated at the exchange rate effective at the Balance Sheet date. Exchange losses and gains are recorded in the Profit and Loss Account for the year.

Financial fixed assets expressed in currencies other than the USD, if any, are translated into USD at exchange rates prevailing at the time of the transaction. At the Balance Sheet date, these assets are translated using year-end closing exchange rates.

Other monetary assets and liabilities expressed in currencies other than USD have been translated at the year-end exchange rates. Realised and unrealised gains and losses are recorded in the Profit and Loss Account.

2.13. INTEREST INCOME AND ARRANGEMENT FEES

Interest income and arrangement fees are recognised in the Profit and Loss Account on an accrual basis at the contractual rate of interest of the related financial asset.

Arrangement fees are one-off fees that are receivable by the Company in relation to the loan initiation process. Interest income is earned on the principal balance based on contractually agreed rates and interest periods.

2.14. EXPENSES

Expenses are recognised in the Profit and Loss Account in the year to which they relate. Formation costs are expensed in the year they are incurred.

3. FINANCIAL ASSETS

Investments held as fixed assets

As at December 31, 2020, the Company held the following investments as fixed assets:

	December 31, 2020 USD	December 31, 2019 USD
Opening cost balance	595,240,670	666,140,229
Net (sales)/ purchases	(103,826,743)	(80,745,617)
Capitalised PIK	6,157,270	9,846,058
Closing cost balance	**497,571,198**	**595,240,670**
Opening value adjustment balance	(13,639,330)	-
Impairment	(27,282,790)	(2,029,627)
Fair value movement	28,940,927	(11,609,703)
Closing value adjustment balance	**(11,981,193)**	**(13,639,330)**
Opening balance at fair value	**581,601,340**	**666,140,229**
Closing balance at fair value	**485,590,005**	**581,601,340**

As at December 31, 2020, some of the fixed assets had the following unfunded commitments balances:

Borrower	Unfunded Commitments as at 31 December 2020
Atcore	2,136,645
Altares	611,275
Cipres vie	2,073,673
Laywers on demand	2,448,989
Shark	932,806
	8,203,388

	December 31, 2020 USD	December 31, 2019 USD
Arwe	9,220,700	-
BVA SAS	6,815,092	-
Fat Face Junior	6,432,366	602,864
Café Nero	3,357,976	-
Ambuiberica	1,456,656	19,324
Gamma Fibre	-	1,407,439
Closing balance	**27,282,790**	**2,029,627**

Investments held as fixed assets consist of direct lending loans which are for the purpose of generating interest income and potentially capital gains. The Board of Managers has assessed that there was an impairment of financial assets as at December 31, 2020 amounting to USD 27,282,790 (2019: USD 2,029,627).

4. DEBTORS

4.1. AMOUNTS OWED BY AFFILIATED UNDERTAKINGS

Amounts owed by affiliated undertakings consisted of the following:

	December 31, 2020 USD	December 31, 2019 USD
a) becoming due and payable within one year		
Amounts due from related parties	341,535	-
b) becoming due and payable after more than one year		
Amounts due from related parties	15,282	-
Total	**356,817**	**-**

4.2. OTHER DEBTORS

Other debtors consisted of the following:

	December 31, 2020 USD	December 31, 2019 USD
a) becoming due and payable within one year		
Accrued interest	4,837,976	7,585,621
Other debtors	65,726	75,986
Accrued fees	12,839	255,710
Total	**4,916,541**	**7,917,317**

5. CAPITAL AND RESERVES

The Company's share capital was set at the date of incorporation at EUR 12,500, which was equivalent to USD 13,582, represented by 12,500 shares with a par value of EUR 1 each. Under the terms and conditions provided by law, the Company's share capital may be increased or reduced by a resolution of the general meeting of shareholders, adopted in the manner required for an amendment of the articles of the Company. Under Luxembourg law, an amount equal to at least 5% of the profit for the financial year must be allocated to a legal reserve until such reserve equals 10% of the subscribed capital. This reserve is not available for dividend distribution.

No transfer to legal reserve is required for the year ended December 31, 2020 in light of the USD nil accumulated profit at year end (2019: USD nil). The Company did not repurchase any of its own shares during the year from incorporation to December 31, 2020 (2019: USD nil).

6. CREDITORS

6.1. AMOUNTS OWED TO CREDIT INSTITUTIONS

Amounts owed to credit institutions consisted of the following:

	December 31, 2020 USD	December 31, 2019 USD
a) becoming due and payable within one year		
Accrued interest	234,906	400,562
b) becoming due and payable after more than one year		
Amount drawn on leverage facility	137,192,803	235,070,250
Total	**137,427,709**	**235,470,812**

The Company entered into a note purchase agreement dated June 12, 2015 (amended August 5, 2016 and further amended and restated on August 1, 2017) for a multi-currency loan facility of EUR 330,000,000. The rate of interest to accrue in respect of the drawn balance is calculated based on the base rate (as determined for each relevant interest period) plus the applicable margin, which is 2.57% for all other currencies than USD during the revolving period, thereafter.

As at December 31, 2020, the amount drawn is USD 137,192,803 (2019: USD 235,070,250) and the guarantees provided on assets is USD 172,725,552 (2019: USD 240,572,803).

The principal amount of the facility will be repaid on June 12, 2023 together with interest accrued unless it is redeemed in full.

6.2. AMOUNTS OWED TO AFFILIATED UNDERTAKINGS

Amounts owed to affiliated undertakings consisted of the following:

	December 31, 2020 USD	December 31, 2019 USD
a) becoming due and payable within one year		
Interest on loan notes issued to ECOF II ParentCo SV S.à r.l.	23,720,586	20,319,103
Investment advisory fees	1,201,049	-
Total	**24,921,635**	**20,319,103**
b) becoming due and payable after more than one year		
Loan notes issued to ECOF II ParentCo SV S.à r.l.	332,751,896	338,311,083
Total	**332,751,896**	**338,311,083**

6. CREDITORS (CONTINUED)

6.2. AMOUNTS OWED TO AFFILIATED UNDERTAKINGS (CONTINUED)

The total carrying value of the loan notes in issue as of December 31, 2020 amounted to USD 356,472,482 (2019: USD 358,630,186) which is attributable to ECOF II ParentCo SV S.à r.l.. The investment advisory fees payable represents the amount due in relation to investment advisory fees owing to Alcentra Limited.

As at December 31, 2020, the Company had Loan Notes in issue amounting to USD 332,751,896 (2019: USD 338,311,083) in accordance with the Loan Notes Issuance Programme (for the maximum amount up to USD 1,000,000,000) which has been subscribed solely by ECOF II ParentCo SV S.à r.l..

The notes are issued in denominations of USD 200,000 and are part of the Investor Notes Issuance programme that was approved by the Company on June 12, 2015. Interest is accrued at an amount equal to the positive income that is earned during the period and matures on February 29, 2030. Any present and future notes rank pari passu and rateably without any preference or priority among the notes.

6.3. OTHER CREDITORS

Other creditors becoming due and payable within one year consisted of the following:

	December 31, 2020 USD	December 31, 2019 USD
Professional fees	43,113	1,222,973
Sundry expenses	249,859	199,239
Total	**292,972**	**1,422,212**

7. OTHER EXTERNAL EXPENSES

Other external expenses consisted of the following:

	Year ended December 31, 2020 USD	Year ended December 31, 2019 USD
Investment management fees	4,778,092	5,042,912
Administration fees	451,028	114,168
Audit fees	211,838	181,246
Legal fees	106,181	-
Bank charges	4,883	10,047
Sundry expenses	2,268	3,427
Total	**5,554,290**	**5,351,800**

8. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

Other interest and similar income consisted of the following:

	Year ended December 31, 2020 USD	Year ended December 31, 2019 USD
Bank interest (refer to note 9)	6,079	-
Total	**6,079**	**-**

9. INCOME FROM PARTICIPATING INTEREST

Other income from participating interest consisted of the following:

	Year ended December 31, 2020 USD	Year ended December 31, 2019 USD
Interest income (refer to note 10)	-	50,137,450
Arrangement fees (refer to note 10)	-	298,798
Other income (refer to note 8.2)	-	25,732
Fair value adjustment on loan notes (refer to note 8.1)	-	7,102,869
Total	**-**	**57,564,849**

9. INCOME FROM PARTICIPATING INTEREST (CONTINUED)

Interest income has been reclassified to "Income from other investments and loans forming part of the fixed assets" during the year (refer to note 10). Arrangement fee income has been reclassified to "Income from other investments and loans forming part of the fixed assets" during the year (refer to note 10). Fair value adjustment on loan notes has been reclassified to "Other interest receivable and similar income derived from affiliated undertakings" during the year (refer to note 8.1). Other income has been reclassified to "Other interest and similar income" during the year (refer to note 8.2). "Other income from participating interests" has been reclassified to 10(b) 'other income not included under a) in the Profit and loss account during the year.

10. INCOME FROM OTHER INVESTMENTS AND LOANS FORMING PART OF THE FIXED ASSETS

Income from other investments and loans forming part of the fixed assets consisted of the following:

	Year ended December 31, 2020 USD	Year ended December 31, 2019 USD
Interest income (refer to note 9)	36,084,977	-
Arrangement fee income (refer to note 9)	179,780	-
Total	**36,264,757**	**-**

Arrangement fees are one-off fees that are receivable by the Company in relation to the loan initiation process. Interest income is earned on the principal balance based on contractually agreed rates and interest periods.Arrangement fee income has been reclassified to "Income from other investments and loans forming part of the fixed assets" during the year (refer to note 9).

11. VALUE ADJUSTMENTS IN RESPECT OF FINANCIAL ASSETS AND INVESTMENTS HELD AS CURRENT ASSETS

Value adjustments in respect of financial assets and investments held as current assets consisted of the following:

	Year ended December 31, 2020 USD	Year ended December 31, 2019 USD
Value adjustments on investments (refer to note 12.2)	28,940,927	-
Impairment on investments	(27,282,790)	-
Total	**1,658,137**	**-**

12. INTEREST PAYABLE AND SIMILAR EXPENSES

12.1. INTEREST PAYABLE AND SIMILAR EXPENSES CONCERNING AFFILIATED UNDERTAKINGS

Interest payable and similar expenses concerning affiliated undertakings consisted of the following:

	Year ended December 31, 2020 USD	Year ended December 31, 2019 USD
Interest on loan notes	24,221,372	29,683,569
Foreign exchange losses on loan notes issued	20,194,151	-
Value adjustment on impairment on loan notes issued	(27,282,790)	-
Total	**17,132,733**	**29,683,569**

Income due to an affiliated undertaking, ECOF II ParentCo SV S.à r.l., amounted to USD 24,221,372 (2019: USD 29,683,569) for the year. This was in relation to Positive Income allocated to the Company as the sole loan noteholder. The cumulative loss as at December 31, 2020 amounted to USD 23,720,585 (2019: USD 20,319,103).

12.2. OTHER INTEREST AND SIMILAR EXPENSES

Other interest and similar expenses consisted of the following:

	Year ended December 31, 2020 USD	Year ended December 31, 2019 USD
Foreign exchange losses on leverage facility	7,514,205	-
Financing costs	4,881,773	8,494,511
Foreign exchange losses on non-investment balances	1,653,792	-
Realised loss on sale of financial assets	1,181,339	11,480,435
Foreign currency exchange losses (refer to note 11)	-	2,549,719
Total	**15,231,109**	**22,524,665**

Foreign currency exchange losses related to investments have been reclassified to "Value adjustments in respect of financial assets and investments held as current assets" during the year as well as unrealised loss on sale of financial assets (refer to note 11).

13. TAXATION

The Company is subject to all taxes applicable to commercial companies in Luxembourg. Pursuant to the provisions of the Law of March 22, 2004, the commitments to remunerate investors and other creditors are fully deductible.

14. STAFF

The Company did not employ any staff during the year (2019: none).

15. RELATED PARTIES TRANSACTIONS

San Marie Greeff and Marketa Stranska, who were managers of the Company during the year, were also directors of Sanne Group (Luxembourg) S.A., which provides administration services to the Company. Total administrative fees in respect of the year ended December 31, 2020 amounted to USD 451,028 (2019: USD 114,168) of which USD 43,113 (2019: USD 10,310) was payable at the end of the year.

As at December 31, 2020, the Company had the following intercompany amounts due from related parties:

Entity	Nature of receivable/ (payable)	Amount USD
ECOF II ParentCo SV S.à r.l.	Expenses	356,817
Total		**356,817**

As at December 31, 2019, the Company had the following intercompany amount due from related parties:

Entity	Nature of receivable/ (payable)	Amount USD
ECOF II ParentCo SV S.à r.l.	Receivable	14,034
Total		**14,034**

16. EVENTS DURING THE YEAR

Impact of COVID-19

The COVID-19 outbreak was declared a pandemic by the World Health Organization on March 11, 2020. The situation is dynamic with various cities and countries around the world responding in different ways to address the outbreak. There have been meaningful direct and indirect effects, particularly with respect to the portfolio investments to which the Company has exposure, and some of these effects are still developing. The Portfolio Manager evaluated the fair value of the underlying assets as at December 31, 2020 held by the Company and where required, recommended fair value adjustments on those assets, which is in turn reflected in these annual accounts via the Company's share of the respective underlying investments. The Portfolio Manager will continue to monitor the impact of COVID-19 on the underlying valuations going forward. The fair values as at December 31, 2020 are unrealised, and actual realised proceeds may differ.

In line with current market practice, the Board of Managers believes that the impact of the virus outbreak could potentially be material on the economy and will largely depend on the evolution of the pandemic, period of lockdowns and recovery paths thereafter. Undoubtedly, this will have implications for the underlying portfolio, particularly the following portfolio companies

- highly impacted risk portfolio companies - valuation as at 31 December 2020 of USD 97,851,832 equaling 19.75% of the Company's total assets; and
- medium impact on risk portfolio companies - valuation as at 31 December 2020 of USD 111,949,273 equaling 22.60% of the Company's total asset.

The Board of Managers is currently in discussions with investee companies to assess the impact, including for the purposes of determining the effect on estimated fair value and any emerging risks of impairment. As at the date of issuance of these financial statements, the impact on fair value remains uncertain.

Brexit

A proportion of the Company's portfolio is located in the UK or are exposed to the UK market (in that sales are made there or supplies are delivered from there). With the UK formally exiting the European Union at the end of December 2020, we have continued to analyse and assess the impact on portfolio companies and valuations. Overall, we did not see a materially disruptive impact of Brexit on our investments either in Europe or the UK, both during the transition period and in the immediate aftermath of Brexit. Consistently firms were duly prepared, we noted a particular focus throughout the proceeding period on supply chain rigor, stability and business continuity. This diligence was rewarded, and as a consequence we saw little measurable impact deriving from Brexit on investment performance and valuations. Going forwards, we continue to stay close to management teams to retain oversight of any potential issues that may arise within the portfolio.

16. EVENTS DURING THE YEAR (CONTINUED)

BVA SAS

On May 29, 2020, one investee filed for Redressement Judiciare, a French insolvency proceeding which was challenged legally by Alcentra Limited, the Portfolio Manager. Alcentra Limited launched an enforcement process over investee's US business and was successful in its effort to acquire the latter's US business on July 29, 2020.

As at December 31, 2020, the debt investment in that investee amounted to USD 11,006,925 in the annual accounts.

There remains an ongoing court process to rule whether Alcentra Limited will be granted control over the remaining group entities of that investee. On September 15, 2020, the court ruled in favour of Alcentra Limited, however, this ruling is subsequently being appealed by the public prosecutor.

Alcentra Limited and the Board of Managers acknowledges the consequential uncertainty in the amount recoverable from the investment, and the possible outcomes over the coming period could vary considerably from this estimated fair value.

17. SUBSEQUENT EVENTS

On February 8, 2021 Listing and Membership Committee (the "LMC") of The International Stock Exchange Authority Limited (the "Authority") agreed to admit the Loan Notes to the Official List of the Authority with effect from 18:00 on February 8, 2021.

It was noted that the maturity date of the Notes was February 28, 2030. The Notes would be automatically delisted from the Official List of the Authority on the business day following the maturity date.

San-Marie Greeff and Marketa Stranska have resigned as managers, Joerg Oster and Peter Dickinson have been appointed as new managers effective February 22, 2021.

No other events have occurred subsequent to the year-end which would have material impact on the annual accounts for the year ended December 31, 2020.