

**ALCENTRA LIMITED**  
**(Formerly Barclays Capital Asset Management Limited)**  
**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2003**

**COMPANY NO: 2958399**



**ALCENTRA LIMITED**  
**(Formerly Barclays Capital Asset Management Limited)**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2003**

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**ALCENTRA LIMITED**  
**(Formerly Barclays Capital Asset Management Limited)**

**DIRECTORS AND ADVISORS**

**Directors**

C Damico  
D Forbes-Nixon  
R Bennett

**Company Secretary**

R Bennett

**Registered Office**

88 Wood Street  
London  
EC2V 7QS

**Auditors**

KPMG Audit Plc  
1 Canada Square  
London  
E14 5AG

**Solicitors**

MacFarlanes  
10 Norwich Street  
London  
EC4A 1BD

**Bankers**

Bank of Scotland  
155 Bishopsgate  
London  
EC2V 7QS

**ALCENTRA LIMITED**  
**(Formerly Barclays Capital Asset Management Limited)**

**REPORT OF THE DIRECTORS**

**FOR THE YEAR ENDED 31 DECEMBER 2003**

The directors present their report and the audited financial statements for the year ended 31 December 2003.

**PRINCIPAL ACTIVITIES & REVIEW OF BUSINESS**

The Company is a specialised asset manager. The Company is regulated by the Financial Services Authority.

The Company was acquired by the Alcentra Group and changed its name by Special Resolution to Alcentra Limited on 4 March 2003.

The result for the year is set out on page 8.

**DIVIDENDS**

On 4 March 2003 an interim dividend of £2,574,297 (2002: Nil) was paid to Barclays Group Holdings Limited. The directors do not recommend the payment of a final dividend (2002: Nil).

**DIRECTORS AND THEIR INTERESTS IN THE SHARES OF THE COMPANY**

The directors of the company during the year were:

C Damico	(appointed 4 March 2003)
D Forbes-Nixon	(appointed 4 March 2003)
R Bennett	(appointed 9 June 2003)
M Blackburn	(resigned 4 March 2003)
P Clackson	(resigned 4 March 2003)
M Keegan	(resigned 4 March 2003)
F McGarahan	(resigned 4 March 2003)
J Taylor	(resigned 4 March 2003)
Barcosec Limited	(resigned 4 March 2003)
Barometers Limited	(resigned 4 March 2003)

None of the above directors held any interest in the share capital of the company. C Damico and D Forbes-Nixon each owned 85,750 ordinary shares being 16.3% of the equity in the ultimate parent undertaking Alcentra Group Limited at both 4 March 2003 and 31 December 2003.

**ALCENTRA LIMITED**  
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**REPORT OF THE DIRECTORS**

**FOR THE YEAR ENDED 31 DECEMBER 2003**

**CHARITABLE AND POLITICAL DONATIONS**

During the year ended 31 December 2003 the company made £500 charitable donations (2002: Nil) and no political donations (2002:Nil).

**AUDITORS**

During the year PricewaterhouseCoopers resigned as auditors to the Company. In accordance with Section 388 of the Companies Act 1985, a resolution for the appointment of KPMG Audit Plc as auditors of the company to fill the casual vacancy will be proposed at the forthcoming Annual General Meeting.

88 Wood Street  
London  
EC2V 7QS  
25 March 2004

BY THE ORDER OF THE BOARD

A handwritten signature in black ink, appearing to read 'R Bennett', with a long horizontal flourish extending to the right.

R Bennett  
Secretary

**ALCENTRA LIMITED**  
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**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

Company law requires the directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the company as at the end of the financial year, and of the profit or loss of the company for that year. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**ALCENTRA LIMITED**  
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**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF ALCENTRA LIMITED**

**FOR THE YEAR ENDED 31 DECEMBER 2003**

We have audited the financial statements on pages 8 to 15.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of directors and auditors**

The directors are responsible for preparing the directors' report and, as described on page 6 the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the group is not disclosed.

**Basis of audit opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 December 2003 and of the profit of the company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*KPMG Audit Plc*

KPMG Audit Plc  
Chartered Accountants  
Registered Auditors  
London

Date: *25 March 2004*

**ALCENTRA LIMITED**  
**(Formerly Barclays Capital Asset Management Limited)**

**PROFIT AND LOSS ACCOUNT**

**FOR THE YEAR ENDED 31 DECEMBER 2003**

	Note	2003 £	2002 £
<b>TURNOVER</b>	1	5,489,593	8,142,777
Administrative expenses		(2,676,716)	(5,341,204)
Other operating expenses		<u>(184,341)</u>	<u>-</u>
<b>OPERATING PROFIT</b>	2	2,628,536	2,801,573
Interest receivable and similar income	4	117,700	129,914
Interest payable and similar charges	4	<u>(39,703)</u>	<u>(40,504)</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		2,706,533	2,890,983
Tax on profit on ordinary activities	5	<u>(824,545)</u>	<u>(872,168)</u>
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		1,881,988	2,018,815
Dividend		<u>(2,574,297)</u>	<u>-</u>
<b>RETAINED (LOSS)/PROFIT FOR THE YEAR</b>		(692,309)	2,018,815
<b>RETAINED PROFIT BROUGHT FORWARD</b>		<u>2,045,564</u>	<u>26,749</u>
<b>RETAINED PROFIT CARRIED FORWARD</b>		<u>1,353,255</u>	<u>2,045,564</u>

All amounts relate to continuing activities.

Notes on pages 10 to 15 form part of these financial statements.



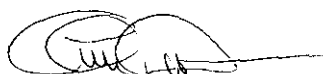
**ALCENTRA LIMITED**  
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**BALANCE SHEET AS AT 31 DECEMBER 2003**

	Note	2003 £	2002 £
<b>FIXED ASSETS</b>			
Tangible assets	6	70,876	-
<b>CURRENT ASSETS</b>			
Debtors	7	2,403,810	1,550,199
Cash at bank and in hand		<u>3,470,975</u>	<u>4,278,798</u>
		5,874,785	5,828,997
<b>CREDITORS: Amounts falling due within one year</b>	8	<u>(2,092,404)</u>	<u>(1,283,431)</u>
<b>NET CURRENT ASSETS</b>		<u>3,782,381</u>	<u>4,545,566</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		3,853,257	4,545,566
<b>CREDITORS: Amounts falling due after more than one year</b>	9	<u>(800,000)</u>	<u>(800,000)</u>
<b>NET ASSETS</b>		<u>3,053,257</u>	<u>3,745,566</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	10	1,700,002	1,700,002
Profit and loss account	11	<u>1,353,255</u>	<u>2,045,564</u>
<b>Equity shareholders' funds</b>		<u>3,053,257</u>	<u>3,745,566</u>

The notes on pages 10 to 15 form part of these financial statements

The financial statements were approved by the Board of Directors on 25 March 2004 and signed on its behalf.



**C Damico**  
Director

**ALCENTRA LIMITED**  
**(Formerly Barclays Capital Asset Management Limited)**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2003**

**1 ACCOUNTING POLICIES**

**1.1 Basis of preparation**

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules. The particular accounting policies adopted by the directors are described below.

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cashflow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

**1.2 Depreciation**

Depreciation is provided at the following rates per annum, which are considered adequate to write off the cost of the assets, less their estimated residual value, over their estimated useful lives:

Fixtures and fittings	-	33% straight line
Computer equipment	-	33% straight line

**1.3 Turnover**

Turnover is management fee income and is accounted for net of VAT on an accruals basis. All turnover derives from operations in Europe.

**1.4 Pension**

Staff are members of a defined contribution pension plan. Contributions are expensed as incurred.

**1.5 Foreign Exchange**

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of determination of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account. Non-monetary assets denominated in foreign currencies are translated at the relevant historic exchange rates.

**1.6 Deferred Tax**

The charge for taxation is based on the results for the year and includes deferred taxation. Deferred tax assets are recognised to the extent that they can be expected to be recovered against profits in the future.

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**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2003**

**2 OPERATING PROFIT**

This is stated after charging/(crediting):

		<b>2003</b>	<b>2002</b>
		£	£
Auditors' remuneration	- audit fee	21,500	Nil
Depreciation		18,465	Nil
Operating lease payments	- land & buildings	103,425	Nil
Foreign exchange loss		<u>184,341</u>	<u>Nil</u>

*Prior to its acquisition by the Alcentra Group on 4 March 2003 certain operational and administrative costs were borne by companies within the Barclays Group and recharged by way of management charges.*

**3 EMPLOYEE INFORMATION**

**3.1 Employees**

**Including directors:**

	<b>2003</b>	<b>2002</b>
	£	£
Wages and salaries	1,692,815	Nil
Social security costs	226,996	Nil
Pension	<u>66,761</u>	<u>Nil</u>
	<u>1,986,572</u>	<u>Nil</u>

*Prior to its acquisition by the Alcentra Group on 4 March 2003 all staff were employed by companies within the Barclays Group and recharged by way of management charges.*

The average number of employees, including the directors, employed during the year was 12 (2002: 5).

**ALCENTRA LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS - Continued**

**FOR THE YEAR ENDED 31 DECEMBER 2003**

**3.2 Directors' Remuneration**

Directors' remuneration was as follows:

	<b>2003</b>	<b>2002</b>
	£	£
Emoluments	620,627	Nil
Pension	4,634	Nil
Benefits in kind	<u>2,891</u>	<u>Nil</u>
Total remuneration	<u>628,152</u>	<u>Nil</u>

Remuneration, excluding pension contributions, of the highest paid director was:

	<b>2003</b>	<b>2002</b>
	£	£
Highest paid director	<u>293,662</u>	<u>Nil</u>

**4 INTEREST**

	<b>2003</b>	<b>2002</b>
	£	£
<b>Interest receivable and similar income:</b>		
Bank interest receivable	72,385	Nil
Group undertakings	<u>45,315</u>	<u>129,914</u>
	<u>117,700</u>	<u>129,914</u>
 <b>Interest payable and similar charges</b>		
Group undertakings	<u>39,703</u>	<u>40,504</u>

**ALCENTRA LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS - Continued**

**FOR THE YEAR ENDED 31 DECEMBER 2003**

**5 TAX ON PROFIT ON ORDINARY ACTIVITIES**

	2003 £	2002 £
Profit on ordinary activities before tax	<u>2,706,533</u>	<u>2,890,983</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30%	811,960	867,295
Expenses not deductible for tax purposes	13,746	4,873
Capital allowances in excess of depreciation	<u>(1,161)</u>	<u>-</u>
	<u>824,545</u>	<u>872,168</u>

**6 FIXED ASSETS**

	Computer Equipment £	Fixtures & Fittings £	Total £
<b>COST</b>			
At 1 January 2003	Nil	Nil	Nil
Additions	<u>62,450</u>	<u>26,891</u>	<u>89,341</u>
At 31 December 2003	<u>62,450</u>	<u>26,891</u>	<u>89,341</u>
<b>DEPRECIATION</b>			
At 1 January 2003	Nil	Nil	Nil
Charge for the year	<u>14,596</u>	<u>3,869</u>	<u>18,465</u>
At 31 December 2003	<u>14,596</u>	<u>3,869</u>	<u>18,465</u>
<b>NET BOOK VALUE</b>			
At 31 December 2003	<u>47,854</u>	<u>23,022</u>	<u>70,876</u>
At 31 December 2002	<u>Nil</u>	<u>Nil</u>	<u>Nil</u>

**7 DEBTORS**

	2003 £	2002 £
Trade debtors	1,420,967	1,518,163
Amounts due from group undertakings	191,622	32,036
Amounts due from parent undertaking	485,963	
Other debtors	204,162	-
Prepayments and accrued income	<u>101,096</u>	<u>-</u>
	<u>2,403,810</u>	<u>1,550,199</u>

**ALCENTRA LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS - Continued**

**FOR THE YEAR ENDED 31 DECEMBER 2003**

**8 CREDITORS - Amounts falling due within one year:**

	<b>2003</b>	<b>2002</b>
	<b>£</b>	<b>£</b>
Amounts owed to group undertakings	104,268	411,263
Taxation payable	824,545	872,168
Accruals and deferred income	<u>1,163,591</u>	<u>-</u>
	<u>2,092,404</u>	<u>1,283,431</u>

**9 CREDITORS - Amounts falling due after more than one year:**

	<b>2003</b>	<b>2002</b>
	<b>£</b>	<b>£</b>
Amounts owed to parent undertakings	<u>800,000</u>	<u>800,000</u>

The amount due to parent undertakings relates to a subordinated loan which cannot be repaid without the prior consent of the FSA. Interest has been charged on this loan at a rate of 5%.

**10 CALLED UP SHARE CAPITAL**

	<b>2003</b>	<b>2002</b>
	<b>£</b>	<b>£</b>
<b>Allotted, called up and fully paid</b>		
1,700,002 ordinary shares of £1 each	<u>1,700,002</u>	<u>1,700,002</u>
<b>Authorised</b>		
3,000,000 ordinary shares of £1 each	<u>3,000,000</u>	<u>3,000,000</u>

**11 PROFIT & LOSS ACCOUNT**

	<b>2003</b>	<b>2002</b>
	<b>£</b>	<b>£</b>
At 1 January	2,045,564	26,749
Retained (loss)/profit for year	<u>(692,309)</u>	<u>2,018,815</u>
At 31 December	<u>1,353,255</u>	<u>2,045,564</u>

**ALCENTRA LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS - Continued**

**FOR THE YEAR ENDED 31 DECEMBER 2003**

**12 OPERATING LEASES**

Annual commitments under non-cancellable operating leases are as follows:

	2003		2002	
	Land and buildings	Other	Land and buildings	Other
	£	£	£	£
Operating leases which expire:				
Within one year	Nil	Nil	Nil	Nil
Between one and two years	173,755	Nil	Nil	Nil
Two to five years	Nil	6,328	Nil	Nil

**13 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS**

	2003	2002
	£	£
Balance at 1 January	3,745,566	1,726,751
Profit after tax for the year	1,881,988	2,018,815
Interim dividend	(2,574,297)	-
Balance at 31 December	<u>3,053,257</u>	<u>3,745,566</u>

**14 RELATED PARTY TRANSACTIONS**

At 31 December the company was owed £485,963 (2002 Nil) by Alcentra Group Limited, the company's Bermudian incorporated ultimate parent company in respect of expenses settled on its behalf.

**15 ULTIMATE PARENT COMPANY AND CONTROLLING PARTY**

The company is a subsidiary undertaking of Alcentra Asset Management Limited a company incorporated in England & Wales.

The largest group in which the results of the company are consolidated is that headed by Alcentra Group Limited, a company incorporated in Bermuda. The smallest group in which they are consolidated is that headed by Alcentra Asset Management Limited.

Alchemy Partners Nominees Limited holds 51% of the ordinary issued share capital of Alcentra Group Limited on behalf of investors in the Alchemy Investment Plan. The Alchemy Investment Plan is managed by Alchemy Partners (Guernsey) Limited.