

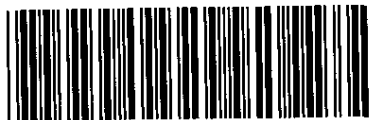
Registered number: 05696941

**KEY CAPITAL PARTNERS (GENERAL PARTNER) LTD**

**REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 APRIL 2019**

THURSDAY



A20 \*A8DBYLUP\* #229  
05/09/2019  
COMPANIES HOUSE

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**KEY CAPITAL PARTNERS (GENERAL PARTNER) LTD**

**COMPANY INFORMATION**

**30 April 2019**

<b>DIRECTOR</b>	Owen Trotter
<b>COMPANY SECRETARY</b>	Brigid Rodgers
<b>BUSINESS ADDRESS</b>	13 Park Place Leeds LS1 2SJ
	Leeds LS1 2SJ
<b>BANKERS</b>	Lloyds 25 Gresham Street London EC2V 7HN
<b>SOLICITORS</b>	O' Connors LLP The Plaza 100 Old Hall Street Liverpool L3 9QJ
<b>COMPANY NUMBER</b>	05696941

# **KEY CAPITAL PARTNERS (GENERAL PARTNER) LTD**

## **REPORT OF THE DIRECTORS**

**YEAR ENDED 30 APRIL 2019**

The Directors present their report, together with the Financial Statements for the year ended 30 April 2019.

### **Principal Activities**

The company is the General Partner in the Key Capital Partners Fund.

### **Directors**

The Director of the Company during the year ended 30 April 2019 was Owen Trotter.

### **Business Review**

The company continued to act as the General Partner in the Key Capital Partners Fund. The year-end financial position of the company was satisfactory, and the director expects that the present level of activity will be maintained for the foreseeable future.

### **Results**

The Company's profit for the year was **£1** (2018: £1).

### **Status of this Directors' Report**

This report is prepared in accordance with the small companies' regime under the Companies Act 2006.

This report was approved by the Board on 23rd July 2019 and signed on its behalf.

**Brigid Rodgers**  
**Company Secretary**

## **KEY CAPITAL PARTNERS (GENERAL PARTNER) LTD**

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

**YEAR ENDED 30 APRIL 2019**

The Directors are responsible for preparing the Directors' Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have elected to prepare the Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under Company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these Financial Statements, the Director is required to:

- select suitable Accounting Policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis.

The Director is responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are 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.

**KEY CAPITAL PARTNERS (GENERAL PARTNER) LTD**

**PROFIT AND LOSS ACCOUNT**

**YEAR ENDED 30 APRIL 2019**

Note	2019	2018
	£	£
<b>Gross Profit</b>	<b>231,013</b>	<b>318,633</b>
<b>Net operating expenses</b>		
Administrative expenses	<u>(231,012))</u>	<u>(318,632)</u>
<b>Operating profit/(loss) on ordinary activities before taxation</b>	<b>1</b>	<b>1-</b>
Interest receivable and similar income	<u>-</u>	<u>-</u>
<b>Profit/ (loss) on Ordinary Activities before taxation</b>	<b>1</b>	<b>1</b>
Tax on profit on ordinary activities	<u>-</u>	<u>-</u>
<b>Profit/ (loss) for the Financial Year</b>	<u><b>1</b></u>	<u><b>1</b></u>

Profit for the year has been calculated on the historical cost basis.

The Accounting Policies and Notes on pages 7 to 8 form part of these Financial Statements.

**KEY CAPITAL PARTNERS (GENERAL PARTNER) LTD**

**COMPANY NUMBER 05696941**

**BALANCE SHEET**

**AT 30 APRIL 2019**

	<b>Note</b>	<b>2019</b>	<b>2018</b>
		<b>£</b>	<b>£</b>
<b>Fixed Assets</b>			
Investments	<b>3</b>	<b>130</b>	<b>130</b>
<b>Current Assets</b>			
Debtors	<b>4</b>	<b>151</b>	<b>16</b>
Cash at bank and in hand		<b>150</b>	<b>164</b>
<b>Net Current Assets</b>		<b>301</b>	<b>180</b>
<b>Creditors:</b> amounts falling due after one year		<b>(427)</b>	<b>(307)</b>
		<b>(126)</b>	<b>(127)</b>
<b>Total Assets less Current Liabilities</b>		<b>4</b>	<b>3</b>
<b>Capital and Reserves</b>			
Called up share capital	<b>5</b>	<b>1</b>	<b>1</b>
Profit and loss account	<b>6</b>	<b>3</b>	<b>2</b>
		<b>4</b>	<b>3</b>

The Accounting Policies and Notes on pages 7 to 8 form part of these Financial Statements.

**KEY CAPITAL PARTNERS (GENERAL PARTNER) LTD**

**COMPANY NUMBER 05696941**

**CASH FLOW STATEMENT**

**AT 30 APRIL 2019**

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Cash inflow/(outflow) from operating activities	<b>1</b>	<b>1</b>
Increase in debtors	<b>(135)</b>	<b>(15)</b>
Increase in creditors	<b>120</b>	<b>142</b>
(Decrease)/increase in cash	<b>(14)</b>	<b>128</b>
Cash and cash equivalents at 1 May 2018	<b>164</b>	<b>36</b>
Cash and cash equivalents at 30 April 2019	<b>150</b>	<b>164</b>



**KEY CAPITAL PARTNERS (GENERAL PARTNER) LTD**

**COMPANY NUMBER 05696941**

**BALANCE SHEET**

**AT 30 APRIL 2019**

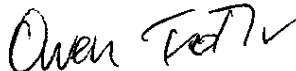
These Financial Statements are prepared in accordance with the provisions applicable to companies subject to the small companies regime under the Companies Act 2006.

For the year ended 30 April 2019 the company was entitled to exemption under section 477 of the Companies Act 2006 relating to small companies.

No members have required the company to obtain an audit of its accounts for the year in question in accordance with section 476 of the Companies Act 2006.

The directors acknowledge their responsibility for complying with the requirements of the Act with respect to accounting records and for the preparation of accounts.

The Financial Statements were approved and authorised for issue by the Board of Directors 23rd July 2019 and were signed on its behalf by:



**Owen Trotter**  
**Director**

The Accounting Policies and Notes on pages 7 to 8 form part of these Financial Statements.

**KEY CAPITAL PARTNERS (GENERAL PARTNER) LTD**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 30 APRIL 2019**

**1. Accounting Policies**

A summary of the more important Accounting Policies is set out below.

**Basis of Accounting**

The Financial Statements have been prepared on a going concern basis under the historical cost convention.

**Turnover**

Turnover derives from income as the General Partner in the 13 Limited Partnerships which comprise the Key Capital Partners Fund. All the partnerships are registered in the United Kingdom.

**Investments**

Investments held as fixed assets are stated at cost less provision for any impairment.

**Taxation**

The Company's taxation is based on the accounts of the 13 Limited Partnerships which comprise the Key Capital Partners Fund. This treatment is not reflected in these accounts.

**KEY CAPITAL PARTNERS (GENERAL PARTNER) LTD**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 30 APRIL 2019**

**1. Accounting Policies (continued)**

No provision has been made for deferred tax

**2. Investments**

Cost at 1 May and 30 April 2019	<b>£130</b>	<b>£130</b>
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The holding comprises the company's investment in the 13 Limited Partnerships of the Key Capital Partner Fund

<b>3. Debtors</b>	<b>2019</b>	<b>2018</b>
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Other debtors	<b>151</b>	<b>16</b>
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<b>4. Creditors</b>	<b>2019</b>	<b>2018</b>
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Other creditors	<b>427</b>	<b>307</b>
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**5 Share Capital**

**Allotted and Called Up**

"A" ordinary shares of £1 each	<b>1</b>	<b>1</b>
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<b>6. Reserves</b>	<b>Own Shares</b>	<b>Profit &amp; Loss Account</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>
At 1 May 2018	<b>1</b>	<b>2</b>	<b>3</b>
Retained profit for the year	<u><b>-</b></u>	<u><b>1</b></u>	<u><b>1</b></u>
At 30 April 2019	<u><b>1</b></u>	<u><b>3</b></u>	<u><b>4</b></u>

**7. Related Party Transactions**

The Company paid management fees totalling **£231,000** (2018: £318,632) to Key Capital Partners LLP the manager of the Key Capital Partners Fund

**8. Parent Undertaking and Ultimate Controlling Party**

The ultimate parent in calculating and controlling company is Key Capital Partners LLP, a Limited Liability Partnership registered in the United Kingdom

# KCP | KEY CAPITAL PARTNERS

**Key Capital Partners FUND KCP 1-A**  
**ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS**  
**YEAR ENDED 30 APRIL 2019**

THESE PARTNERSHIP  
ACCOUNTS FORM PART  
OF THE ACCOUNTS  
OF COMPANY  
No.05696941

THURSDAY

A20

\*A8DBYLUX\*  
05/09/2019  
COMPANIES HOUSE

#230

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**Partnership Information**

**Partnership Number**

LP12171

**Manager**

Key Capital Partners LLP  
13 Park Place  
Leeds  
LS1 2SJ

**Designated Members of the Manager**

James Hall  
Michael Fell  
Owen Trotter  
Peter Armitage  
Philip Duquenoy

**General Partner**

Key Capital Partners (General Partner) Limited  
13 Park Place  
Leeds  
LS1 2SJ

**Director of the General Partner**

Owen Trotter

**Auditors**

PKF Littlejohn LLP  
Chartered Accountants and Registered Auditors  
1 Westferry Circus  
Canary Wharf  
London E14 4HD

**Legal Advisers**

O'Connors LLP  
Suite 409  
India Buildings  
Water Street  
Liverpool L2 0XA

**Bankers**

Lloyds Bank plc  
Threadneedle Street  
London BX1 1LT

**Independent Fund Administrators**

IQ EQ Administration Services (UK) Ltd  
- Formerly known as Augentius (UK) Ltd  
2 London Bridge  
London SE1 9RA

## **Key Capital Partners FUND KCP 1-A**

Annual Report and Audited Financial Statements for year ended 30 April 2019

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### **Report of the Manager**

Key Capital Partners (General Partner) Limited (the "General Partner") has appointed Key Capital Partners LLP (the "Manager") to manage the Partnership. The Manager presents the financial statements for Key Capital Partners FUND KCP 1-A (the "Partnership") for the year ended 30 April 2019.

### **Strategic Report**

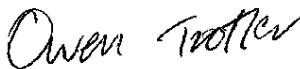
The Partnership is considered as "small" under Section 414B of The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013, as applied to Qualifying Partnerships, and it is therefore exempt from preparing a strategic report.

### **Disclosure of the information to the auditors**

The General Partner and Manager confirm that so far as they are aware, there is no relevant audit information of which the Partnership's auditor is unaware and that they have taken all steps that they ought have taken in order to make themselves aware of any relevant audit information and to establish that the Partnership's auditor is aware of such information.

This report has been prepared in accordance with the special provisions relating to small companies with part 15 of the Companies Act 2006, as applied to Qualifying Partnerships.

Signed on behalf of the Manager



Owen Trotter  
Designated Member

01/08/2019

**Statement of General Partner's Responsibilities in respect of the Financial Statements**

The General Partner is responsible for preparing the Annual Report and financial statements in accordance with applicable law and regulations.

Company law as applied to qualifying partnerships by The Partnerships (Accounts) Regulations 2008 (the "Regulations") requires the General Partner to prepare financial statements for each financial year. Under that law, the General Partner has prepared the Partnership's financial statements in accordance with the statement of compliance and accounting policies in Note 2 and Note 3 to the financial statements. Under company law as applied to qualifying partnerships, the General Partner must not approve the financial statements unless it is satisfied that they give a true and fair view of the state of affairs of the Partnership and of the profit or loss of the Partnership for that period. In preparing these financial statements, the General Partner is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, as specified in accordance with the Limited Partnership Agreement, 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 Partnership will continue in business.

The General Partner is responsible for keeping adequate accounting records that are sufficient to show and explain the Partnership's transactions and disclose with reasonable accuracy at any time the financial position of the Partnership and enable it to ensure that the financial statements comply with the Companies Act 2006 as applied to qualifying partnerships by the Regulations. The General Partner is also responsible for safeguarding the assets of the Partnership and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



## **Independent Auditor's Report to the Members of Key Capital Partners FUND KCP 1-A**

### **Opinion**

We have audited the Financial Statements of Key Capital Partners FUND KCP 1-A (the "Partnership") for the year ended 30 April 2019 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Net Assets Attributable to Partners and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In our opinion the Financial Statements:

- give a true and fair view of the state of the Partnership's affairs as at 30 April 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, as applied to qualifying partnerships by The Partnerships (Accounts) Regulations 2008.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Partnership in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the General Partner's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the General Partner has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Partnership's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The General Partner is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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 that fact.

We have nothing to report in this regard.

### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Report of the Manager for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Report of the Manager has been prepared in accordance with applicable legal requirements.

**Independent Auditor's Report to the Members of Key Capital Partners FUND KCP 1-A (continued)**

**Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the Partnership and its environment obtained in the course of the audit, we have not identified material misstatements in the Report of the Manager.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006, as applied to qualifying partnerships requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit; or
- the Partnership was not entitled to take advantage of the small companies' exemption, as applied to qualifying partnerships, in preparing the Report of the Manager, and the exemption from preparing a Strategic Report.

**Responsibilities of the General Partner**

As explained more fully in the Statement of General Partner's Responsibilities, the General Partner is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the General Partner determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the General Partner is responsible for assessing the Partnership'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 General Partner either intends to liquidate the Partnership or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

**Use of our report**

This report is made solely to the Partnership's members, as a body, in accordance with the Limited Partnership Agreement and Chapter 3 of Part 16 of the Companies Act 2006, as applied to qualifying partnerships by The Partnerships (Accounts) Regulations 2008. Our audit work has been undertaken so that we might state to the Partnership'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 Partnership and the Partnership's members as a body, for our audit work, for this report, or for the opinions we have formed.



**Ian Cowan (Senior Statutory Auditor)**

For and on behalf of PKF Littlejohn LLP  
Statutory Auditor

6 August 2019

1 Westferry Circus  
Canary Wharf  
London E14 4HD

**Statement of Comprehensive Income**

	Notes	Year ended 30 April 2019 £	Year ended 30 April 2018 £
Bank interest		60	370
Interest income		<u>170</u>	<u>29,895</u>
		<b>230</b>	<b>30,265</b>
Unrealised (loss) / gain on investments	7	(355,285)	741,241
Realised gain / (loss) on investments		355,079	(719,608)
<b>Profit for the financial year</b>		<u><b>24</b></u>	<u><b>51,898</b></u>

All results shown in the Statement of Comprehensive Income are from continuing operations. The Partnership has no comprehensive income other than the amounts recognised above. Accordingly, no Statement of Other Comprehensive Income has been prepared.

The notes on pages 11 to 15 form part of these financial statements.

**Key Capital Partners FUND KCP 1-A**

Annual Report and Audited Financial Statements for year ended 30 April 2019

**Statement of Financial Position**

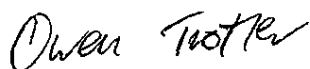
	Notes	As at 30 April 2019 £	As at 30 April 2018 £
<b>Non-current assets</b>			
Financial assets held at fair value through profit or loss	7	185,385	726,666
<b>Current assets</b>			
Cash and cash equivalents		261	200
<b>Current Liabilities</b>			
Trade and other payables	6	(77)	(77)
<b>Net Current Assets</b>		<u>184</u>	<u>123</u>
<b>Net Assets attributable to Partners</b>		<u><u>185,569</u></u>	<u><u>726,789</u></u>
<b>Partners' accounts</b>			
Capital contribution account		140	140
Loan account		3,069,325	3,069,325
Distribution to Partners		(5,233,819)	(4,692,575)
Retained earnings		2,349,923	2,349,899
<b>Total Partners' Funds</b>		<u><u>185,569</u></u>	<u><u>726,789</u></u>

The notes on pages 11 to 15 form part of these financial statements.

These financial statements have been prepared in accordance with the provisions applicable to entities subject to the Small Entities Regime and in accordance with the provisions of FRS 102.

The financial statements on pages 8 to 15 were approved by the Designated Members of the Manager, Key Capital Partners LLP on 6/8/2019.

Signed on behalf of Key Capital Partners LLP



**Owen Trotter**  
**Designated Member**

Partnership Number LP12171

**Key Capital Partners FUND KCP 1-A**  
Annual Report and Audited Financial Statements for year ended 30 April 2019

**Statement of Changes in Net Assets Attributable to Partners**

	Nortrust Nominees Limited as nominee for Schroder £	KCP (Carried Interest) LLP £	KCP (Investments) LLP £	General Partner Limited £	Total £
Net assets attributable to Partners as at 1 May 2018	710,563	687	15,529	10	726,789
<b>Additions</b>					
Loan	7,536	-	-	-	7,536
Profit for the financial year	(33,691)	34,469	(754)	-	24
Priority Profit Share	(7,536)	-	-	7,536	-
<b>Distributions</b>					
Repayment of loan	(495,871)	-	(10,904)	-	(506,775)
Income distribution	-	(34,469)	-	-	(34,469)
Priority Profit Share	-	-	-	(7,536)	(7,536)
Net assets attributable to Partners as at 30 April 2019	181,001	687	3,871	10	185,569

The notes on pages 11 to 15 form part of these financial statements.

## **Notes to the Financial Statements**

### **1 Background and Partnership Agreement**

Key Capital Partners FUND KCP 1-A is a Limited Partnership (the "Partnership") established in England under the Limited Partnerships Act 1907, by the Limited Partnership Agreement (the "Agreement") dated 1 May 2007.

The principal purpose of the Partnership is to carry on the business of investing in qualifying companies, with a view to providing profits for distribution in accordance with the terms of the Agreement.

The Partnership commenced operations on 1 May 2007 and will continue in existence until all investments of the Partnership have been sold or liquidated unless extended or dissolved earlier in accordance with its Agreement dated 1 May 2007.

The Manager is an authorised person under the United Kingdom Financial Services and Markets Act 2000 ("FSMA"). As a consequence, the Manager is permitted to manage and operate collective investment schemes and manage their portfolios, the Manager is also authorised for the conduct of business in the United Kingdom by the Financial Conduct Authority.

### **2 Statement of compliance**

The financial statements of the Partnership have been prepared in compliance with the Agreement, United Kingdom Generally Accounting Practice, by applying the Small Entities requirements under Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the UK and the Republic of Ireland" ("FRS 102") and the Companies Act 2006 as applied to qualifying partnerships by the Partnerships (Accounts) Regulations 2008.

The Partnership has applied the Small Entities Regime under FRS 102 and exercised the option to not prepare a Statement of Cash Flows.

### **3 Summary of significant accounting policies**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied throughout the period, unless otherwise stated. The Partnership has adopted FRS 102 in these financial statements where applicable.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Partnership's financial statements:

#### **(a) Basis of preparation**

The financial statements have been prepared on a going concern basis under the historical cost convention, as modified by the revaluation of investments held at fair value through profit or loss. The amounts are presented in Pound Sterling ("GBP", "£"), which is also the Partnership's functional currency.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires the General Partner to exercise its judgement in the process of applying the Partnership's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

#### **(b) Going concern**

The Partnership meets its working capital requirements through capital calls based on the level of commitments of each Partner. Partners have a legal commitment per the Agreement to pay capital into the Partnership up to the amount committed. The Partnership has adequate remaining capital commitments to meet future obligations, payment of Priority Profit Share and other expenses. Any follow on investments will only be made after consideration of the sufficiency of the remaining capital commitments to fund those future obligations.

After making enquiries, the General Partner has a reasonable expectation that the Partnership has adequate resources to continue in operational existence for the foreseeable future. Accordingly, it continues to adopt the going concern basis in preparing the financial statements.

**Notes to the Financial Statements (continued)**

**3 Summary of significant accounting policies (continued)**

**(c) Revenue recognition**

The Partnership recognises revenue when the revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Partnership.

Bank interest and investment income are recognised on a receivable basis.

**(d) Allocation of Net Income, Net Losses and Realised Capital Gains and Capital Losses**

The allocation of Net Income, Net Losses and Realised Capital Gains and Capital Losses is made in accordance with Section 13 of the Agreement. The General Partner is entitled to a Priority Profit Share agreed by the Limited Partners. The Priority Profit Share is payable quarterly in advance. If the Partnership Income in any Accounting Period is insufficient to pay the Priority Profit Share in full, the amount of the shortfall shall be paid to the General Partner out of gains arising from the disposal of Partnership assets, failing which it shall be advanced interest free by the Partnership to the General Partner as a drawdown from Annual Commitments pursuant to Clause 6 of the Agreement.

**(e) Taxation**

The Partnership is not subject to taxation and no provision for taxation has been made in the financial statements. Any tax on income or capital gains is the responsibility of each individual Partner.

**(f) Financial instruments**

The Partnership has chosen to adopt the Sections 11 and 12 of FRS 102 in respect of financial instruments.

**(i) Financial assets**

Basic financial assets, including receivables and cash and cash equivalents, are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Other basic financial assets, including investments in equity instruments are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in the Statement of Comprehensive Income.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

**(ii) Financial liabilities**

Basic financial liabilities, including trade and other payables, are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Creditors are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

**Notes to the Financial Statements (continued)**

**3 Summary of significant accounting policies (continued)**

**(g) Fair value of investments**

Investments are carried in the Statement of Financial Position at cost in the first year unless there is a clear indication of appreciation or impairment in value. In subsequent years, the investments are recorded at the fair value as calculated by the Manager at the reporting date, in accordance with International Private Equity and Venture Capital Valuation Guidelines. Adjustments in the value of investments are reflected in the financial statements in the year in which the adjustment is made.

**4 Critical accounting estimates and judgements**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

**Fair value of investments**

When the fair value of investments recorded in the Statement of Financial Position cannot be derived from active markets, their fair value is determined using valuation techniques common in the private equity funds industry, primarily earnings multiples and recent comparable transactions. The inputs in the earnings multiples models include observable data, such as earnings multiples of comparable companies to the relevant portfolio company, and unobservable data, such as forecast earnings for the portfolio company. Changes in assumptions about these factors could affect the reported fair value of investments. The models used to determine fair values are validated and periodically reviewed by the Manager.

Changes in the underlying performance of the portfolio companies could cause a loss to the Partnership as a result of those companies being unable to meet their loan stock obligations, either in part or in full.

**5 Expenditure**

General administrative expenses for the year, including auditors' remuneration have been borne by Key Capital Partners LLP, the Manager of the fund. Expenditure incurred in the acquisition of investments is accounted for as part of the cost of investments.

Expenditure incurred by the General Partner through the management and administration of the Partnership is borne by the General Partner in its own financial statements. These amounts are recovered by the General Partner through a Priority Profit Share charged to the Limited Partners.

All other expenditure is accounted for in the Statement of Comprehensive Income.

**6 Trade and other payables**

	As at 30 April 2019 £	As at 30 April 2018 £
Other payables	77	77
	<u>77</u>	<u>77</u>



**Key Capital Partners FUND KCP 1-A**

Annual Report and Audited Financial Statements for year ended 30 April 2019

**Notes to the Financial Statements (continued)****7 Financial assets held at fair value through profit or loss**

	Shares £	Loan Stock £	Total £
<b>Cost</b>			
As at 1 May 2018	560	370,821	371,381
Disposals	(529)	(370,082)	(370,611)
Restructuring *	-	184,615	184,615
As at 30 April 2019	31	185,354	185,385
<b>Change in Fair Value</b>			
As at 1 May 2018	355,285	-	355,285
Change for the year	(355,285)	-	(355,285)
As at 30 April 2019	-	-	-
<b>Fair Value</b>			
As at 30 April 2019	31	185,354	185,385
As at 30 April 2018	355,845	370,821	726,666

\* The Partnership has reissued its £1,500,000 of deferred consideration of loan note in Templine for a 4% secured loan note as part of its exit on 20 December 2018.

The Partnership uses the following hierarchy to estimate the fair value of its investments which are measured at fair value through profit or loss:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities

The Partnership has no investments as at 30 April 2019 and 30 April 2018 under this category.

- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

The Partnership has no investments as at 30 April 2019 and 30 April 2018 under this category.

- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

The Partnership's investments as at 30 April 2019 amounting to £185,385 (30 April 2018: £726,666) were categorised under this category.

**8 Investment Undertakings**

	Fund	Geography	Business activity	Number of Shares	% Ownership
<b>Siamo Azzuri Limited (t/a Templine)</b>					
1p 'A' Ordinary Shares	I	UK	Provision of recruitment services to the logistics sector	52,923	5.29%
10% Subordinated Loan Stock - 2014					
<b>Neville Johnson Holdings Limited *</b>					
£1 'A' Ordinary Shares	I	UK	Manufacture and installation of bespoke furniture	31	0.01%
10% Subordinated Loan Stock - 2015					

\* Represents the shareholding of investors opting in the rollover following the sale of Neville Johnson in May 2014.

**Notes to the Financial Statements (continued)**

**9 Related Party Transactions**

The General Partner has entered into a management agreement with the Manager, Key Capital Partners LLP, under which the Manager has assumed certain responsibilities. The Manager is entitled to a fee from the General Partner for its services. James Hall, Michael Fell, Owen Trotter, Peter Armitage and Philip Duquenoy are the Designated Members of Key Capital Partners LLP. The General Partner received £7,536 (30 April 2018: £13,829) as a Priority Profit Share and there were no amounts outstanding at the year end.

**10 Ultimate Controlling Party**

The immediate controlling party of the Partnership is Key Capital Partners (General Partner) Limited, a wholly owned subsidiary of Key Capital Partners LLP, a limited liability partnership incorporated in the United Kingdom. There is no one overall controlling party.

**11 Provision for Carried Interest**

If the investment portfolio were to be fully realised at the values included in the Financial Statements at 30 April 2019, there would be a reallocation of Income between Key Capital Partners (Carried Interest) LLP and those of the other Partners.

This would reallocate to Key Capital Partners (Carried Interest) LLP Net Income of £18,538 (30 April 2018: £53,028) for Key Capital Partners Fund I being an estimate, calculated in accordance with the terms of the Limited Partnership Agreement, of the carried interest due to Key Capital Partners (Carried Interest) LLP at 30 April 2019.



**East Riding of Yorkshire Acting as Administering Authority of East Riding  
Pension Fund KCP1 LP**

**ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS**

**YEAR ENDED 30 APRIL 2019**

THESE PARTNERSHIP  
ACCOUNTS FORM PART  
OF THE ACCOUNTS  
OF COMPANY  
No.05696941

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**Partnership Information**

**Partnership Number**

LP12175

**Manager**

Key Capital Partners LLP  
13 Park Place  
Leeds  
LS1 2SJ

**Designated Members of the Manager**

James Hall  
Michael Fell  
Owen Trotter  
Peter Armitage  
Philip Duquenoy

**General Partner**

Key Capital Partners (General Partner) Limited  
13 Park Place  
Leeds  
LS1 2SJ

**Director of the General Partner**

Owen Trotter

**Auditors**

PKF Littlejohn LLP  
Chartered Accountants and Registered Auditors  
1 Westferry Circus  
Canary Wharf  
London E14 4HD

**Legal Advisers**

O'Connors LLP  
Suite 409  
India Buildings  
Water Street  
Liverpool L2 0XA

**Bankers**

Lloyds Bank plc  
Threadneedle Street  
London BX1 1LT

**Independent Fund Administrators**

IQ EQ Administration Services (UK) Ltd  
- Formerly known as Augentius (UK) Ltd  
2 London Bridge  
London SE1 9RA

## **Report of the Manager**

Key Capital Partners (General Partner) Limited (the "General Partner") has appointed Key Capital Partners LLP (the "Manager") to manage the Partnership. The Manager presents the financial statements for East Riding of Yorkshire Acting as Administering Authority of East Riding Pension Fund KCP1 LP (the "Partnership") for the year ended 30 April 2019.

## **Strategic Report**

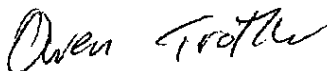
The Partnership is considered as "small" under Section 414B of The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013, as applied to Qualifying Partnerships, and it is therefore exempt from preparing a strategic report.

## **Disclosure of the information to the auditors**

The General Partner and Manager confirm that so far as they are aware, there is no relevant audit information of which the Partnership's auditor is unaware and that they have taken all steps that they ought have taken in order to make themselves aware of any relevant audit information and to establish that the Partnership's auditor is aware of such information.

This report has been prepared in accordance with the special provisions relating to small companies with part 15 of the Companies Act 2006, as applied to Qualifying Partnerships.

Signed on behalf of the Manager



Owen Trotter  
Designated Member

6/4 2019

**Statement of General Partner's Responsibilities in respect of the Financial Statements**

The General Partner is responsible for preparing the Annual Report and financial statements in accordance with applicable law and regulations.

Company law as applied to qualifying partnerships by The Partnerships (Accounts) Regulations 2008 (the "Regulations") requires the General Partner to prepare financial statements for each financial year. Under that law, the General Partner has prepared the Partnership's financial statements in accordance with the statement of compliance and accounting policies in Note 2 and Note 3 to the financial statements. Under company law as applied to qualifying partnerships, the General Partner must not approve the financial statements unless it is satisfied that they give a true and fair view of the state of affairs of the Partnership and of the profit or loss of the Partnership for that period. In preparing these financial statements, the General Partner is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, as specified in accordance with the Limited Partnership Agreement, 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 Partnership will continue in business.

The General Partner is responsible for keeping adequate accounting records that are sufficient to show and explain the Partnership's transactions and disclose with reasonable accuracy at any time the financial position of the Partnership and enable it to ensure that the financial statements comply with the Companies Act 2006 as applied to qualifying partnerships by the Regulations. The General Partner is also responsible for safeguarding the assets of the Partnership and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Independent Auditor's Report to the Members of East Riding of Yorkshire Acting as Administering Authority of East Riding Pension Fund KCP1 LP**

**Opinion**

We have audited the Financial Statements of East Riding of Yorkshire Acting as Administering Authority of East Riding Pension Fund KCP1 LP (the "Partnership") for the year ended 30 April 2019 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Net Assets Attributable to Partners and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In our opinion the Financial Statements:

- give a true and fair view of the state of the Partnership's affairs as at 30 April 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, as applied to qualifying partnerships by The Partnerships (Accounts) Regulations 2008.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Partnership in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the General Partner's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the General Partner has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Partnership's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

**Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The General Partner is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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 that fact.

We have nothing to report in this regard.

**Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Report of the Manager for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Report of the Manager has been prepared in accordance with applicable legal requirements.



**Independent Auditor's Report to the Members of East Riding of Yorkshire Acting as Administering Authority of East Riding Pension Fund KCP1 LP (continued)**

**Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the Partnership and its environment obtained in the course of the audit, we have not identified material misstatements in the Report of the Manager.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006, as applied to qualifying partnerships requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit; or
- the Partnership was not entitled to take advantage of the small companies' exemption, as applied to qualifying partnerships, in preparing the Report of the Manager, and the exemption from preparing a Strategic Report.

**Responsibilities of the General Partner**

As explained more fully in the Statement of General Partner's Responsibilities, the General Partner is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the General Partner determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the General Partner is responsible for assessing the Partnership'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 General Partner either intends to liquidate the Partnership or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

**Use of our report**

This report is made solely to the Partnership's members, as a body, in accordance with the Limited Partnership Agreement and Chapter 3 of Part 16 of the Companies Act 2006, as applied to qualifying partnerships by The Partnerships (Accounts) Regulations 2008. Our audit work has been undertaken so that we might state to the Partnership'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 Partnership and the Partnership's members as a body, for our audit work, for this report, or for the opinions we have formed.



**Ian Cowan (Senior Statutory Auditor)**

For and on behalf of PKF Littlejohn LLP  
Statutory Auditor

6 August 2019

1 Westferry Circus  
Canary Wharf  
London E14 4HD

**Statement of Comprehensive Income**

	Notes	Year ended 30 April 2019 £	Year ended 30 April 2018 £
Bank interest		227	512
Interest income		<u>137,955</u>	<u>173,440</u>
		<b>138,182</b>	<b>173,952</b>
Unrealised (loss) / gain on investments	8	(2,159,323)	1,652,384
Realised gain / (loss) on investments		2,777,563	(719,606)
<b>Profit for the financial year</b>		<b><u>756,422</u></b>	<b><u>1,106,730</u></b>

All results shown in the Statement of Comprehensive Income are from continuing operations. The Partnership has no comprehensive income other than the amounts recognised above. Accordingly, no Statement of Other Comprehensive Income has been prepared.

The notes on pages 11 to 15 form part of these financial statements.

**Statement of Financial Position**

	Notes	As at 30 April 2019 £	As at 30 April 2018 £
<b>Non-current assets</b>			
Financial assets held at fair value through profit or loss	8	2,174,499	5,355,516
<b>Current assets</b>			
Trade and other receivables	6	72,244	252,311
Cash and cash equivalents		284	3,086
		<u>72,528</u>	<u>255,397</u>
<b>Current Liabilities</b>			
Trade and other payables	7	(78)	(2,947)
<b>Net Current Assets</b>		<u>72,450</u>	<u>252,450</u>
<b>Net Assets attributable to Partners</b>		<u>2,246,949</u>	<u>5,607,966</u>
<b>Partners' accounts</b>			
Capital contribution account		140	140
Loan account		8,581,717	8,581,717
Distribution to Partners		(16,989,701)	(12,872,262)
Retained earnings		10,654,793	9,898,371
<b>Total Partners' Funds</b>		<u>2,246,949</u>	<u>5,607,966</u>

The notes on pages 11 to 15 form part of these financial statements.

These financial statements have been prepared in accordance with the provisions applicable to entities subject to the Small Entities Regime and in accordance with the provisions of FRS 102.

The financial statements on pages 8 to 15 were approved by the Designated Members of the Manager, Key Capital Partners LLP on 6/6 2019.

Signed on behalf of Key Capital Partners LLP



**Owen Trotter**  
**Designated Member**

Partnership Number LP12175

**East Riding of Yorkshire Acting as Administering Authority of East Riding Pension Fund KCP1 LP**  
Annual Report and Audited Financial Statements for year ended 30 April 2019

**Statement of Changes in Net Assets Attributable to Partners**

	East Riding Pension Fund	KCP (Carried Interest) LLP	KCP (Investments) LLP	General Partner Limited	Total
	£	£	£	£	£
<b>Net assets attributable to Partners as at 1 May 2018</b>	<b>5,474,138</b>	<b>3,124</b>	<b>130,694</b>	<b>10</b>	<b>5,607,966</b>
<b>Additions</b>					
Loan	30,144	-	-	-	30,144
Profit for the financial year	426,758	318,098	11,566	-	756,422
Priority Profit Share	(30,144)	-	-	30,144	-
<b>Distributions</b>					
Repayment of loan	(3,708,155)	-	(91,186)	-	(3,799,341)
Income distribution	-	(318,098)	-	-	(318,098)
Priority Profit Share	-	-	-	(30,144)	(30,144)
<b>Net assets attributable to Partners as at 30 April 2019</b>	<b>2,192,741</b>	<b>3,124</b>	<b>51,074</b>	<b>10</b>	<b>2,246,949</b>

The notes on pages 11 to 15 form part of these financial statements.

## Notes to the Financial Statements

### 1 Background and Partnership Agreement

East Riding of Yorkshire Acting as Administering Authority of East Riding Pension Fund KCP1 LP is a Limited Partnership (the "Partnership"), established in England under the Limited Partnerships Act 1907, by the Limited Partnership Agreement (the "Agreement") dated 1 May 2007.

The principal purpose of the Partnership is to carry on the business of investing in qualifying companies, with a view to providing profits for distribution in accordance with the terms of the Agreement.

The Partnership commenced operations on 1 May 2007 and will continue in existence until all investments of the Partnership have been sold or liquidated unless extended or dissolved earlier in accordance with its Agreement dated 1 May 2007.

The Manager is an authorised person under the United Kingdom Financial Services and Markets Act 2000 ("FSMA"). As a consequence, the Manager is permitted to manage and operate collective investment schemes and manage their portfolios, the Manager is also authorised for the conduct of business in the United Kingdom by the Financial Conduct Authority.

### 2 Statement of compliance

The financial statements of the Partnership have been prepared in compliance with the Agreement, United Kingdom Generally Accounting Practice, by applying the Small Entities requirements under Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the UK and the Republic of Ireland" ("FRS 102") and the Companies Act 2006 as applied to qualifying partnerships by the Partnerships (Accounts) Regulations 2008.

The Partnership has applied the Small Entities Regime under FRS 102 and exercised the option to not prepare a Statement of Cash Flows.

### 3 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied throughout the period, unless otherwise stated. The Partnership has adopted FRS 102 in these financial statements where applicable.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Partnership's financial statements:

#### (a) Basis of preparation

The financial statements have been prepared on a going concern basis under the historical cost convention, as modified by the revaluation of investments held at fair value through profit or loss. The amounts are presented in Pound Sterling ("GBP", "£"), which is also the Partnership's functional currency.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires the General Partner to exercise its judgement in the process of applying the Partnership's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

#### (b) Going concern

The Partnership meets its working capital requirements through capital calls based on the level of commitments of each Partner. Partners have a legal commitment per the Agreement to pay capital into the Partnership up to the amount committed. The Partnership has adequate remaining capital commitments to meet future obligations, payment of Priority Profit Share and other expenses. Any follow on investments will only be made after consideration of the sufficiency of the remaining capital commitments to fund those future obligations.

After making enquiries, the General Partner has a reasonable expectation that the Partnership has adequate resources to continue in operational existence for the foreseeable future. Accordingly, it continues to adopt the going concern basis in preparing the financial statements.

**Notes to the Financial Statements (continued)**

**3 Summary of significant accounting policies (continued)**

**(c) Revenue recognition**

The Partnership recognises revenue when the revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Partnership.

Bank interest and investment income are recognised on a receivable basis.

**(d) Allocation of Net Income, Net Losses and Realised Capital Gains and Capital Losses**

The allocation of Net Income, Net Losses and Realised Capital Gains and Capital Losses is made in accordance with Section 13 of the Agreement. The General Partner is entitled to a Priority Profit Share agreed by the Limited Partners. The Priority Profit Share is payable quarterly in advance. If the Partnership Income in any Accounting Period is insufficient to pay the Priority Profit Share in full, the amount of the shortfall shall be paid to the General Partner out of gains arising from the disposal of Partnership assets, failing which it shall be advanced interest free by the Partnership to the General Partner as a drawdown from Annual Commitments pursuant to Clause 6 of the Agreement.

**(e) Taxation**

The Partnership is not subject to taxation and no provision for taxation has been made in the financial statements. Any tax on income or capital gains is the responsibility of each individual Partner.

**(f) Financial instruments**

The Partnership has chosen to adopt the Sections 11 and 12 of FRS 102 in respect of financial instruments.

**(i) Financial assets**

Basic financial assets, including receivables and cash and cash equivalents, are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Other basic financial assets, including investments in equity instruments are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in the Statement of Comprehensive Income.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

**(ii) Financial liabilities**

Basic financial liabilities, including trade and other payables, are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Creditors are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

**Notes to the Financial Statements (continued)**

**3 Summary of significant accounting policies (continued)**

**(g) Fair value of investments**

Investments are carried in the Statement of Financial Position at cost in the first year unless there is a clear indication of appreciation or impairment in value. In subsequent years, the investments are recorded at the fair value as calculated by the Manager at the reporting date, in accordance with International Private Equity and Venture Capital Valuation Guidelines. Adjustments in the value of investments are reflected in the financial statements in the year in which the adjustment is made.

**4 Critical accounting estimates and judgements**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

**Fair value of investments**

When the fair value of investments recorded in the Statement of Financial Position cannot be derived from active markets, their fair value is determined using valuation techniques common in the private equity funds industry, primarily earnings multiples and recent comparable transactions. The inputs in the earnings multiples models include observable data, such as earnings multiples of comparable companies to the relevant portfolio company, and unobservable data, such as forecast earnings for the portfolio company. Changes in assumptions about these factors could affect the reported fair value of investments. The models used to determine fair values are validated and periodically reviewed by the Manager.

Changes in the underlying performance of the portfolio companies could cause a loss to the Partnership as a result of those companies being unable to meet their loan stock obligations, either in part or in full.

**5 Expenditure**

General administrative expenses for the year, including auditors' remuneration have been borne by Key Capital Partners LLP, the Manager of the fund. Expenditure incurred in the acquisition of investments is accounted for as part of the cost of investments.

Expenditure incurred by the General Partner through the management and administration of the Partnership is borne by the General Partner in its own financial statements. These amounts are recovered by the General Partner through a Priority Profit Share charged to the Limited Partners.

All other expenditure is accounted for in the Statement of Comprehensive Income.

**6 Trade and other receivables**

	As at 30 April 2019 £	As at 30 April 2018 £
Loan stock interest receivable	72,244	252,311
	<u>72,244</u>	<u>252,311</u>

**7 Trade and other payables**

	As at 30 April 2019 £	As at 30 April 2018 £
Due to parallel funds	1	2,870
Other payables	77	77
	<u>78</u>	<u>2,947</u>

**Notes to the Financial Statements (continued)**

**8 Financial assets held at fair value through profit or loss**

	Shares £	Loan Stock £	Total £
<b>Cost</b>			
As at 1 May 2018	329,940	2,265,688	2,595,628
Disposals	(80,606)	(1,430,465)	(1,511,071)
Restructuring *	-	489,377	489,377
As at 30 April 2019	249,334	1,324,600	1,573,934
<b>Change in Fair Value</b>			
As at 1 May 2018	2,717,542	42,346	2,759,888
Change for the year	(2,159,323)	-	(2,159,323)
As at 30 April 2019	558,219	42,346	600,565
<b>Fair Value</b>			
As at 30 April 2019	807,553	1,366,946	2,174,499
As at 30 April 2018	3,047,482	2,308,034	5,355,516

\* The Partnership has sold its loan note in EarthStream Global Limited ("ESG") to CloudStream Global as part of refinancing of ESG on 14 June 2018. Furthermore, CloudStream Global has changed its name to TechStream Group Holdings Limited on 15 August 2018. Also, the Partnership has reissued its £1,500,000 of deferred consideration of loan note in Templine for a 4% secured loan note as part of its exit on 20 December 2018.

The Partnership uses the following hierarchy to estimate the fair value of its investments which are measured at fair value through profit or loss:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities

The Partnership has no investments as at 30 April 2019 and 30 April 2018 under this category.

- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

The Partnership has no investments as at 30 April 2019 and 30 April 2018 under this category.

- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

The Partnership's investments as at 30 April 2019 amounting to £2,174,499 (30 April 2018: £5,355,516) were categorised under this category.



**Notes to the Financial Statements (continued)**

**9 Investment Undertakings**

	Fund	Geography	Business activity	Number of Shares	% Ownership
<b>Siamo Azzuri Limited (t/a Templine)</b> Templine (4% Secured Loan Notes)	I	UK	Provision of recruitment services to the logistics sector	N/A	N/A
<b>Neville Johnson Holdings Limited *</b> £1 'A' Ordinary Shares 10% Subordinated Loan Stock - 2015	I	UK	Manufacture and installation of bespoke furniture	31	0.01%
<b>Wells</b> 1p 'A' Ordinary Shares 10% Subordinated 'A' Loan Stock - 2011	IV	UK	Producer of specialist additive masterbatch and compounds	1,220,722	8.58%
<b>Techstream</b> Techstream Group Holdings Limited (Loan notes)	VI	UK	Recruitment for the oil and gas and mining sectors	N/A	N/A
<b>Hallam</b> £1 Preferred Ordinary Shares 10% Fixed Rate Secured Loan Stock - 2021	VII	UK	Recruitment for the medical sector	42,341	4.19%

\* Represents the shareholding of investors opting in the rollover following the sale of Neville Johnson in May 2014.

**10 Related Party Transactions**

The General Partner has entered into a management agreement with the Manager, Key Capital Partners LLP, under which the Manager has assumed certain responsibilities. The Manager is entitled to a fee from the General Partner for its services. Michael Fell, Owen Trotter, Peter Armitage, Philip Duquenoy and James Hail are the Designated Members of Key Capital Partners LLP. The General Partner received £30,144 (30 April 2018: £41,488) as a Priority Profit Share and there were no amounts outstanding at the year end.

**11 Ultimate Controlling Party**

The immediate controlling party of the Partnership is Key Capital Partners (General Partner) Limited, a wholly owned subsidiary of Key Capital Partners LLP, a limited liability partnership incorporated in the United Kingdom. There is no one overall controlling party.

**12 Provision for Carried Interest**

If the investment portfolio were to be fully realised at the values included in the Financial Statements at 30 April 2019, there would be a reallocation of Income between Key Capital Partners (Carried Interest) LLP and those of the other Partners.

This would reallocate to Key Capital Partners (Carried Interest) LLP Net Income of £18,538 (30 April 2018: £53,028) for Key Capital Partners Fund I, £104,205 (30 April 2018: £94,669) for Key Capital Partners Fund IV, £1,556 (30 April 2018: £8,241) for Key Capital Partners Fund V and £126,743 (30 April 2018: £311,122) for Key Capital Partners Fund VII being an estimate, calculated in accordance with the terms of the Limited Partnership Agreement, of the carried interest due to Key Capital Partners (Carried Interest) LLP at 30 April 2019.



**Wolverhampton City Council Fund KCP1 LP**  
**ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS**  
**YEAR ENDED 30 APRIL 2019**

THESE PARTNERSHIP  
ACCOUNTS FORM PART  
OF THE ACCOUNTS  
OF COMPANY  
No.05696941



A20

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05/09/2019  
COMPANIES HOUSE

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**Statement of Comprehensive Income**

	Notes	Year ended 30 April 2019 £	Year ended 30 April 2018 £
Bank interest		174	512
Interest income		<u>109,120</u>	<u>146,493</u>
		<b>109,294</b>	<b>147,005</b>
Unrealised (loss) / gain on investments	8	(1,564,322)	1,451,197
Realised gain / (loss) on investments		1,994,022	(719,606)
<b>Profit for the financial year</b>		<b><u>538,994</u></b>	<b><u>878,596</u></b>

All results shown in the Statement of Comprehensive Income are from continuing operations. The Partnership has no comprehensive income other than the amounts recognised above. Accordingly, no Statement of Other Comprehensive Income has been prepared.

The notes on pages 11 to 15 form part of these financial statements.

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<b>Independent Auditor's Report</b>	<b>6-7</b>
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<b>Statement of Changes in Net Assets Attributable to Partners</b>	<b>10</b>
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**Partnership Information**

**Partnership Number**

LP12173

**Manager**

Key Capital Partners LLP  
13 Park Place  
Leeds  
LS1 2SJ

**Designated Members of the Manager**

James Hall  
Michael Fell  
Owen Trotter  
Peter Armitage  
Philip Duquenoy

**General Partner**

Key Capital Partners (General Partner) Limited  
13 Park Place  
Leeds  
LS1 2SJ

**Director of the General Partner**

Owen Trotter

**Auditors**

PKF Littlejohn LLP  
Chartered Accountants and Registered Auditors  
1 Westferry Circus  
Canary Wharf  
London E14 4HD

**Legal Advisers**

O'Connors LLP  
Suite 409  
India Buildings  
Water Street  
Liverpool L2 0XA

**Bankers**

Lloyds Bank plc  
Threadneedle Street  
London BX1 1LT

**Independent Fund Administrators**

IQ EQ Administration Services (UK) Ltd  
- Formerly known as Augentius (UK) Ltd  
2 London Bridge  
London SE1 9RA

## **Wolverhampton City Council Fund KCP1 LP**

Annual Report and Audited Financial Statements for year ended 30 April 2019

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### **Report of the Manager**

Key Capital Partners (General Partner) Limited (the "General Partner") has appointed Key Capital Partners LLP (the "Manager") to manage the Partnership. The Manager presents the financial statements for Wolverhampton City Council Fund KCP1 LP (the "Partnership") for the year ended 30 April 2019.

### **Strategic Report**

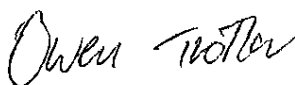
The Partnership is considered as "small" under Section 414B of The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013, as applied to Qualifying Partnerships, and it is therefore exempt from preparing a strategic report.

### **Disclosure of the information to the auditors**

The General Partner and Manager confirm that so far as they are aware, there is no relevant audit information of which the Partnership's auditor is unaware and that they have taken all steps that they ought have taken in order to make themselves aware of any relevant audit information and to establish that the Partnership's auditor is aware of such information.

This report has been prepared in accordance with the special provisions relating to small companies with part 15 of the Companies Act 2006, as applied to Qualifying Partnerships.

Signed on behalf of the Manager



**Owen Trotter**  
**Designated Member**

6/4/2019

**Statement of General Partner's Responsibilities in respect of the Financial Statements**

The General Partner is responsible for preparing the Annual Report and financial statements in accordance with applicable law and regulations.

Company law as applied to qualifying partnerships by The Partnerships (Accounts) Regulations 2008 (the "Regulations") requires the General Partner to prepare financial statements for each financial year. Under that law, the General Partner has prepared the Partnership's financial statements in accordance with the statement of compliance and accounting policies in Note 2 and Note 3 to the financial statements. Under company law as applied to qualifying partnerships, the General Partner must not approve the financial statements unless it is satisfied that they give a true and fair view of the state of affairs of the Partnership and of the profit or loss of the Partnership for that period. In preparing these financial statements, the General Partner is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, as specified in accordance with the Limited Partnership Agreement, 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 Partnership will continue in business.

The General Partner is responsible for keeping adequate accounting records that are sufficient to show and explain the Partnership's transactions and disclose with reasonable accuracy at any time the financial position of the Partnership and enable it to ensure that the financial statements comply with the Companies Act 2006 as applied to qualifying partnerships by the Regulations. The General Partner is also responsible for safeguarding the assets of the Partnership and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **Independent Auditor's Report to the Members of Wolverhampton City Council Fund KCP1 LP**

### **Opinion**

We have audited the Financial Statements of Wolverhampton City Council Fund KCP1 LP (the "Partnership") for the year ended 30 April 2019 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Net Assets Attributable to Partners and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In our opinion the Financial Statements:

- give a true and fair view of the state of the Partnership's affairs as at 30 April 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, as applied to qualifying partnerships by The Partnerships (Accounts) Regulations 2008.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Partnership in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the General Partner's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the General Partner has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Partnership's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The General Partner is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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 that fact.

We have nothing to report in this regard.

### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Report of the Manager for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Report of the Manager has been prepared in accordance with applicable legal requirements.



**Independent Auditor's Report to the Members of Wolverhampton City Council Fund KCP1 LP (continued)**

**Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the Partnership and its environment obtained in the course of the audit, we have not identified material misstatements in the Report of the Manager.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006, as applied to qualifying partnerships requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit; or
- the Partnership was not entitled to take advantage of the small companies' exemption, as applied to qualifying partnerships, in preparing the Report of the Manager, and the exemption from preparing a Strategic Report.

**Responsibilities of the General Partner**

As explained more fully in the Statement of General Partner's Responsibilities, the General Partner is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the General Partner determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the General Partner is responsible for assessing the Partnership'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 General Partner either intends to liquidate the Partnership or to cease operations, or have no realistic alternative but to do so.

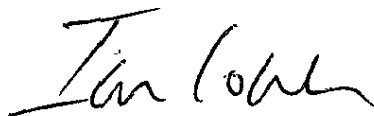
**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

**Use of our report**

This report is made solely to the Partnership's members, as a body, in accordance with the Limited Partnership Agreement and Chapter 3 of Part 16 of the Companies Act 2006, as applied to qualifying partnerships by The Partnerships (Accounts) Regulations 2008. Our audit work has been undertaken so that we might state to the Partnership'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 Partnership and the Partnership's members as a body, for our audit work, for this report, or for the opinions we have formed.*



**Ian Cowan (Senior Statutory Auditor)**

For and on behalf of PKF Littlejohn LLP  
Statutory Auditor

6 August 2019

1 Westferry Circus  
Canary Wharf  
London E14 4HD

**Statement of Financial Position**

	Notes	As at 30 April 2019 £	As at 30 April 2018 £
<b>Non-current assets</b>			
Financial assets held at fair value through profit or loss	8	2,016,281	4,346,623
<b>Current assets</b>			
Trade and other receivables	6	49,161	199,273
Cash and cash equivalents		281	3,400
		<u>49,442</u>	<u>202,673</u>
<b>Current Liabilities</b>			
Trade and other payables	7	(78)	(3,263)
<b>Net Current Assets</b>		<u>49,364</u>	<u>199,410</u>
<b>Net Assets attributable to Partners</b>		<u>2,065,645</u>	<u>4,546,033</u>
<b>Partners' accounts</b>			
Capital contribution account		140	140
Loan account		8,018,766	8,018,766
Distribution to Partners		(15,264,935)	(12,245,553)
Retained earnings		9,311,674	8,772,680
<b>Total Partners' Funds</b>		<u>2,065,645</u>	<u>4,546,033</u>

The notes on pages 11 to 15 form part of these financial statements.

These financial statements have been prepared in accordance with the provisions applicable to entities subject to the Small Entities Regime and in accordance with the provisions of FRS 102.

The financial statements on pages 8 to 15 were approved by the Designated Members of the Manager, Key Capital Partners LLP on 6/8 2019.

Signed on behalf of Key Capital Partners LLP

*Owen Trotter*

**Owen Trotter**  
**Designated Member**

Partnership Number LP12173

**Wolverhampton City Council Fund KCP1 LP**  
Annual Report and Audited Financial Statements for year ended 30 April 2019

**Statement of Changes in Net Assets Attributable to Partners**

	Wolverhampton City Council	(Carried Interest)	KCP LLP	KCP (Investments) LLP	General Partner Limited	Total
	£	£	£	£	£	£
<b>Net assets attributable to Partners as at 1 May 2018</b>	<b>4,439,834</b>	<b>2,627</b>	<b>103,562</b>	<b>10</b>	<b>4,546,033</b>	
<b>Additions</b>						
Loan	27,658	-	-	-	-	27,658
Profit for the financial year	302,296	228,274	8,424	-	-	538,994
Priority Profit Share	(27,658)	-	-	27,658	-	-
<b>Distributions</b>						
Repayment of loan	(2,725,080)	-	(66,028)	-	-	(2,791,108)
Income distribution	-	(228,274)	-	-	-	(228,274)
Priority Profit Share	-	-	-	(27,658)	-	(27,658)
<b>Net assets attributable to Partners as at 30 April 2019</b>	<b>2,017,050</b>	<b>2,627</b>	<b>45,958</b>	<b>10</b>	<b>2,065,645</b>	

The notes on pages 11 to 15 form part of these financial statements.

## **Notes to the Financial Statements**

### **1 Background and Partnership Agreement**

Wolverhampton City Council Fund KCP1 LP is a Limited Partnership (the "Partnership") established in England under the Limited Partnerships Act 1907, by the Limited Partnership Agreement (the "Agreement") dated 1 May 2007.

The principal purpose of the Partnership is to carry on the business of investing in qualifying companies, with a view to providing profits for distribution in accordance with the terms of the Agreement.

The Partnership commenced operations on 1 May 2007 and will continue in existence until all investments of the Partnership have been sold or liquidated unless extended or dissolved earlier in accordance with its Agreement dated 1 May 2007.

The Manager is an authorised person under the United Kingdom Financial Services and Markets Act 2000 ("FSMA"). As a consequence, the Manager is permitted to manage and operate collective investment schemes and manage their portfolios, the Manager is also authorised for the conduct of business in the United Kingdom by the Financial Conduct Authority.

### **2 Statement of compliance**

The financial statements of the Partnership have been prepared in compliance with the Agreement, United Kingdom Generally Accounting Practice, by applying the Small Entities requirements under Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the UK and the Republic of Ireland" ("FRS 102") and the Companies Act 2006 as applied to qualifying partnerships by the Partnerships (Accounts) Regulations 2008.

The Partnership has applied the Small Entities Regime under FRS 102 and exercised the option to not prepare a Statement of Cash Flows.

### **3 Summary of significant accounting policies**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied throughout the period, unless otherwise stated. The Partnership has adopted FRS 102 in these financial statements where applicable.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Partnership's financial statements:

#### **(a) Basis of preparation**

The financial statements have been prepared on a going concern basis under the historical cost convention, as modified by the revaluation of investments held at fair value through profit or loss. The amounts are presented in Pound Sterling ("GBP", "£"), which is also the Partnership's functional currency.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires the General Partner to exercise its judgement in the process of applying the Partnership's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

#### **(b) Going concern**

The Partnership meets its working capital requirements through capital calls based on the level of commitments of each Partner. Partners have a legal commitment per the Agreement to pay capital into the Partnership up to the amount committed. The Partnership has adequate remaining capital commitments to meet future obligations, payment of Priority Profit Share and other expenses. Any follow on investments will only be made after consideration of the sufficiency of the remaining capital commitments to fund those future obligations.

After making enquiries, the General Partner has a reasonable expectation that the Partnership has adequate resources to continue in operational existence for the foreseeable future. Accordingly, it continues to adopt the going concern basis in preparing the financial statements.

**Notes to the Financial Statements (continued)**

**3 Summary of significant accounting policies (continued)**

**(c) Revenue recognition**

The Partnership recognises revenue when the revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Partnership.

Bank interest and investment income are recognised on a receivable basis.

**(d) Allocation of Net Income, Net Losses and Realised Capital Gains and Capital Losses**

The allocation of Net Income, Net Losses and Realised Capital Gains and Capital Losses is made in accordance with Section 13 of the Agreement. The General Partner is entitled to a Priority Profit Share agreed by the Limited Partners. The Priority Profit Share is payable quarterly in advance. If the Partnership Income in any Accounting Period is insufficient to pay the Priority Profit Share in full, the amount of the shortfall shall be paid to the General Partner out of gains arising from the disposal of Partnership assets, failing which it shall be advanced interest free by the Partnership to the General Partner as a drawdown from Annual Commitments pursuant to Clause 6 of the Agreement.

**(e) Taxation**

The Partnership is not subject to taxation and no provision for taxation has been made in the financial statements. Any tax on income or capital gains is the responsibility of each individual Partner.

**(f) Financial instruments**

The Partnership has chosen to adopt the Sections 11 and 12 of FRS 102 in respect of financial instruments.

**(i) Financial assets**

Basic financial assets, including receivables and cash and cash equivalents, are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Other basic financial assets, including investments in equity instruments are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in the Statement of Comprehensive Income.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

**(ii) Financial liabilities**

Basic financial liabilities, including trade and other payables, are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Creditors are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

**Notes to the Financial Statements (continued)**

**3 Summary of significant accounting policies (continued)**

**(g) Fair value of investments**

Investments are carried in the Statement of Financial Position at cost in the first year unless there is a clear indication of appreciation or impairment in value. In subsequent years, the investments are recorded at the fair value as calculated by the Manager at the reporting date, in accordance with International Private Equity and Venture Capital Valuation Guidelines. Adjustments in the value of investments are reflected in the financial statements in the year in which the adjustment is made.

**4 Critical accounting estimates and judgements**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

**Fair value of investments**

When the fair value of investments recorded in the Statement of Financial Position cannot be derived from active markets, their fair value is determined using valuation techniques common in the private equity funds industry, primarily earnings multiples and recent comparable transactions. The inputs in the earnings multiples models include observable data, such as earnings multiples of comparable companies to the relevant portfolio company, and unobservable data, such as forecast earnings for the portfolio company. Changes in assumptions about these factors could affect the reported fair value of investments. The models used to determine fair values are validated and periodically reviewed by the Manager.

Changes in the underlying performance of the portfolio companies could cause a loss to the Partnership as a result of those companies being unable to meet their loan stock obligations, either in part or in full.

**5 Expenditure**

General administrative expenses for the year, including auditors' remuneration have been borne by Key Capital Partners LLP, the Manager of the fund. Expenditure incurred in the acquisition of investments is accounted for as part of the cost of investments.

Expenditure incurred by the General Partner through the management and administration of the Partnership is borne by the General Partner in its own financial statements. These amounts are recovered by the General Partner through a Priority Profit Share charged to the Limited Partners.

All other expenditure is accounted for in the Statement of Comprehensive Income.

**6 Trade and other receivables**

	As at 30 April 2019 £	As at 30 April 2018 £
Loan stock interest receivable	49,161	199,273
	<u>49,161</u>	<u>199,273</u>

**7 Trade and other payables**

	As at 30 April 2019 £	As at 30 April 2018 £
Due to parallel funds	1	1,923
Due to limited partners	-	1,263
Other payables	77	77
	<u>78</u>	<u>3,263</u>

**Notes to the Financial Statements (continued)**

**8 Financial assets held at fair value through profit or loss**

	<b>Shares £</b>	<b>Loan Stock £</b>	<b>Total £</b>
<b>Cost</b>			
As at 1 May 2018	290,353	1,895,962	2,186,315
Disposals	(54,983)	(1,200,414)	(1,255,397)
Restructuring *	-	489,377	489,377
As at 30 April 2019	<u>235,370</u>	<u>1,184,925</u>	<u>1,420,295</u>
<b>Change in Fair Value</b>			
As at 1 May 2018	2,131,927	28,381	2,160,308
Change for the year	(1,564,322)	-	(1,564,322)
As at 30 April 2019	<u>567,605</u>	<u>28,381</u>	<u>595,986</u>
<b>Fair Value</b>			
As at 30 April 2019	<u>802,975</u>	<u>1,213,306</u>	<u>2,016,281</u>
As at 30 April 2018	<u>2,422,280</u>	<u>1,924,343</u>	<u>4,346,623</u>

\* The Partnership has sold its loan note in EarthStream Global Limited ("ESG") to CloudStream Global as part of refinancing of ESG on 14 June 2018. Furthermore, CloudStream Global has changed its name to TechStream Group Holdings Limited on 15 August 2018. Also, the Partnership has reissued its £1,500,000 of deferred consideration of loan note in Templine for a 4% secured loan note as part of its exit on 20 December 2018.

The Partnership uses the following hierarchy to estimate the fair value of its investments which are measured at fair value through profit or loss:

- **Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities**  
The Partnership has no investments as at 30 April 2019 and 30 April 2018 under this category.
- **Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable**  
The Partnership has no investments as at 30 April 2019 and 30 April 2018 under this category.
- **Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable**  
The Partnership's investments as at 30 April 2019 amounting to £2,016,281 (30 April 2018: £4,346,623) were categorised under this category.

**Notes to the Financial Statements (continued)**

**9 Investment Undertakings**

	<b>Fund</b>	<b>Geography</b>	<b>Business activity</b>	<b>Number of Shares</b>	<b>% Ownership</b>
<b>Siamo Azzuri Limited (t/a Templine)</b> Templine (4% Secured Loan Notes)	I	UK	Provision of recruitment services to the logistics sector	N/A	N/A
<b>Neville Johnson Holdings Limited *</b> £1 'A' Ordinary Shares 10% Subordinated Loan Stock - 2015	I	UK	Manufacture and installation of bespoke furniture	31	0.01%
<b>Wells</b> 1p 'A' Ordinary Shares 10% Subordinated 'A' Loan Stock - 2011	IV	UK	Producer of specialist additive masterbatch and compounds	1,220,722	8.58%
<b>Techstream</b> Techstream Group Holdings Limited (Loan notes)	VI	UK	Recruitment for the oil and gas and mining sectors	N/A	N/A
<b>Hallam</b> £1 Preferred Ordinary Shares 10% Fixed Rate Secured Loan Stock - 2021	VII	UK	Recruitment for the medical sector	28,376	2.81%

\* Represents the shareholding of investors opting in the rollover following the sale of Neville Johnson in May 2014.

**10 Related Party Transactions**

The General Partner has entered into a management agreement with the Manager, Key Capital Partners LLP, under which the Manager has assumed certain responsibilities. The Manager is entitled to a fee from the General Partner for its services. James Hall, Michael Fell, Owen Trotter, Peter Armitage and Philip Duquenoy are the Designated Members of Key Capital Partners LLP. The General Partner received £27,658 (30 April 2018: £39,208) as a Priority Profit Share and there were no amounts outstanding at the year end.

**11 Ultimate Controlling Party**

The immediate controlling party of the Partnership is Key Capital Partners (General Partner) Limited, a wholly owned subsidiary of Key Capital Partners LLP, a limited liability partnership incorporated in the United Kingdom. There is no one overall controlling party.

**12 Provision for Carried Interest**

If the investment portfolio were to be fully realised at the values included in the Financial Statements at 30 April 2019, there would be a reallocation of Income between Key Capital Partners (Carried Interest) LLP and those of the other Partners.

This would reallocate to Key Capital Partners (Carried Interest) LLP Net Income of £18,538 (30 April 2018: £53,028) for Key Capital Partners Fund I, £104,205 (30 April 2018: £94,669) for Key Capital Partners Fund IV, £1,556 (30 April 2018: £8,241) for Key Capital Partners Fund V and £84,938 (30 April 2018: £208,502) for Key Capital Partners Fund VII being an estimate, calculated in accordance with the terms of the Limited Partnership Agreement, of the carried interest due to Key Capital Partners (Carried Interest) LLP at 30 April 2019.





**The Cayzer Trust Company Limited Fund KCP1 LP**  
**ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS**  
**YEAR ENDED 30 APRIL 2019**

THESE PARTNERSHIP  
ACCOUNTS FORM PART  
OF THE ACCOUNTS  
OF COMPANY  
No.05696941

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**Partnership Information**

**Partnership Number**

LP12170

**Manager**

Key Capital Partners LLP  
13 Park Place  
Leeds  
LS1 2SJ

**Designated Members of the Manager**

James Hall  
Michael Fell  
Owen Trotter  
Peter Armitage  
Philip Duquenoy

**General Partner**

Key Capital Partners (General Partner) Limited  
13 Park Place  
Leeds  
LS1 2SJ

**Director of the General Partner**

Owen Trotter

**Auditors**

PKF Littlejohn LLP  
Chartered Accountants and Registered Auditors  
1 Westferry Circus  
Canary Wharf  
London E14 4HD

**Legal Advisers**

O'Connors LLP  
Suite 409  
India Buildings  
Water Street  
Liverpool L2 0XA

**Bankers**

Lloyds Bank plc  
Threadneedle Street  
London BX1 1LT

**Independent Fund Administrators**

IQ EQ Administration Services (UK) Ltd  
- Formerly known as Augentius (UK) Ltd  
2 London Bridge  
London SE1 9RA

## **The Cayzer Trust Company Limited Fund KCP1 LP**

Annual Report and Audited Financial Statements for year ended 30 April 2019

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### **Report of the Manager**

Key Capital Partners (General Partner) Limited (the "General Partner") has appointed Key Capital Partners LLP (the "Manager") to manage the Partnership. The Manager presents the financial statements for The Cayzer Trust Company Limited Fund KCP1 LP (the "Partnership") for the year ended 30 April 2019.

### **Strategic Report**

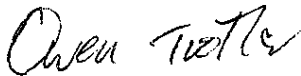
The Partnership is considered as "small" under Section 414B of The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013, as applied to Qualifying Partnerships, and it is therefore exempt from preparing a strategic report.

### **Disclosure of the information to the auditors**

The General Partner and Manager confirm that so far as they are aware, there is no relevant audit information of which the Partnership's auditor is unaware and that they have taken all steps that they ought have taken in order to make themselves aware of any relevant audit information and to establish that the Partnership's auditor is aware of such information.

This report has been prepared in accordance with the special provisions relating to small companies with part 15 of the Companies Act 2006, as applied to Qualifying Partnerships.

Signed on behalf of the Manager



Owen Trotter  
Designated Member

6/8/ 2019

**Statement of General Partner's Responsibilities in respect of the Financial Statements**

The General Partner is responsible for preparing the Annual Report and financial statements in accordance with applicable law and regulations.

Company law as applied to qualifying partnerships by The Partnerships (Accounts) Regulations 2008 (the "Regulations") requires the General Partner to prepare financial statements for each financial year. Under that law, the General Partner has prepared the Partnership's financial statements in accordance with the statement of compliance and accounting policies in Note 2 and Note 3 to the financial statements. Under company law as applied to qualifying partnerships, the General Partner must not approve the financial statements unless it is satisfied that they give a true and fair view of the state of affairs of the Partnership and of the profit or loss of the Partnership for that period. In preparing these financial statements, the General Partner is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, as specified in accordance with the Limited Partnership Agreement, 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 Partnership will continue in business.

The General Partner is responsible for keeping adequate accounting records that are sufficient to show and explain the Partnership's transactions and disclose with reasonable accuracy at any time the financial position of the Partnership and enable it to ensure that the financial statements comply with the Companies Act 2006 as applied to qualifying partnerships by the Regulations. The General Partner is also responsible for safeguarding the assets of the Partnership and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Independent Auditor's Report to the Members of The Cayzer Trust Company Limited Fund KCP1 LP**

**Opinion**

We have audited the Financial Statements of The Cayzer Trust Company Limited Fund KCP1 LP (the "Partnership") for the year ended 30 April 2019 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Net Assets Attributable to Partners and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In our opinion the Financial Statements:

- give a true and fair view of the state of the Partnership's affairs as at 30 April 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, as applied to qualifying partnerships by The Partnerships (Accounts) Regulations 2008.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Partnership in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the General Partner's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the General Partner has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Partnership's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

**Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The General Partner is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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 that fact.

We have nothing to report in this regard.

**Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Report of the Manager for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Report of the Manager has been prepared in accordance with applicable legal requirements.

**Independent Auditor's Report to the Members of The Cayzer Trust Company Limited Fund KCP1 LP**  
(continued)

**Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the Partnership and its environment obtained in the course of the audit, we have not identified material misstatements in the Report of the Manager.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006, as applied to qualifying partnerships requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit; or
- the Partnership was not entitled to take advantage of the small companies' exemption, as applied to qualifying partnerships, in preparing the Report of the Manager, and the exemption from preparing a Strategic Report.

**Responsibilities of the General Partner**

As explained more fully in the Statement of General Partner's Responsibilities, the General Partner is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the General Partner determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the General Partner is responsible for assessing the Partnership'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 General Partner either intends to liquidate the Partnership or to cease operations, or have no realistic alternative but to do so.

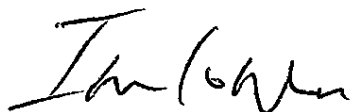
**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

**Use of our report**

This report is made solely to the Partnership's members, as a body, in accordance with the Limited Partnership Agreement and Chapter 3 of Part 16 of the Companies Act 2006, as applied to qualifying partnerships by The Partnerships (Accounts) Regulations 2008. Our audit work has been undertaken so that we might state to the Partnership'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 Partnership and the Partnership's members as a body, for our audit work, for this report, or for the opinions we have formed.



**Ian Cowan (Senior Statutory Auditor)**

For and on behalf of PKF Littlejohn LLP  
Statutory Auditor

6 August 2019

1 Westferry Circus  
Canary Wharf  
London E14 4HD

**Statement of Comprehensive Income**

	Notes	Year ended 30 April 2019 £	Year ended 30 April 2018 £
Bank interest		54	157
Interest income		<u>28,281</u>	<u>40,581</u>
		<b>28,335</b>	<b>40,738</b>
Unrealised (loss) / gain on investments	8	(469,288)	464,274
Realised gain / (loss) on investments		584,436	(269,853)
<b>Profit for the financial year</b>		<u><b>143,483</b></u>	<u><b>235,159</b></u>

All results shown in the Statement of Comprehensive Income are from continuing operations. The Partnership has no comprehensive income other than the amounts recognised above. Accordingly, no Statement of Other Comprehensive Income has been prepared.

The notes on pages 11 to 15 form part of these financial statements.



**The Cayzer Trust Company Limited Fund KCP1 LP**  
Annual Report and Audited Financial Statements for year ended 30 April 2019

**Statement of Financial Position**

	Notes	As at 30 April 2019 £	As at 30 April 2018 £
<b>Non-current assets</b>			
Financial assets held at fair value through profit or loss	8	517,770	1,212,808
<b>Current assets</b>			
Trade and other receivables	6	13,687	53,027
Cash and cash equivalents		110	978
		<u>13,797</u>	<u>54,005</u>
<b>Current Liabilities</b>			
Trade and other payables	7	(29)	(920)
<b>Net Current Assets</b>		<u>13,768</u>	<u>53,085</u>
<b>Net Assets attributable to Partners</b>		<u><u>531,538</u></u>	<u><u>1,265,893</u></u>
<b>Partners' accounts</b>			
Capital contribution account		65	65
Loan account		2,205,785	2,205,785
Distribution to Partners		(3,807,747)	(2,929,909)
Retained earnings		2,133,435	1,989,952
<b>Total Partners' Funds</b>		<u><u>531,538</u></u>	<u><u>1,265,893</u></u>

The notes on pages 11 to 15 form part of these financial statements.

These financial statements have been prepared in accordance with the provisions applicable to entities subject to the Small Entities Regime and in accordance with the provisions of FRS 102.

The financial statements on pages 8 to 15 were approved by the Designated Members of the Manager, Key Capital Partners LLP on 6/8/2019.

Signed on behalf of Key Capital Partners LLP



**Owen Trotter**  
Designated Member

Partnership Number LP12170

**The Cayzer Trust Company Limited Fund KCP1 LP**  
Annual Report and Audited Financial Statements for year ended 30 April 2019

**Statement of Changes in Net Assets Attributable to Partners**

	The Cayzer Trust Company Limited	(Carried Interest) KCP LLP	(Investments) KCP LLP	General Partner Limited	Total
	£	£	£	£	£
Net assets attributable to Partners as at 1 May 2018	1,236,358	658	28,867	10	1,265,893
<b>Additions</b>					
Loan	7,065	-	-	-	7,065
Profit for the financial year	75,928	65,400	2,155	-	143,483
Priority Profit Share	(7,065)	-	-	7,065	-
<b>Distributions</b>					
Repayment of loan	(793,226)	-	(19,212)	-	(812,438)
Income distribution	-	(65,400)	-	-	(65,400)
Priority Profit Share	-	-	-	(7,065)	(7,065)
Net assets attributable to Partners as at 30 April 2019	519,060	658	11,810	10	531,538

The notes on pages 11 to 15 form part of these financial statements.

## Notes to the Financial Statements

### 1 Background and Partnership Agreement

The Cayzer Trust Company Limited Fund KCP1 LP is a Limited Partnership (the "Partnership") established in England under the Limited Partnerships Act 1907, by the Limited Partnership Agreement (the "Agreement") dated 1 May 2007.

The principal purpose of the Partnership is to carry on the business of investing in qualifying companies, with a view to providing profits for distribution in accordance with the terms of the Agreement.

The Partnership commenced operations on 1 May 2007 and will continue in existence until all investments of the Partnership have been sold or liquidated unless extended or dissolved earlier in accordance with its Agreement dated 1 May 2007.

The Manager is an authorised person under the United Kingdom Financial Services and Markets Act 2000 ("FSMA"). As a consequence, the Manager is permitted to manage and operate collective investment schemes and manage their portfolios, the Manager is also authorised for the conduct of business in the United Kingdom by the Financial Conduct Authority.

### 2 Statement of compliance

The financial statements of the Partnership have been prepared in compliance with the Agreement, United Kingdom Generally Accounting Practice, by applying the Small Entities requirements under Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the UK and the Republic of Ireland" ("FRS 102") and the Companies Act 2006 as applied to qualifying partnerships by the Partnerships (Accounts) Regulations 2008.

The Partnership has applied the Small Entities Regime under FRS 102 and exercised the option to not prepare a Statement of Cash Flows.

### 3 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied throughout the period, unless otherwise stated. The Partnership has adopted FRS 102 in these financial statements where applicable.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Partnership's financial statements:

#### (a) Basis of preparation

The financial statements have been prepared on a going concern basis under the historical cost convention, as modified by the revaluation of investments held at fair value through profit or loss. The amounts are presented in Pound Sterling ("GBP", "£"), which is also the Partnership's functional currency.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires the General Partner to exercise its judgement in the process of applying the Partnership's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

#### (b) Going concern

The Partnership meets its working capital requirements through capital calls based on the level of commitments of each Partner. Partners have a legal commitment per the Agreement to pay capital into the Partnership up to the amount committed. The Partnership has adequate remaining capital commitments to meet future obligations, payment of Priority Profit Share and other expenses. Any follow on investments will only be made after consideration of the sufficiency of the remaining capital commitments to fund those future obligations.

After making enquiries, the General Partner has a reasonable expectation that the Partnership has adequate resources to continue in operational existence for the foreseeable future. Accordingly, it continues to adopt the going concern basis in preparing the financial statements.

**Notes to the Financial Statements (continued)**

**3 Summary of significant accounting policies (continued)**

**(c) Revenue recognition**

The Partnership recognises revenue when the revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Partnership.

Bank interest and investment income are recognised on a receivable basis.

**(d) Allocation of Net Income, Net Losses and Realised Capital Gains and Capital Losses**

The allocation of Net Income, Net Losses and Realised Capital Gains and Capital Losses is made in accordance with Section 13 of the Agreement. The General Partner is entitled to a Priority Profit Share agreed by the Limited Partners. The Priority Profit Share is payable quarterly in advance. If the Partnership Income in any Accounting Period is insufficient to pay the Priority Profit Share in full, the amount of the shortfall shall be paid to the General Partner out of gains arising from the disposal of Partnership assets, failing which it shall be advanced interest free by the Partnership to the General Partner as a drawdown from Annual Commitments pursuant to Clause 6 of the Agreement.

**(e) Taxation**

The Partnership is not subject to taxation and no provision for taxation has been made in the financial statements. Any tax on income or capital gains is the responsibility of each individual Partner.

**(f) Financial instruments**

The Partnership has chosen to adopt the Sections 11 and 12 of FRS 102 in respect of financial instruments.

**(i) Financial assets**

Basic financial assets, including receivables and cash and cash equivalents, are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Other basic financial assets, including investments in equity instruments are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in the Statement of Comprehensive Income.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

**(ii) Financial liabilities**

Basic financial liabilities, including trade and other payables, are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Creditors are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

**Notes to the Financial Statements (continued)**

**3 Summary of significant accounting policies (continued)**

**(g) Fair value of investments**

Investments are carried in the Statement of Financial Position at cost in the first year unless there is a clear indication of appreciation or impairment in value. In subsequent years, the investments are recorded at the fair value as calculated by the Manager at the reporting date, in accordance with International Private Equity and Venture Capital Valuation Guidelines. Adjustments in the value of investments are reflected in the financial statements in the year in which the adjustment is made.

**4 Critical accounting estimates and judgements**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

**Fair value of investments**

When the fair value of investments recorded in the Statement of Financial Position cannot be derived from active markets, their fair value is determined using valuation techniques common in the private equity funds industry, primarily earnings multiples and recent comparable transactions. The inputs in the earnings multiples models include observable data, such as earnings multiples of comparable companies to the relevant portfolio company, and unobservable data, such as forecast earnings for the portfolio company. Changes in assumptions about these factors could affect the reported fair value of investments. The models used to determine fair values are validated and periodically reviewed by the Manager.

Changes in the underlying performance of the portfolio companies could cause a loss to the Partnership as a result of those companies being unable to meet their loan stock obligations, either in part or in full.

**5 Expenditure**

General administrative expenses for the year, including auditors' remuneration have been borne by Key Capital Partners LLP, the Manager of the fund. Expenditure incurred in the acquisition of investments is accounted for as part of the cost of investments.

Expenditure incurred by the General Partner through the management and administration of the Partnership is borne by the General Partner in its own financial statements. These amounts are recovered by the General Partner through a Priority Profit Share charged to the Limited Partners.

All other expenditure is accounted for in the Statement of Comprehensive Income.

**6 Trade and other receivables**

	As at 30 April 2019 £	As at 30 April 2018 £
Loan stock interest receivable	13,687	53,027
	<u>13,687</u>	<u>53,027</u>

**7 Trade and other payables**

	As at 30 April 2019 £	As at 30 April 2018 £
Due to parallel funds	-	538
Due to limited partners	-	353
Other payables	29	29
	<u>29</u>	<u>920</u>

**Notes to the Financial Statements (continued)**

**8 Financial assets held at fair value through profit or loss**

	<b>Shares £</b>	<b>Loan Stock £</b>	<b>Total £</b>
<b>Cost</b>			
As at 1 May 2018	74,755	519,492	594,247
Disposals	(15,063)	(337,060)	(352,123)
Restructuring *	-	126,373	126,373
As at 30 April 2019	59,692	308,805	368,497
<b>Change in Fair Value</b>			
As at 1 May 2018	610,621	7,940	618,561
Change for the year	(469,288)	-	(469,288)
As at 30 April 2019	141,333	7,940	149,273
<b>Fair Value</b>			
As at 30 April 2019	201,025	316,745	517,770
As at 30 April 2018	685,376	527,432	1,212,808

\* The Partnership has sold its loan note in EarthStream Global Limited ("ESG") to CloudStream Global as part of refinancing of ESG on 14 June 2018. Furthermore, CloudStream Global has changed its name to TechStream Group Holdings Limited on 15 August 2018. Also, the Partnership has reissued its £1,500,000 of deferred consideration of loan note in Templine for a 4% secured loan note as part of its exit on 20 December 2018.

The Partnership uses the following hierarchy to estimate the fair value of its investments which are measured at fair value through profit or loss:

- **Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities**  
The Partnership has no investments as at 30 April 2019 and 30 April 2018 under this category.
- **Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable**  
The Partnership has no investments as at 30 April 2019 and 30 April 2018 under this category.
- **Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable**  
The Partnership's investments as at 30 April 2019 amounting to £517,770 (30 April 2018: £1,212,808) were categorised under this category.

**Notes to the Financial Statements (continued)**

**9 Investment Undertakings**

	<b>Fund</b>	<b>Geography</b>	<b>Business activity</b>	<b>Number of Shares</b>	<b>% Ownership</b>
<b>Siamo Azzuri Limited (t/a Templine)</b> Templine (4% Secured Loan Notes)	I	UK	Provision of recruitment services to the logistics sector	N/A	N/A
<b>Neville Johnson Holdings Limited *</b> £1 'A' Ordinary Shares 10% Subordinated Loan Stock - 2015	I	UK	Manufacture and installation of bespoke furniture	12	0.00%
<b>Wells</b> 1p 'A' Ordinary Shares 10% Subordinated 'A' Loan Stock - 2011	IV	UK	Producer of specialist additive masterbatch and compounds	305,180	2.15%
<b>Techstream</b> Techstream Group Holdings Limited (Loan notes)	VI	UK	Recruitment for the oil and gas and mining sectors	N/A	N/A
<b>Hallam</b> £1 Preferred Ordinary Shares 10% Fixed Rate Secured Loan Stock - 2021	VII	UK	Recruitment for the medical sector	7,939	0.79%

\* Represents the shareholding of investors opting in the rollover following the sale of Neville Johnson in May 2014.

**10 Related Party Transactions**

The General Partner has entered into a management agreement with the Manager, Key Capital Partners LLP, under which the Manager has assumed certain responsibilities. The Manager is entitled to a fee from the General Partner for its services. James Hall, Michael Fell, Owen Trotter, Peter Armitage and Philip Duquenoy are the Designated Members of Key Capital Partners LLP. The General Partner received £7,065 (30 April 2018: £10,372) as a Priority Profit Share and there were no amounts outstanding at the year end.

**11 Ultimate Controlling Party**

The immediate controlling party of the Partnership is Key Capital Partners (General Partner) Limited, a wholly owned subsidiary of Key Capital Partners LLP, a limited liability partnership incorporated in the United Kingdom. There is no one overall controlling party.

**12 Provision for Carried Interest**

If the investment portfolio were to be fully realised at the values included in the Financial Statements at 30 April 2019, there would be a reallocation of Income between Key Capital Partners (Carried Interest) LLP and those of the other Partners.

This would reallocate to Key Capital Partners (Carried Interest) LLP Net Income of £6,952 (30 April 2018: £19,886) for Key Capital Partners Fund I, £26,051 (30 April 2018: £23,667) for Key Capital Partners Fund IV, £195 (30 April 2018: £1,030) for Key Capital Partners Fund V and £23,764 (30 April 2018: £58,335) for Key Capital Partners Fund VII being an estimate, calculated in accordance with the terms of the Limited Partnership Agreement, of the carried interest due to Key Capital Partners (Carried Interest) LLP at 30 April 2019.



**Metropolitan Borough of Wirral Fund KCP1 LP**  
**ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS**  
**YEAR ENDED 30 APRIL 2019**

THESE PARTNERSHIP  
ACCOUNTS FORM PART  
OF THE ACCOUNTS  
OF COMPANY  
No.05696941

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**Partnership Information**

**Partnership Number**

LP12172

**Manager**

Key Capital Partners LLP  
13 Park Place  
Leeds  
LS1 2SJ

**Designated Members of the Manager**

James Hall  
Michael Fell  
Owen Trotter  
Peter Armitage  
Philip Duquenoy

**General Partner**

Key Capital Partners (General Partner) Limited  
13 Park Place  
Leeds  
LS1 2SJ

**Director of the General Partner**

Owen Trotter

**Auditors**

PKF Littlejohn LLP  
Chartered Accountants and Registered Auditors  
1 Westferry Circus  
Canary Wharf  
London E14 4HD

**Legal Advisers**

O'Connors LLP  
Suite 409  
India Buildings  
Water Street  
Liverpool L2 0XA

**Bankers**

Lloyds Bank plc  
Threadneedle Street  
London BX1 1LT

**Independent Fund Administrators**

IQ EQ Administration Services (UK) Ltd  
- Formerly known as Augentius (UK) Ltd  
2 London Bridge  
London SE1 9RA

## **Metropolitan Borough of Wirral Fund KCP1 LP**

Annual Report and Audited Financial Statements for year ended 30 April 2019

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### **Report of the Manager**

Key Capital Partners (General Partner) Limited (the "General Partner") has appointed Key Capital Partners LLP (the "Manager") to manage the Partnership. The Manager presents the financial statements for Metropolitan Borough of Wirral Fund KCP1 LP (the "Partnership") for the year ended 30 April 2019.

### **Strategic Report**

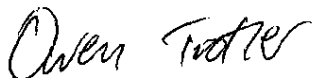
The Partnership is considered as "small" under Section 414B of The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013, as applied to Qualifying Partnerships, and it is therefore exempt from preparing a strategic report.

### **Disclosure of the information to the auditors**

The General Partner and Manager confirm that so far as they are aware, there is no relevant audit information of which the Partnership's auditor is unaware and that they have taken all steps that they ought have taken in order to make themselves aware of any relevant audit information and to establish that the Partnership's auditor is aware of such information.

This report has been prepared in accordance with the special provisions relating to small companies with part 15 of the Companies Act 2006, as applied to Qualifying Partnerships.

Signed on behalf of the Manager



**Owen Trotter**  
**Designated Member**

6/8 2019

**Statement of General Partner's Responsibilities in respect of the Financial Statements**

The General Partner is responsible for preparing the Annual Report and financial statements in accordance with applicable law and regulations.

Company law as applied to qualifying partnerships by The Partnerships (Accounts) Regulations 2008 (the "Regulations") requires the General Partner to prepare financial statements for each financial year. Under that law, the General Partner has prepared the Partnership's financial statements in accordance with the statement of compliance and accounting policies in Note 2 and Note 3 to the financial statements. Under company law, as applied to qualifying partnerships, the General Partner must not approve the financial statements unless it is satisfied that they give a true and fair view of the state of affairs of the Partnership and of the profit or loss of the Partnership for that period. In preparing these financial statements, the General Partner is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, as specified in accordance with the Limited Partnership Agreement, 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 Partnership will continue in business.

The General Partner is responsible for keeping adequate accounting records that are sufficient to show and explain the Partnership's transactions and disclose with reasonable accuracy at any time the financial position of the Partnership and enable it to ensure that the financial statements comply with the Companies Act 2006 as applied to qualifying partnerships by the Regulations. The General Partner is also responsible for safeguarding the assets of the Partnership and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Independent Auditor's Report to the Members of Metropolitan Borough of Wirral Fund KCP1 LP**

**Opinion**

We have audited the Financial Statements of Metropolitan Borough of Wirral Fund KCP1 LP (the "Partnership") for the year ended 30 April 2019 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Net Assets Attributable to Partners and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In our opinion the Financial Statements:

- give a true and fair view of the state of the Partnership's affairs as at 30 April 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, as applied to qualifying partnerships by The Partnerships (Accounts) Regulations 2008.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Partnership in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the General Partner's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the General Partner has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Partnership's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

**Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The General Partner is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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 that fact.

We have nothing to report in this regard.

**Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Report of the Manager for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Report of the Manager has been prepared in accordance with applicable legal requirements.

**Independent Auditor's Report to the Members of Metropolitan Borough of Wirral Fund KCP1 LP (continued)**

**Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the Partnership and its environment obtained in the course of the audit, we have not identified material misstatements in the Report of the Manager.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006, as applied to qualifying partnerships requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit; or
- the Partnership was not entitled to take advantage of the small companies' exemption, as applied to qualifying partnerships, in preparing the Report of the Manager, and the exemption from preparing a Strategic Report.

**Responsibilities of the General Partner**

As explained more fully in the Statement of General Partner's Responsibilities, the General Partner is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the General Partner determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the General Partner is responsible for assessing the Partnership'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 General Partner either intends to liquidate the Partnership or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

**Use of our report**

This report is made solely to the Partnership's members, as a body, in accordance with the Limited Partnership Agreement and Chapter 3 of Part 16 of the Companies Act 2006, as applied to qualifying partnerships by The Partnerships (Accounts) Regulations 2008. Our audit work has been undertaken so that we might state to the Partnership'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 Partnership and the Partnership's members as a body, for our audit work, for this report, or for the opinions we have formed.



**Ian Cowan (Senior Statutory Auditor)**

For and on behalf of PKF Littlejohn LLP  
Statutory Auditor

6 August 2019

1 Westferry Circus  
Canary Wharf  
London E14 4HD

**Statement of Comprehensive Income**

	Notes	Year ended 30 April 2019 £	Year ended 30 April 2018 £
Bank interest		367	406
Interest income		<u>232,848</u>	<u>250,377</u>
		<b>233,215</b>	<b>250,783</b>
Unrealised (loss) / gain on investments	8	(3,880,559)	2,031,598
Realised gain / (loss) on investments		5,113,925	(455,836)
<b>Profit for the financial year</b>		<b><u>1,466,581</u></b>	<b><u>1,826,545</u></b>

All results shown in the Statement of Comprehensive Income are from continuing operations. The Partnership has no comprehensive income other than the amounts recognised above. Accordingly, no Statement of Other Comprehensive Income has been prepared.

The notes on pages 11 to 15 form part of these financial statements.

**Statement of Financial Position**

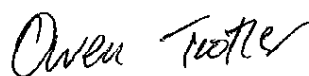
	Notes	As at 30 April 2019 £	As at 30 April 2018 £
<b>Non-current assets</b>			
Financial assets held at fair value through profit or loss	8	2,755,528	8,396,610
<b>Current assets</b>			
Trade and other receivables	6	145,524	420,694
Cash and cash equivalents		168	6,004
		<u>145,692</u>	<u>426,698</u>
<b>Current Liabilities</b>			
Trade and other payables	7	(47)	(5,921)
<b>Net Current Assets</b>		<u>145,645</u>	<u>420,777</u>
<b>Net Assets attributable to Partners</b>		<u><u>2,901,173</u></u>	<u><u>8,817,387</u></u>
<b>Partners' accounts</b>			
Capital contribution account		80	80
Loan account		10,552,825	10,552,825
Distribution to Partners		(24,416,855)	(17,034,060)
Retained earnings		16,765,123	15,298,542
<b>Total Partners' Funds</b>		<u><u>2,901,173</u></u>	<u><u>8,817,387</u></u>

The notes on pages 11 to 15 form part of these financial statements.

These financial statements have been prepared in accordance with the provisions applicable to entities subject to the Small Entities Regime and in accordance with the provisions of FRS 102.

The financial statements on pages 8 to 15 were approved by the Designated Members of the Manager, Key Capital Partners LLP on 6/8 2019.

Signed on behalf of Key Capital Partners LLP



**Owen Trotter**  
**Designated Member**

Partnership Number LP12172



# Metropolitan Borough of Wirral Fund KCP1 LP

Annual Report and Audited Financial Statements for year ended 30 April 2019

## Statement of Changes in Net Assets Attributable to Partners

	Metropolitan Borough of Wirral £	KCP (Carried Interest) LLP £	KCP (Investments) LLP £	General Partner Limited £	Total £
Net assets attributable to Partners as at 1 May 2018	8,598,553	4,885	213,939	10	8,817,387
<b>Additions</b>					
Loan	38,506	-	-	-	38,506
Profit for the financial year	852,070	592,383	22,128	-	1,466,581
Priority Profit Share	(38,506)	-	-	38,506	-
<b>Distributions</b>					
Repayment of loan	(6,624,000)	-	(166,412)	-	(6,790,412)
Income distribution	-	(592,383)	-	-	(592,383)
Priority Profit Share	-	-	-	(38,506)	(38,506)
<b>Net assets attributable to Partners as at 30 April 2019</b>	<b>2,826,623</b>	<b>4,885</b>	<b>69,655</b>	<b>10</b>	<b>2,901,173</b>

The notes on pages 11 to 15 form part of these financial statements.

## Notes to the Financial Statements

### 1 Background and Partnership Agreement

Metropolitan Borough of Wirral Fund KCP1 LP is a Limited Partnership (the "Partnership"), established in England under the Limited Partnerships Act 1907, by the Limited Partnership Agreement (the "Agreement") dated 1 May 2007.

The principal purpose of the Partnership is to carry on the business of investing in qualifying companies, with a view to providing profits for distribution in accordance with the terms of the Agreement.

The Partnership commenced operations on 1 May 2007 and will continue in existence until all investments of the Partnership have been sold or liquidated unless extended or dissolved earlier in accordance with its Agreement dated 1 May 2007.

The Manager is an authorised person under the United Kingdom Financial Services and Markets Act 2000 ("FSMA"). As a consequence, the Manager is permitted to manage and operate collective investment schemes and manage their portfolios, the Manager is also authorised for the conduct of business in the United Kingdom by the Financial Conduct Authority.

### 2 Statement of compliance

The financial statements of the Partnership have been prepared in compliance with the Agreement, United Kingdom Generally Accounting Practice, by applying the Small Entities requirements under Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the UK and the Republic of Ireland" ("FRS 102") and the Companies Act 2006 as applied to qualifying partnerships by the Partnerships (Accounts) Regulations 2008.

The Partnership has applied the Small Entities Regime under FRS 102 and exercised the option to not prepare a Statement of Cash Flows.

### 3 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied throughout the period, unless otherwise stated. The Partnership has adopted FRS 102 in these financial statements where applicable.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Partnership's financial statements:

#### (a) Basis of preparation

The financial statements have been prepared on a going concern basis under the historical cost convention, as modified by the revaluation of investments held at fair value through profit or loss. The amounts are presented in Pound Sterling ("GBP", "£"), which is also the Partnership's functional currency.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires the General Partner to exercise its judgement in the process of applying the Partnership's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

#### (b) Going concern

The Partnership meets its working capital requirements through capital calls based on the level of commitments of each Partner. Partners have a legal commitment per the Agreement to pay capital into the Partnership up to the amount committed. The Partnership has adequate remaining capital commitments to meet future obligations, payment of Priority Profit Share and other expenses. Any follow on investments will only be made after consideration of the sufficiency of the remaining capital commitments to fund those future obligations.

After making enquiries, the General Partner has a reasonable expectation that the Partnership has adequate resources to continue in operational existence for the foreseeable future. Accordingly, it continues to adopt the going concern basis in preparing the financial statements.

**Notes to the Financial Statements (continued)**

**3 Summary of significant accounting policies (continued)**

**(c) Revenue recognition**

The Partnership recognises revenue when the revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Partnership.

Bank interest and investment income are recognised on a receivable basis.

**(d) Allocation of Net Income, Net Losses and Realised Capital Gains and Capital Losses**

The allocation of Net Income, Net Losses and Realised Capital Gains and Capital Losses is made in accordance with Section 13 of the Agreement. The General Partner is entitled to a Priority Profit Share agreed by the Limited Partners. The Priority Profit Share is payable quarterly in advance. If the Partnership Income in any Accounting Period is insufficient to pay the Priority Profit Share in full, the amount of the shortfall shall be paid to the General Partner out of gains arising from the disposal of Partnership assets, failing which it shall be advanced interest free by the Partnership to the General Partner as a drawdown from Annual Commitments pursuant to Clause 6 of the Agreement.

**(e) Taxation**

The Partnership is not subject to taxation and no provision for taxation has been made in the financial statements. Any tax on income or capital gains is the responsibility of each individual Partner.

**(f) Financial instruments**

The Partnership has chosen to adopt the Sections 11 and 12 of FRS 102 in respect of financial instruments.

**(i) Financial assets**

Basic financial assets, including receivables and cash and cash equivalents, are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Other basic financial assets, including investments in equity instruments are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in the Statement of Comprehensive Income.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

**(ii) Financial liabilities**

Basic financial liabilities, including trade and other payables, are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Creditors are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

**Notes to the Financial Statements (continued)**

**3 Summary of significant accounting policies (continued)**

**(g) Fair value of investments**

Investments are carried in the Statement of Financial Position at cost in the first year unless there is a clear indication of appreciation or impairment in value. In subsequent years, the investments are recorded at the fair value as calculated by the Manager at the reporting date, in accordance with International Private Equity and Venture Capital Valuation Guidelines. Adjustments in the value of investments are reflected in the financial statements in the year in which the adjustment is made.

**4 Critical accounting estimates and judgements**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

**Fair value of investments**

When the fair value of investments recorded in the Statement of Financial Position cannot be derived from active markets, their fair value is determined using valuation techniques common in the private equity funds industry, primarily earnings multiples and recent comparable transactions. The inputs in the earnings multiples models include observable data, such as earnings multiples of comparable companies to the relevant portfolio company, and unobservable data, such as forecast earnings for the portfolio company. Changes in assumptions about these factors could affect the reported fair value of investments. The models used to determine fair values are validated and periodically reviewed by the Manager.

Changes in the underlying performance of the portfolio companies could cause a loss to the Partnership as a result of those companies being unable to meet their loan stock obligations, either in part or in full.

**5 Expenditure**

General administrative expenses for the year, including auditors' remuneration have been borne by Key Capital Partners LLP, the Manager of the fund. Expenditure incurred in the acquisition of investments is accounted for as part of the cost of investments.

Expenditure incurred by the General Partner through the management and administration of the Partnership is borne by the General Partner in its own financial statements. These amounts are recovered by the General Partner through a Priority Profit Share charged to the Limited Partners.

*All other expenditure is accounted for in the Statement of Comprehensive Income.*

**6 Trade and other receivables**

	As at 30 April 2019 £	As at 30 April 2018 £
Loan stock interest receivable	145,524	420,694
	<u>145,524</u>	<u>420,694</u>

**7 Trade and other payables**

	As at 30 April 2019 £	As at 30 April 2018 £
Due to parallel funds	-	5,874
Other payables	47	47
	<u>47</u>	<u>5,921</u>

**Notes to the Financial Statements (continued)**

**8 Financial assets held at fair value through profit or loss**

	<b>Shares £</b>	<b>Loan Stock £</b>	<b>Total £</b>
<b>Cost</b>			
As at 1 May 2018	456,688	3,444,260	3,900,948
Disposals	(163,032)	(2,165,989)	(2,329,021)
Restructuring *	-	568,498	568,498
As at 30 April 2019	293,656	1,846,769	2,140,425
<b>Change in Fair Value</b>			
As at 1 May 2018	4,408,974	86,688	4,495,662
Change for the year	(3,880,559)	-	(3,880,559)
As at 30 April 2019	528,415	86,688	615,103
<b>Fair Value</b>			
As at 30 April 2019	822,071	1,933,457	2,755,528
As at 30 April 2018	4,865,662	3,530,948	8,396,610

\* The Partnership has sold its loan note in EarthStream Global Limited ("ESG") to CloudStream Global as part of refinancing of ESG on 14 June 2018. Furthermore, CloudStream Global has changed its name to TechStream Group Holdings Limited on 15 August 2018. Also, the Partnership has reissued its £1,500,000 of deferred consideration of loan note in Templine for a 4% secured loan note as part of its exit on 20 December 2018.

The Partnership uses the following hierarchy to estimate the fair value of its investments which are measured at fair value through profit or loss:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities  
The Partnership has no investments as at 30 April 2019 and 30 April 2018 under this category.
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable  
The Partnership has no investments as at 30 April 2019 and 30 April 2018 under this category.
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable  
The Partnership's investments as at 30 April 2019 amounting to £2,755,528 (30 April 2018: £8,396,610) were categorised under this category.

**Notes to the Financial Statements (continued)**

**9 Investment Undertakings**

	<b>Fund</b>	<b>Geography</b>	<b>Business activity</b>	<b>Number of Shares</b>	<b>% Ownership</b>
<b>Siamo Azzuri Limited (t/a Templine)</b> Templine (4% Secured Loan Notes)	I	UK	Provision of recruitment services to the logistics sector	N/A	N/A
<b>Neville Johnson Holdings Limited *</b> £1 'A' Ordinary Shares 10% Subordinated Loan Stock - 2015	I	UK	Manufacture and installation of bespoke furniture	15	0.00%
<b>Wells</b> 1p 'A' Ordinary Shares 10% Subordinated 'A' Loan Stock - 2011	IV	UK	Producer of specialist additive masterbatch and compounds	1,220,722	8.58%
<b>Techstream</b> Techstream Group Holdings Limited (Loan notes)	VI	UK	Recruitment for the oil and gas and mining sectors	N/A	N/A
<b>Hallam</b> £1 Preferred Ordinary Shares 10% Fixed Rate Secured Loan Stock - 2021	VII	UK	Recruitment for the medical sector	86,878	8.58%

\* Represents the shareholding of investors opting in the rollover following the sale of Neville Johnson in May 2014.

**10 Related Party Transactions**

The General Partner has entered into a management agreement with the Manager, Key Capital Partners LLP, under which the Manager has assumed certain responsibilities. The Manager is entitled to a fee from the General Partner for its services. . James Hall, Michael Fell, Owen Trotter, Peter Armitage and Philip Duquenoy are the Designated Members of Key Capital Partners LLP. The General Partner received £38,506 (30 April 2018: £53,050) as a Priority Profit Share and there were no amounts outstanding at the year end.

**11 Ultimate Controlling Party**

The immediate controlling party of the Partnership is Key Capital Partners (General Partner) Limited, a wholly owned subsidiary of Key Capital Partners LLP, a limited liability partnership incorporated in the United Kingdom. There is no one overall controlling party.

**12 Provision for Carried Interest**

If the investment portfolio were to be fully realised at the values included in the Financial Statements at 30 April 2019, there would be a reallocation of Income between Key Capital Partners (Carried Interest) LLP and those of the other Partners.

This would reallocate to Key Capital Partners (Carried Interest) LLP Net Income of £9,269 (30 April 2018: £26,514) for Key Capital Partners Fund I, £104,205 (30 April 2018: £94,669) for Key Capital Partners Fund IV, £2,432 (30 April 2018: £12,877) for Key Capital Partners Fund V and £259,459 (30 April 2018: £636,907) for Key Capital Partners Fund VII being an estimate, calculated in accordance with the terms of the Limited Partnership Agreement, of the carried interest due to Key Capital Partners (Carried Interest) LLP at 30 April 2019.



**City of Bradford Metropolitan District Council Fund KCP1 LP**

**ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS**

**YEAR ENDED 30 APRIL 2019**

THESE PARTNERSHIP  
ACCOUNTS FORM PART  
OF THE ACCOUNTS  
OF COMPANY  
No.05696941



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COMPANIES HOUSE

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**Partnership Information**

**Partnership Number**

LP12169

**Manager**

Key Capital Partners LLP  
13 Park Place  
Leeds  
LS1 2SJ

**Designated Members of the Manager**

James Hall  
Michael Fell  
Owen Trotter  
Peter Armitage  
Philip Duquenoy

**General Partner**

Key Capital Partners (General Partner) Limited  
13 Park Place  
Leeds  
LS1 2SJ

**Director of the General Partner**

Owen Trotter

**Auditors**

PKF Littlejohn LLP  
Chartered Accountants and Registered Auditors  
1 Westferry Circus  
Canary Wharf  
London E14 4HD

**Legal Advisers**

O'Connors LLP  
Suite 409  
India Buildings  
Water Street  
Liverpool L2 0XA

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London BX1 1LT

**Independent Fund Administrators**

IQ EQ Administration Services (UK) Ltd  
- Formerly known as Augentius (UK) Ltd  
2 London Bridge  
London SE1 9RA

### **Report of the Manager**

Key Capital Partners (General Partner) Limited (the "General Partner") has appointed Key Capital Partners LLP (the "Manager") to manage the Partnership. The Manager presents the financial statements for City of Bradford Metropolitan District Council Fund KCP1 LP (the "Partnership") for the year ended 30 April 2019.

### **Strategic Report**

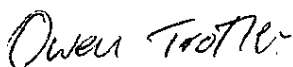
The Partnership is considered as "small" under Section 414B of The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013, as applied to Qualifying Partnerships, and it is therefore exempt from preparing a strategic report.

### **Disclosure of the information to the auditors**

The General Partner and Manager confirm that so far as they are aware, there is no relevant audit information of which the Partnership's auditor is unaware and that they have taken all steps that they ought have taken in order to make themselves aware of any relevant audit information and to establish that the Partnership's auditor is aware of such information.

This report has been prepared in accordance with the special provisions relating to small companies with part 15 of the Companies Act 2006, as applied to Qualifying Partnerships.

Signed on behalf of the Manager



Owen Trotter  
Designated Member

6/8/ 2019

**Statement of General Partner's Responsibilities in respect of the Financial Statements**

The General Partner is responsible for preparing the Annual Report and financial statements in accordance with applicable law and regulations.

Company law as applied to qualifying partnerships by The Partnerships (Accounts) Regulations 2008 (the "Regulations") requires the General Partner to prepare financial statements for each financial year. Under that law, the General Partner has prepared the Partnership's financial statements in accordance with the statement of compliance and accounting policies in Note 2 and Note 3 to the financial statements. Under company law as applied to qualifying partnerships, the General Partner must not approve the financial statements unless it is satisfied that they give a true and fair view of the state of affairs of the Partnership and of the profit or loss of the Partnership for that period. In preparing these financial statements, the General Partner is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, as specified in accordance with the Limited Partnership Agreement, 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 Partnership will continue in business.

The General Partner is responsible for keeping adequate accounting records that are sufficient to show and explain the Partnership's transactions and disclose with reasonable accuracy at any time the financial position of the Partnership and enable it to ensure that the financial statements comply with the Companies Act 2006 as applied to qualifying partnerships by the Regulations. The General Partner is also responsible for safeguarding the assets of the Partnership and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Independent Auditor's Report to the Members of City of Bradford Metropolitan District Council Fund KCP1 LP**

**Opinion**

We have audited the Financial Statements of City of Bradford Metropolitan District Council Fund KCP1 LP (the "Partnership") for the year ended 30 April 2019 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Net Assets Attributable to Partners and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In our opinion the Financial Statements:

- give a true and fair view of the state of the Partnership's affairs as at 30 April 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, as applied to qualifying partnerships by The Partnerships (Accounts) Regulations 2008.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Partnership in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the General Partner's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the General Partner has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Partnership's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

**Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The General Partner is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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 that fact.

We have nothing to report in this regard.

**Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Report of the Manager for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Report of the Manager has been prepared in accordance with applicable legal requirements.

**Independent Auditor's Report to the Members of City of Bradford Metropolitan District Council Fund KCP1 LP (continued)**

**Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the Partnership and its environment obtained in the course of the audit, we have not identified material misstatements in the Report of the Manager.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006, as applied to qualifying partnerships requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit; or
- the Partnership was not entitled to take advantage of the small companies' exemption, as applied to qualifying partnerships, in preparing the Report of the Manager, and the exemption from preparing a Strategic Report.

**Responsibilities of the General Partner**

As explained more fully in the Statement of General Partner's Responsibilities, the General Partner is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the General Partner determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the General Partner is responsible for assessing the Partnership'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 General Partner either intends to liquidate the Partnership or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

**Use of our report**

This report is made solely to the Partnership's members, as a body, in accordance with the Limited Partnership Agreement and Chapter 3 of Part 16 of the Companies Act 2006, as applied to qualifying partnerships by The Partnerships (Accounts) Regulations 2008. Our audit work has been undertaken so that we might state to the Partnership'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 Partnership and the Partnership's members as a body, for our audit work, for this report, or for the opinions we have formed.



**Ian Cowan (Senior Statutory Auditor)**

For and on behalf of PKF Littlejohn LLP  
Statutory Auditor

6 August 2019

1 Westferry Circus  
Canary Wharf  
London E14 4HD

**Statement of Comprehensive Income**

	Notes	Year ended 30 April 2019 £	Year ended 30 April 2018 £
Bank interest		325	827
Interest income		<u>197,379</u>	<u>256,030</u>
		<b>197,704</b>	<b>256,857</b>
Unrealised (loss) / gain on investments	8	(3,017,838)	2,536,862
Realised gain / (loss) on investments		3,864,614	(1,205,375)
<b>Profit for the financial year</b>		<b><u>1,044,480</u></b>	<b><u>1,588,344</u></b>

All results shown in the Statement of Comprehensive Income are from continuing operations. The Partnership has no comprehensive income other than the amounts recognised above. Accordingly, no Statement of Other Comprehensive Income has been prepared.

The notes on pages 11 to 15 form part of these financial statements.

**Statement of Financial Position**

	Notes	As at 30 April 2019 £	As at 30 April 2018 £
<b>Non-current assets</b>			
Financial assets held at fair value through profit or loss	8	3,232,321	7,696,412
<b>Current assets</b>			
Trade and other receivables	6	98,185	360,470
Cash and cash equivalents		423	4,196
		<u>98,608</u>	<u>364,666</u>
<b>Current Liabilities</b>			
Trade and other payables	7	(129)	(4,010)
<b>Net Current Assets</b>		<u>98,479</u>	<u>360,656</u>
<b>Net Assets attributable to Partners</b>		<u><u>3,330,800</u></u>	<u><u>8,057,068</u></u>
<b>Partners' accounts</b>			
Capital contribution account		140	140
Loan account		12,830,932	12,830,932
Distribution to Partners		(26,289,504)	(20,518,756)
Retained earnings		16,789,232	15,744,752
<b>Total Partners' Funds</b>		<u><u>3,330,800</u></u>	<u><u>8,057,068</u></u>

The notes on pages 11 to 15 form part of these financial statements.

These financial statements have been prepared in accordance with the provisions applicable to entities subject to the Small Entities Regime and in accordance with the provisions of FRS 102.

The financial statements on pages 8 to 15 were approved by the Designated Members of the Manager, Key Capital Partners LLP on 6/8 2019.

Signed on behalf of Key Capital Partners LLP



**Owen Trotter**  
**Designated Member**

Partnership Number LP12169

**City of Bradford Metropolitan District Council Fund KCP1 LP**  
Annual Report and Audited Financial Statements for year ended 30 April 2019

**Statement of Changes in Net Assets Attributable to Partners**

	The City of Bradford Metropolitan £	KCP (Carried Interest) LLP £	KCP (Investments) LLP £	General Partner Limited £	Total £
Net assets attributable to Partners as at 1 May 2018	7,866,424	4,619	186,015	10	8,057,068
<b>Additions</b>					
Loan	46,200	-	-	-	46,200
Profit for the financial year	586,132	442,313	16,035	-	1,044,480
Priority Profit Share	(46,200)	-	-	46,200	-
<b>Distributions</b>					
Repayment of loan	(5,201,252)	-	(127,183)	-	(5,328,435)
Income distribution	-	(442,313)	-	-	(442,313)
Priority Profit Share	-	-	-	(46,200)	(46,200)
Net assets attributable to Partners as at 30 April 2019	3,251,304	4,619	74,867	10	3,330,800

The notes on pages 11 to 15 form part of these financial statements.



## **Notes to the Financial Statements**

### **1 Background and Partnership Agreement**

City of Bradford Metropolitan District Council Fund KCP1 LP is a Limited Partnership (the "Partnership") established in England under the Limited Partnerships Act 1907, by the Limited Partnership Agreement (the "Agreement") dated 1 May 2007.

The principal purpose of the Partnership is to carry on the business of investing in qualifying companies, with a view to providing profits for distribution in accordance with the terms of the Agreement.

The Partnership commenced operations on 1 May 2007 and will continue in existence until all investments of the Partnership have been sold or liquidated unless extended or dissolved earlier in accordance with its Agreement dated 1 May 2007.

The Manager is an authorised person under the United Kingdom Financial Services and Markets Act 2000 ("FSMA"). As a consequence, the Manager is permitted to manage and operate collective investment schemes and manage their portfolios, the Manager is also authorised for the conduct of business in the United Kingdom by the Financial Conduct Authority.

### **2 Statement of compliance**

The financial statements of the Partnership have been prepared in compliance with the Agreement, United Kingdom Generally Accounting Practice, by applying the Small Entities requirements under Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the UK and the Republic of Ireland" ("FRS 102") and the Companies Act 2006 as applied to qualifying partnerships by the Partnerships (Accounts) Regulations 2008.

The Partnership has applied the Small Entities Regime under FRS 102 and exercised the option to not prepare a Statement of Cash Flows.

### **3 Summary of significant accounting policies**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied throughout the period, unless otherwise stated. The Partnership has adopted FRS 102 in these financial statements where applicable.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Partnership's financial statements:

#### **(a) Basis of preparation**

The financial statements have been prepared on a going concern basis under the historical cost convention, as modified by the revaluation of investments held at fair value through profit or loss. The amounts are presented in Pound Sterling ("GBP", "£"), which is also the Partnership's functional currency.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires the General Partner to exercise its judgement in the process of applying the Partnership's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

#### **(b) Going concern**

The Partnership meets its working capital requirements through capital calls based on the level of commitments of each Partner. Partners have a legal commitment per the Agreement to pay capital into the Partnership up to the amount committed. The Partnership has adequate remaining capital commitments to meet future obligations, payment of Priority Profit Share and other expenses. Any follow on investments will only be made after consideration of the sufficiency of the remaining capital commitments to fund those future obligations.

After making enquiries, the General Partner has a reasonable expectation that the Partnership has adequate resources to continue in operational existence for the foreseeable future. Accordingly, it continues to adopt the going concern basis in preparing the financial statements.

**Notes to the Financial Statements (continued)**

**3 Summary of significant accounting policies (continued)**

**(c) Revenue recognition**

The Partnership recognises revenue when the revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Partnership.

Bank interest and investment income are recognised on a receivable basis.

**(d) Allocation of Net Income, Net Losses and Realised Capital Gains and Capital Losses**

The allocation of Net Income, Net Losses and Realised Capital Gains and Capital Losses is made in accordance with Section 13 of the Agreement. The General Partner is entitled to a Priority Profit Share agreed by the Limited Partners. The Priority Profit Share is payable quarterly in advance. If the Partnership Income in any Accounting Period is insufficient to pay the Priority Profit Share in full, the amount of the shortfall shall be paid to the General Partner out of gains arising from the disposal of Partnership assets, failing which it shall be advanced interest free by the Partnership to the General Partner as a drawdown from Annual Commitments pursuant to Clause 6 of the Agreement.

**(e) Taxation**

The Partnership is not subject to taxation and no provision for taxation has been made in the financial statements. Any tax on income or capital gains is the responsibility of each individual Partner.

**(f) Financial instruments**

The Partnership has chosen to adopt the Sections 11 and 12 of FRS 102 in respect of financial instruments.

**(i) Financial assets**

Basic financial assets, including receivables and cash and cash equivalents, are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Other basic financial assets, including investments in equity instruments are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in the Statement of Comprehensive Income.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

**(ii) Financial liabilities**

Basic financial liabilities, including trade and other payables, are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Creditors are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

**Notes to the Financial Statements (continued)**

**3 Summary of significant accounting policies (continued)**

**(g) Fair value of investments**

Investments are carried in the Statement of Financial Position at cost in the first year unless there is a clear indication of appreciation or impairment in value. In subsequent years, the investments are recorded at the fair value as calculated by the Manager at the reporting date, in accordance with International Private Equity and Venture Capital Valuation Guidelines. Adjustments in the value of investments are reflected in the financial statements in the year in which the adjustment is made.

**4 Critical accounting estimates and judgements**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

**Fair value of investments**

When the fair value of investments recorded in the Statement of Financial Position cannot be derived from active markets, their fair value is determined using valuation techniques common in the private equity funds industry, primarily earnings multiples and recent comparable transactions. The inputs in the earnings multiples models include observable data, such as earnings multiples of comparable companies to the relevant portfolio company, and unobservable data, such as forecast earnings for the portfolio company. Changes in assumptions about these factors could affect the reported fair value of investments. The models used to determine fair values are validated and periodically reviewed by the Manager.

Changes in the underlying performance of the portfolio companies could cause a loss to the Partnership as a result of those companies being unable to meet their loan stock obligations, either in part or in full.

**5 Expenditure**

General administrative expenses for the year, including auditors' remuneration have been borne by Key Capital Partners LLP, the Manager of the fund. Expenditure incurred in the acquisition of investments is accounted for as part of the cost of investments.

Expenditure incurred by the General Partner through the management and administration of the Partnership is borne by the General Partner in its own financial statements. These amounts are recovered by the General Partner through a Priority Profit Share charged to the Limited Partners.

All other expenditure is accounted for in the Statement of Comprehensive Income.

**6 Trade and other receivables**

	As at 30 April 2019 £	As at 30 April 2018 £
Loan stock interest receivable	98,185	360,470
	<u>98,185</u>	<u>360,470</u>

**7 Trade and other payables**

	As at 30 April 2019 £	As at 30 April 2018 £
Due to parallel funds	1	3,882
Other payables	128	128
	<u>129</u>	<u>4,010</u>

**Notes to the Financial Statements (continued)**

**8 Financial assets held at fair value through profit or loss**

	Shares £	Loan Stock £	Total £
<b>Cost</b>			
As at 1 May 2018	490,430	3,252,678	3,743,108
Disposals	(109,734)	(2,036,519)	(2,146,253)
Restructuring *	-	700,000	700,000
As at 30 April 2019	380,696	1,916,159	2,296,855
<b>Change In Fair Value</b>			
As at 1 May 2018	3,896,031	57,273	3,953,304
Change for the year	(3,017,838)	-	(3,017,838)
As at 30 April 2019	878,193	57,273	935,466
<b>Fair Value</b>			
As at 30 April 2019	1,258,889	1,973,432	3,232,321
As at 30 April 2018	4,386,461	3,309,951	7,696,412

\* The Partnership has sold its loan note in EarthStream Global Limited ("ESG") to CloudStream Global as part of refinancing of ESG on 14 June 2018. Furthermore, CloudStream Global has changed its name to TechStream Group Holdings Limited on 15 August 2018. Also, the Partnership has reissued its £1,500,000 of deferred consideration of loan note in Templine for a 4% secured loan note as part of its exit on 20 December 2018.

The Partnership uses the following hierarchy to estimate the fair value of its investments which are measured at fair value through profit or loss:

- **Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities**  
The Partnership has no investments as at 30 April 2019 and 30 April 2018 under this category.
- **Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable**  
The Partnership has no investments as at 30 April 2019 and 30 April 2018 under this category.
- **Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable**  
The Partnership's investments as at 30 April 2019 amounting to £3,232,321 (30 April 2018: £7,696,412) were categorised under this category.

**Notes to the Financial Statements (continued)**

**9 Investment Undertakings**

	<b>Fund</b>	<b>Geography</b>	<b>Business activity</b>	<b>Number of Shares</b>	<b>% Ownership</b>
<b>Slamo Azzuri Limited (t/a Templine)</b> Templine (4% Secured Loan Notes)	I	UK	Provision of recruitment services to the logistics sector	N/A	N/A
<b>Neville Johnson Holdings Limited *</b> £1 'A' Ordinary Shares 10% Subordinated Loan Stock - 2015	I	UK	Manufacture and installation of bespoke furniture	50	0.01%
<b>Wells</b> 1p 'A' Ordinary Shares 10% Subordinated 'A' Loan Stock - 2011	IV	UK	Producer of specialist additive masterbatch and compounds	1,907,378	13.41%
<b>Techstream</b> Techstream Group Holdings Limited (Loan notes)	VI	UK	Recruitment for the oil and gas and mining sectors	N/A	N/A
<b>Hallam</b> £1 Preferred Ordinary Shares 10% Fixed Rate Secured Loan Stock - 2021	VII	UK	Recruitment for the medical sector	57,267	5.67%

\* Represents the shareholding of investors opting in the rollover following the sale of Neville Johnson in May 2014.

**10 Related Party Transactions**

The General Partner has entered into a management agreement with the Manager, Key Capital Partners LLP, under which the Manager has assumed certain responsibilities. The Manager is entitled to a fee from the General Partner for its services. James Hall, Michael Fell, Owen Trotter, Peter Armitage and Philip Duquenoy are the Designated Members of Key Capital Partners LLP. The General Partner received £46,200 (30 April 2018: £64,000) as a Priority Profit Share and there were no amounts outstanding at the year end.

**11 Ultimate Controlling Party**

The immediate controlling party of the Partnership is Key Capital Partners (General Partner) Limited, a wholly owned subsidiary of Key Capital Partners LLP, a limited liability partnership incorporated in the United Kingdom. There is no one overall controlling party.

**12 Provision for Carried Interest**

If the investment portfolio were to be fully realised at the values included in the Financial Statements at 30 April 2019, there would be a reallocation of Income between Key Capital Partners (Carried Interest) LLP and those of the other Partners.

This would reallocate to Key Capital Partners (Carried Interest) LLP Net Income of £30,125 (30 April 2018: £86,171) for Key Capital Partners Fund I, £162,820 (30 April 2018: £147,920) for Key Capital Partners Fund IV, £2,475 (30 April 2018: £13,109) for Key Capital Partners Fund V and £171,421 (30 April 2018: £420,795) for Key Capital Partners Fund VII being an estimate, calculated in accordance with the terms of the Limited Partnership Agreement, of the carried interest due to Key Capital Partners (Carried Interest) LLP at 30 April 2019.



**Innotech Investments Limited Fund KCP1 LP**  
**ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS**  
**YEAR ENDED 30 APRIL 2019**

THESE PARTNERSHIP  
ACCOUNTS FORM PART  
OF THE ACCOUNTS  
OF COMPANY  
No.05696941

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**Partnership Information**

**Partnership Number**

LP12410

**Manager**

Key Capital Partners LLP  
13 Park Place  
Leeds  
LS1 2SJ

**Designated Members of the Manager**

James Hall  
Michael Fell  
Owen Trotter  
Peter Armitage  
Philip Duquenoy

**General Partner**

Key Capital Partners (General Partner) Limited  
13 Park Place  
Leeds  
LS1 2SJ

**Director of the General Partner**

Owen Trotter

**Auditors**

PKF Littlejohn LLP  
Chartered Accountants and Registered Auditors  
1 Westferry Circus  
Canary Wharf  
London E14 4HD

**Legal Advisers**

O'Connors LLP  
Suite 409  
India Buildings  
Water Street  
Liverpool L2 0XA

**Bankers**

Lloyds Bank plc  
Threadneedle Street  
London BX1 1LT

**Independent Fund Administrators**

IQ EQ Administration Services (UK) Ltd  
- Formerly known as Augentius (UK) Ltd  
2 London Bridge  
London SE1 9RA



## **Innotech Investments Limited Fund KCP1 LP**

Annual Report and Audited Financial Statements for year ended 30 April 2019

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### **Report of the Manager**

Key Capital Partners (General Partner) Limited (the "General Partner") has appointed Key Capital Partners LLP (the "Manager") to manage the Partnership. The Manager presents the financial statements for Innotech Investments Limited Fund KCP1 LP (the "Partnership") for the year ended 30 April 2019.

### **Strategic Report**

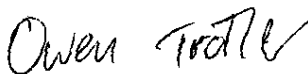
The Partnership is considered as "small" under Section 414B of The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013, as applied to Qualifying Partnerships, and it is therefore exempt from preparing a strategic report.

### **Disclosure of the information to the auditors**

The General Partner and Manager confirm that so far as they are aware, there is no relevant audit information of which the Partnership's auditor is unaware and that they have taken all steps that they ought have taken in order to make themselves aware of any relevant audit information and to establish that the Partnership's auditor is aware of such information.

This report has been prepared in accordance with the special provisions relating to small companies with part 15 of the Companies Act 2006, as applied to Qualifying Partnerships.

Signed on behalf of the Manager



Owen Trotter  
Designated Member

6/8 2019

**Statement of General Partner's Responsibilities in respect of the Financial Statements**

The General Partner is responsible for preparing the Annual Report and financial statements in accordance with applicable law and regulations.

Company law as applied to qualifying partnerships by The Partnerships (Accounts) Regulations 2008 (the "Regulations") requires the General Partner to prepare financial statements for each financial year. Under that law, the General Partner has prepared the Partnership's financial statements in accordance with the statement of compliance and accounting policies in Note 2 and Note 3 to the financial statements. Under company law as applied to qualifying partnerships, the General Partner must not approve the financial statements unless it is satisfied that they give a true and fair view of the state of affairs of the Partnership and of the profit or loss of the Partnership for that period. In preparing these financial statements, the General Partner is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, as specified in accordance with the Limited Partnership Agreement, 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 Partnership will continue in business.

The General Partner is responsible for keeping adequate accounting records that are sufficient to show and explain the Partnership's transactions and disclose with reasonable accuracy at any time the financial position of the Partnership and enable it to ensure that the financial statements comply with the Companies Act 2006 as applied to qualifying partnerships by the Regulations. The General Partner is also responsible for safeguarding the assets of the Partnership and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Independent Auditor's Report to the Members of Innotech Investments Limited Fund KCP1 LP**

**Opinion**

We have audited the Financial Statements of Innotech Investments Limited Fund KCP1 LP (the "Partnership") for the year ended 30 April 2019 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Net Assets Attributable to Partners and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In our opinion the Financial Statements:

- give a true and fair view of the state of the Partnership's affairs as at 30 April 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, as applied to qualifying partnerships by The Partnerships (Accounts) Regulations 2008.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Partnership in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the General Partner's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the General Partner has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Partnership's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

**Other Information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The General Partner is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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 that fact.

We have nothing to report in this regard.

**Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Report of the Manager for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Report of the Manager has been prepared in accordance with applicable legal requirements.

**Independent Auditor's Report to the Members of Innotech Investments Limited Fund KCP1 LP (continued)**

**Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the Partnership and its environment obtained in the course of the audit, we have not identified material misstatements in the Report of the Manager.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006, as applied to qualifying partnerships requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit; or
- the Partnership was not entitled to take advantage of the small companies' exemption, as applied to qualifying partnerships, in preparing the Report of the Manager, and the exemption from preparing a Strategic Report.

**Responsibilities of the General Partner**

As explained more fully in the Statement of General Partner's Responsibilities, the General Partner is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the General Partner determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the General Partner is responsible for assessing the Partnership'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 General Partner either intends to liquidate the Partnership or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

**Use of our report**

This report is made solely to the Partnership's members, as a body, in accordance with the Limited Partnership Agreement and Chapter 3 of Part 16 of the Companies Act 2006, as applied to qualifying partnerships by The Partnerships (Accounts) Regulations 2008. Our audit work has been undertaken so that we might state to the Partnership'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 Partnership and the Partnership's members as a body, for our audit work, for this report, or for the opinions we have formed.



**Ian Cowan (Senior Statutory Auditor)**

For and on behalf of PKF Littlejohn LLP  
Statutory Auditor

6 August 2019

1 Westferry Circus  
Canary Wharf  
London E14 4HD

**Statement of Comprehensive Income**

	Notes	Year ended 30 April 2019 £	Year ended 30 April 2018 £
Bank interest		153	767
Interest income		<u>105,095</u>	<u>164,997</u>
		<b>105,248</b>	<b>165,764</b>
Unrealised (loss) / gain on investments	8	(1,137,562)	1,768,027
Realised gain / (loss) on investments		1,399,038	(1,079,411)
<b>Profit for the financial year</b>		<b><u>366,724</u></b>	<b><u>854,380</u></b>

All results shown in the Statement of Comprehensive Income are from continuing operations. The Partnership has no comprehensive income other than the amounts recognised above. Accordingly, no Statement of Other Comprehensive Income has been prepared.

The notes on pages 11 to 15 form part of these financial statements.

**Statement of Financial Position**

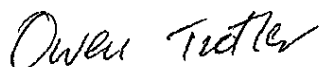
	Notes	As at 30 April 2019 £	As at 30 April 2018 £
<b>Non-current assets</b>			
Financial assets held at fair value through profit or loss	8	2,398,191	4,165,303
<b>Current assets</b>			
Trade and other receivables	6	26,844	191,148
Cash and cash equivalents		370	1,864
		<u>27,214</u>	<u>193,012</u>
<b>Current Liabilities</b>			
Trade and other payables	7	(116)	(1,709)
<b>Net Current Assets</b>		<u>27,098</u>	<u>191,303</u>
<b>Net Assets attributable to Partners</b>		<u>2,425,289</u>	<u>4,356,606</u>
<b>Partners' accounts</b>			
Capital contribution account		100	100
Loan account		9,888,086	9,888,086
Distribution to Partners		(19,382,969)	(17,094,928)
Retained earnings		11,930,072	11,563,348
<b>Total Partners' Funds</b>		<u>2,425,289</u>	<u>4,356,606</u>

The notes on pages 11 to 15 form part of these financial statements.

These financial statements have been prepared in accordance with the provisions applicable to entities subject to the Small Entities Regime and in accordance with the provisions of FRS 102.

The financial statements on pages 8 to 15 were approved by the Designated Members of the Manager, Key Capital Partners LLP on 6/8/2019.

Signed on behalf of Key Capital Partners LLP



**Owen Trotter**  
Designated Member

Partnership Number LP12410

**Innotech Investments Limited Fund KCP1 LP**  
Annual Report and Audited Financial Statements for year ended 30 April 2019

**Statement of Changes in Net Assets Attributable to Partners**

	Innotech Advisers Limited £	KCP (Carried Interest) LLP £	KCP (Investments) LLP £	General Partner Limited £	Total £
Net assets attributable to Partners as at 1 May 2018	4,261,111	2,908	92,577	10	4,356,606
<b>Additions</b>					
Loan	36,437	-	-	-	36,437
Profit for the financial year	200,566	159,906	6,252	-	366,724
Priority Profit Share	(36,437)	-	-	36,437	-
<b>Distributions</b>					
Repayment of loan	(2,090,209)	-	(47,926)	-	(2,138,135)
Income distribution	-	(159,906)	-	-	(159,906)
Priority Profit Share	-	-	-	(36,437)	(36,437)
<b>Net assets attributable to Partners as at 30 April 2019</b>	<b>2,371,468</b>	<b>2,908</b>	<b>50,903</b>	<b>10</b>	<b>2,425,289</b>

The notes on pages 11 to 15 form part of these financial statements.

## **Notes to the Financial Statements**

### **1 Background and Partnership Agreement**

Innotech Investments Limited Fund KCP1 LP is a Limited Partnership (the "Partnership") established in England under the Limited Partnerships Act 1907, by the Limited Partnership Agreement (the "Agreement") dated 30 June 2007.

The principal purpose of the Partnership is to carry on the business of investing in qualifying companies, with a view to providing profits for distribution in accordance with the terms of the Agreement.

The Partnership commenced operations on 30 June 2007 and will continue in existence until all investments of the Partnership have been sold or liquidated unless extended or dissolved earlier in accordance with its Agreement dated 30 June 2007.

The Manager is an authorised person under the United Kingdom Financial Services and Markets Act 2000 ("FSMA"). As a consequence, the Manager is permitted to manage and operate collective investment schemes and manage their portfolios, the Manager is also authorised for the conduct of business in the United Kingdom by the Financial Conduct Authority.

### **2 Statement of compliance**

The financial statements of the Partnership have been prepared in compliance with the Agreement, United Kingdom Generally Accounting Practice, by applying the Small Entities requirements under Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the UK and the Republic of Ireland" ("FRS 102") and the Companies Act 2006 as applied to qualifying partnerships by the Partnerships (Accounts) Regulations 2008.

The Partnership has applied the Small Entities Regime under FRS 102 and exercised the option to not prepare a Statement of Cash Flows.

### **3 Summary of significant accounting policies**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied throughout the period, unless otherwise stated. The Partnership has adopted FRS 102 in these financial statements where applicable.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Partnership's financial statements:

#### **(a) Basis of preparation**

The financial statements have been prepared on a going concern basis under the historical cost convention, as modified by the revaluation of investments held at fair value through profit or loss. The amounts are presented in Pound Sterling ("GBP", "£"), which is also the Partnership's functional currency.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires the General Partner to exercise its judgement in the process of applying the Partnership's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

#### **(b) Going concern**

The Partnership meets its working capital requirements through capital calls based on the level of commitments of each Partner. Partners have a legal commitment per the Agreement to pay capital into the Partnership up to the amount committed. The Partnership has adequate remaining capital commitments to meet future obligations, payment of Priority Profit Share and other expenses. Any follow on investments will only be made after consideration of the sufficiency of the remaining capital commitments to fund those future obligations.

After making enquiries, the General Partner has a reasonable expectation that the Partnership has adequate resources to continue in operational existence for the foreseeable future. Accordingly, it continues to adopt the going concern basis in preparing the financial statements.



**Notes to the Financial Statements (continued)**

**3 Summary of significant accounting policies (continued)**

**(c) Revenue recognition**

The Partnership recognises revenue when the revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Partnership.

Bank interest and investment income are recognised on a receivable basis.

**(d) Allocation of Net Income, Net Losses and Realised Capital Gains and Capital Losses**

The allocation of Net Income, Net Losses and Realised Capital Gains and Capital Losses is made in accordance with Section 13 of the Agreement. The General Partner is entitled to a Priority Profit Share agreed by the Limited Partners. The Priority Profit Share is payable quarterly in advance. If the Partnership Income in any Accounting Period is insufficient to pay the Priority Profit Share in full, the amount of the shortfall shall be paid to the General Partner out of gains arising from the disposal of Partnership assets, failing which it shall be advanced interest free by the Partnership to the General Partner as a drawdown from Annual Commitments pursuant to Clause 6 of the Agreement.

**(e) Taxation**

The Partnership is not subject to taxation and no provision for taxation has been made in the financial statements. Any tax on income or capital gains is the responsibility of each individual Partner.

**(f) Financial instruments**

The Partnership has chosen to adopt the Sections 11 and 12 of FRS 102 in respect of financial instruments.

**(i) Financial assets**

Basic financial assets, including receivables and cash and cash equivalents, are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Other basic financial assets, including investments in equity instruments are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in the Statement of Comprehensive Income.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

**(ii) Financial liabilities**

Basic financial liabilities, including trade and other payables, are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Creditors are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

**Notes to the Financial Statements (continued)**

**3 Summary of significant accounting policies (continued)**

**(g) Fair value of investments**

*Investments are carried in the Statement of Financial Position at cost in the first year unless there is a clear indication of appreciation or impairment in value. In subsequent years, the investments are recorded at the fair value as calculated by the Manager at the reporting date, in accordance with International Private Equity and Venture Capital Valuation Guidelines. Adjustments in the value of investments are reflected in the financial statements in the year in which the adjustment is made.*

**4 Critical accounting estimates and judgements**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

**Fair value of investments**

When the fair value of investments recorded in the Statement of Financial Position cannot be derived from active markets, their fair value is determined using valuation techniques common in the private equity funds industry, primarily earnings multiples and recent comparable transactions. *The inputs in the earnings multiples models include observable data, such as earnings multiples of comparable companies to the relevant portfolio company, and unobservable data, such as forecast earnings for the portfolio company. Changes in assumptions about these factors could affect the reported fair value of investments. The models used to determine fair values are validated and periodically reviewed by the Manager.*

Changes in the underlying performance of the portfolio companies could cause a loss to the Partnership as a result of those companies being unable to meet their loan stock obligations, either in part or in full.

**5 Expenditure**

General administrative expenses for the year, including auditors' remuneration have been borne by Key Capital Partners LLP, the Manager of the fund. Expenditure incurred in the acquisition of investments is accounted for as part of the cost of investments.

Expenditure incurred by the General Partner through the management and administration of the Partnership is borne by the General Partner in its own financial statements. These amounts are recovered by the General Partner through a Priority Profit Share charged to the Limited Partners.

All other expenditure is accounted for in the Statement of Comprehensive Income.

**6 Trade and other receivables**

	As at 30 April 2019 £	As at 30 April 2018 £
Loan stock interest receivable	26,844	191,148
	<u>26,844</u>	<u>191,148</u>

**7 Trade and other payables**

	As at 30 April 2019 £	As at 30 April 2018 £
Due to parallel funds	1	963
Due to limited partners	-	631
Other payables	115	115
	<u>116</u>	<u>1,709</u>

**Notes to the Financial Statements (continued)**

**8 Financial assets held at fair value through profit or loss**

	Shares £	Loan Stock £	Total £
<b>Cost</b>			
As at 1 May 2018	355,090	1,787,979	2,143,069
Additions	-	-	-
Disposals	(30,415)	(1,028,439)	(1,058,854)
Restructuring *	-	429,304	429,304
As at 30 April 2019	324,675	1,188,844	1,513,519
<b>Change in Fair Value</b>			
As at 1 May 2018	2,008,045	14,189	2,022,234
Change for the year	(1,137,562)	-	(1,137,562)
As at 30 April 2019	870,483	14,189	884,672
<b>Fair Value</b>			
As at 30 April 2019	1,195,158	1,203,033	2,398,191
As at 30 April 2018	2,363,135	1,802,168	4,165,303

\* The Partnership has sold its loan note in EarthStream Global Limited ("ESG") to CloudStream Global as part of refinancing of ESG on 14 June 2018. Furthermore, CloudStream Global has changed its name to TechStream Group Holdings Limited on 15 August 2018. Also, the Partnership has reissued its £1,500,000 of deferred consideration of loan note in Templine for a 4% secured loan note as part of its exit on 20 December 2018.

The Partnership uses the following hierarchy to estimate the fair value of its investments which are measured at fair value through profit or loss:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities  
The Partnership has no investments as at 30 April 2019 and 30 April 2018 under this category.
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable  
The Partnership has no investments as at 30 April 2019 and 30 April 2018 under this category.
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

Partnership's investments as at 30 April 2019 amounting to £2,398,191 (30 April 2018: £4,165,303) were categorised under this category.

**Notes to the Financial Statements (continued)**

**9 Investment Undertakings**

	Fund	Geography	Business activity	Number of Shares	% Ownership
<b>Stamo Azzuri Limited (t/a Templine)</b> Templine (4% Secured Loan Notes)	I	UK	Provision of recruitment services to the logistics sector	N/A	N/A
<b>Neville Johnson Holdings Limited *</b> £1 'A' Ordinary Shares 10% Subordinated Loan Stock - 2015	I	UK	Manufacture and installation of bespoke furniture	46	0.01%
<b>Wells</b> 1p 'A' Ordinary Shares 10% Subordinated 'A' Loan Stock - 2011	IV	UK	Producer of specialist additive masterbatch and compounds	1,831,083	12.87%
<b>Techstream</b> Techstream Group Holdings Limited (Loan notes)	VI	UK	Recruitment for the oil and gas and mining sectors	N/A	N/A
<b>Hallam</b> £1 Preferred Ordinary Shares 10% Fixed Rate Secured Loan Stock - 2021	VII	UK	Recruitment for the medical sector	14,188	1.40%

\* Represents the shareholding of investors opting in the rollover following the sale of Neville Johnson in May 2014.

**10 Related Party Transactions**

The General Partner has entered into a management agreement with the Manager, Key Capital Partners LLP, under which the Manager has assumed certain responsibilities. The Manager is entitled to a fee from the General Partner for its services. James Hall, Michael Fell, Owen Trotter, Peter Armitage and Philip Duquenoy are the Designated Members of Key Capital Partners LLP. The General Partner received £36,437 (30 April 2018: £47,263) as a Priority Profit Share and there were no amounts outstanding at the year end.

**11 Ultimate Controlling Party**

The immediate controlling party of the Partnership is Key Capital Partners (General Partner) Limited, a wholly owned subsidiary of Key Capital Partners LLP, a limited liability partnership incorporated in the United Kingdom. There is no one overall controlling party.

**12 Provision for Carried Interest**

If the investment portfolio were to be fully realised at the values included in the Financial Statements at 30 April 2019, there would be a reallocation of Income between Key Capital Partners (Carried Interest) LLP and those of the other Partners.

This would reallocate to Key Capital Partners (Carried Interest) LLP Net Income of £27,808 (30 April 2018: £79,542) for Key Capital Partners Fund I, £156,307 (30 April 2018: £142,003) for Key Capital Partners Fund IV, £2,334 (30 April 2018: £12,362) for Key Capital Partners Fund V and £42,469 (30 April 2018: £104,251) for Key Capital Partners Fund VII being an estimate, calculated in accordance with the terms of the Limited Partnership Agreement, of the carried interest due to Key Capital Partners (Carried Interest) LLP at 30 April 2019.

# KCP | KEY CAPITAL P A R T N E R S

## **Moulton Goodies Fund KCP1 LP**

### **ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS**

**YEAR ENDED 30 APRIL 2019**

THESE PARTNERSHIP  
ACCOUNTS FORM PART  
OF THE ACCOUNTS  
OF COMPANY  
No.05696941

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05/09/2019  
COMPANIES HOUSE

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**Moulton Goodies Fund KCP1 LP**Annual Report and Audited Financial Statements for year ended 30 April 2019

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**Partnership Information****Partnership Number**

LP12174

**Manager**

Key Capital Partners LLP  
13 Park Place  
Leeds  
LS1 2SJ

**Designated Members of the Manager**

James Hall  
Michael Fell  
Owen Trotter  
Peter Armitage  
Philip Duquenoy

**General Partner**

Key Capital Partners (General Partner) Limited  
13 Park Place  
Leeds  
LS1 2SJ

**Director of the General Partner**

Owen Trotter

**Auditors**

PKF Littlejohn LLP  
Chartered Accountants and Registered Auditors  
1 Westferry Circus  
Canary Wharf  
London E14 4HD

**Legal Advisers**

O'Connors LLP  
Suite 409  
India Buildings  
Water Street  
Liverpool L2 0XA

**Bankers**

Lloyds Bank plc  
Threadneedle Street  
London BX1 1LT

**Independent Fund Administrators**

IQ EQ Administration Services (UK) Ltd  
- Formerly known as Augentius (UK) Ltd  
2 London Bridge  
London SE1 9RA

## **Moulton Goodies Fund KCP1 LP**

Annual Report and Audited Financial Statements for year ended 30 April 2019

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### **Report of the Manager**

Key Capital Partners (General Partner) Limited (the "General Partner") has appointed Key Capital Partners LLP (the "Manager") to manage the Partnership. The Manager presents the financial statements for Moulton Goodies Fund KCP1 LP (the "Partnership") for the year ended 30 April 2019.

### **Strategic Report**

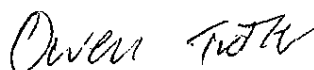
The Partnership is considered as "small" under Section 414B of The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013, as applied to Qualifying Partnerships, and it is therefore exempt from preparing a strategic report.

### **Disclosure of the information to the auditors**

The General Partner and Manager confirm that so far as they are aware, there is no relevant audit information of which the Partnership's auditor is unaware and that they have taken all steps that they ought have taken in order to make themselves aware of any relevant audit information and to establish that the Partnership's auditor is aware of such information.

This report has been prepared in accordance with the special provisions relating to small companies with part 15 of the Companies Act 2006, as applied to Qualifying Partnerships.

Signed on behalf of the Manager



**Owen Trotter**  
**Designated Member**

*O/T* 2019



**Statement of General Partner's Responsibilities in respect of the Financial Statements**

The General Partner is responsible for preparing the Annual Report and financial statements in accordance with applicable law and regulations.

Company law as applied to qualifying partnerships by The Partnerships (Accounts) Regulations 2008 (the "Regulations") requires the General Partner to prepare financial statements for each financial year. Under that law, the General Partner has prepared the Partnership's financial statements in accordance with the statement of compliance and accounting policies in Note 2 and Note 3 to the financial statements. Under company law, as applied to qualifying partnerships, the General Partner must not approve the financial statements unless it is satisfied that they give a true and fair view of the state of affairs of the Partnership and of the profit or loss of the Partnership for that period. In preparing these financial statements, the General Partner is required to:

- *select suitable accounting policies and then apply them consistently;*
- *make judgements and accounting estimates that are reasonable and prudent;*
- *state whether applicable United Kingdom Accounting Standards, as specified in accordance with the Limited Partnership Agreement, 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 Partnership will continue in business.*

The General Partner is responsible for keeping adequate accounting records that are sufficient to show and explain the Partnership's transactions and disclose with reasonable accuracy at any time the financial position of the Partnership and enable it to ensure that the financial statements comply with the Companies Act 2006 as applied to qualifying partnerships by the Regulations. The General Partner is also responsible for safeguarding the assets of the Partnership and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **Moulton Goodies Fund KCP1 LP**

Annual Report and Audited Financial Statements for year ended 30 April 2019

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### **Independent Auditor's Report to the Members of Moulton Goodies Fund KCP1 LP**

#### **Opinion**

We have audited the Financial Statements of Moulton Goodies Fund KCP1 LP (the "Partnership") for the year ended 30 April 2019 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Net Assets Attributable to Partners and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In our opinion the Financial Statements:

- give a true and fair view of the state of the Partnership's affairs as at 30 April 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, as applied to qualifying partnerships by The Partnerships (Accounts) Regulations 2008.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Partnership in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the General Partner's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the General Partner has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Partnership's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

#### **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The General Partner is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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 that fact.

We have nothing to report in this regard.

#### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Report of the Manager for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Report of the Manager has been prepared in accordance with applicable legal requirements.

## Moulton Goodies Fund KCP1 LP

Annual Report and Audited Financial Statements for year ended 30 April 2019

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### Independent Auditor's Report to the Members of Moulton Goodies Fund KCP1 LP (continued)

#### Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Partnership and its environment obtained in the course of the audit, we have not identified material misstatements in the Report of the Manager.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006, as applied to qualifying partnerships requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit; or
- the Partnership was not entitled to take advantage of the small companies' exemption, as applied to qualifying partnerships, in preparing the Report of the Manager, and the exemption from preparing a Strategic Report.

#### Responsibilities of the General Partner

As explained more fully in the Statement of General Partner's Responsibilities, the General Partner is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the General Partner determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the General Partner is responsible for assessing the Partnership'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 General Partner either intends to liquidate the Partnership or to cease operations, or have no realistic alternative but to do so.

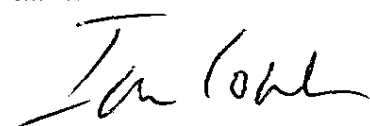
#### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

#### Use of our report

This report is made solely to the Partnership's members, as a body, in accordance with the Limited Partnership Agreement and Chapter 3 of Part 16 of the Companies Act 2006, as applied to qualifying partnerships by The Partnerships (Accounts) Regulations 2008. Our audit work has been undertaken so that we might state to the Partnership'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 Partnership and the Partnership's members as a body, for our audit work, for this report, or for the opinions we have formed.



Ian Cowan (Senior Statutory Auditor)

For and on behalf of PKF Littlejohn LLP  
Statutory Auditor

6 August 2019

1 Westferry Circus  
Canary Wharf  
London E14 4HD

**Moulton Goodies Fund KCP1 LP**

Annual Report and Audited Financial Statements for year ended 30 April 2019

**Statement of Comprehensive Income**

	Notes	Year ended 30 April 2019 £	Year ended 30 April 2018 £
Bank interest		152	164
Interest income		<u>100,308</u>	<u>108,543</u>
		<b>100,460</b>	<b>108,707</b>
Unrealised (loss) / gain on investments	8	(1,595,301)	845,268
Realised gain / (loss) on investments		2,096,010	(179,903)
<b>Profit for the financial year</b>		<b><u>601,169</u></b>	<b><u>774,072</u></b>

All results shown in the Statement of Comprehensive Income are from continuing operations. The Partnership has no comprehensive income other than the amounts recognised above. Accordingly, no Statement of Other Comprehensive Income has been prepared.

The notes on pages 11 to 15 form part of these financial statements.

**Moulton Goodies Fund KCP1 LP**

Annual Report and Audited Financial Statements for year ended 30 April 2019

**Statement of Financial Position**

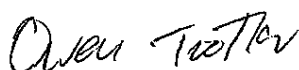
	Notes	As at 30 April 2019 £	As at 30 April 2018 £
<b>Non-current assets</b>			
Financial assets held at fair value through profit or loss	8	1,211,063	3,540,866
<b>Current assets</b>			
Trade and other receivables	6	59,571	180,037
Cash and cash equivalents		90	4,041
		<b>59,661</b>	<b>184,078</b>
<b>Current Liabilities</b>			
Trade and other payables	7	(19)	(3,989)
<b>Net Current Assets</b>		<b>59,642</b>	<b>180,089</b>
<b>Net Assets attributable to Partners</b>		<b>1,270,705</b>	<b>3,720,955</b>
<b>Partners' accounts</b>			
Capital contribution account		50	50
Loan account		4,033,866	4,033,666
Distribution to Partners		(8,742,175)	(5,690,756)
Retained earnings		5,979,164	5,377,995
<b>Total Partners' Funds</b>		<b>1,270,705</b>	<b>3,720,955</b>

The notes on pages 11 to 15 form part of these financial statements.

These financial statements have been prepared in accordance with the provisions applicable to entities subject to the Small Entities Regime and in accordance with the provisions of FRS 102.

The financial statements on pages 8 to 15 were approved by the Designated Members of the Manager, Key Capital Partners LLP on 6/9 2019.

Signed on behalf of Key Capital Partners LLP



**Owen Trotter**  
**Designated Member**

Partnership Number LP12174

**Moulton Goodies Fund KCP1 LP**  
Annual Report and Audited Financial Statements for year ended 30 April 2019

**Statement of Changes in Net Assets Attributable to Partners**

	<b>Moulton Goodies Limited</b>	<b>KCP (Carried Interest) LLP</b>	<b>KCP (Investments) LLP</b>	<b>General Partner Limited</b>	<b>Total</b>
	£	£	£	£	£
<b>Net assets attributable to Partners as at 1 May 2018</b>	3,622,481	9,436	89,028	10	3,720,955
<b>Additions</b>					
Loan	15,713	-	-	-	15,713
Profit for the financial year	349,280	242,725	9,164	-	601,169
Priority Profit Share	(15,713)	-	-	15,713	-
<b>Distributions</b>					
Repayment of loan	(2,740,269)	-	(68,425)	-	(2,808,694)
Income distribution	-	(242,725)	-	-	(242,725)
Priority Profit Share	-	-	-	(15,713)	(15,713)
<b>Net assets attributable to Partners as at 30 April 2019</b>	<b>1,231,492</b>	<b>9,436</b>	<b>29,767</b>	<b>10</b>	<b>1,270,705</b>

The notes on pages 11 to 15 form part of these financial statements.

## Notes to the Financial Statements

### 1 Background and Partnership Agreement

Moulton Goodies Fund KCP1 LP is a Limited Partnership (the "Partnership"), established in England under the Limited Partnerships Act 1907, by the Limited Partnership Agreement (the "Agreement") dated 1 May 2007.

The principal purpose of the Partnership is to carry on the business of investing in qualifying companies, with a view to providing profits for distribution in accordance with the terms of the Agreement.

The Partnership commenced operations on 1 May 2007 and will continue in existence until all investments of the Partnership have been sold or liquidated unless extended or dissolved earlier in accordance with its Agreement dated 1 May 2007.

The Manager is an authorised person under the United Kingdom Financial Services and Markets Act 2000 ("FSMA"). As a consequence, the Manager is permitted to manage and operate collective investment schemes and manage their portfolios, the Manager is also authorised for the conduct of business in the United Kingdom by the Financial Conduct Authority.

### 2 Statement of compliance

The financial statements of the Partnership have been prepared in compliance with the Agreement, United Kingdom *Generally Accounting Practice*, by applying the *Small Entities requirements under Financial Reporting Standard 102*, "The Financial Reporting Standard applicable in the UK and the Republic of Ireland" ("FRS 102") and the Companies Act 2006 as applied to qualifying partnerships by the Partnerships (Accounts) Regulations 2008.

The Partnership has applied the Small Entities Regime under FRS 102 and exercised the option to not prepare a Statement of Cash Flows.

### 3 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied throughout the period, unless otherwise stated. The Partnership has adopted FRS 102 in these financial statements where applicable.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Partnership's financial statements:

#### (a) Basis of preparation

The financial statements have been prepared on a going concern basis under the historical cost convention, as modified by the revaluation of investments held at fair value through profit or loss. The amounts are presented in Pound Sterling ("GBP", "£"), which is also the Partnership's functional currency.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires the General Partner to exercise its judgement in the process of applying the Partnership's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

#### (b) Going concern

The Partnership meets its working capital requirements through capital calls based on the level of commitments of each Partner. Partners have a legal commitment per the Agreement to pay capital into the Partnership up to the amount committed. The Partnership has adequate remaining capital commitments to meet future obligations, payment of Priority Profit Share and other expenses. Any follow on investments will only be made after consideration of the sufficiency of the remaining capital commitments to fund those future obligations.

After making enquiries, the General Partner has a reasonable expectation that the Partnership has adequate resources to continue in operational existence for the foreseeable future. Accordingly, it continues to adopt the going concern basis in preparing the financial statements.

**Notes to the Financial Statements (continued)**

**3 Summary of significant accounting policies (continued)**

**(c) Revenue recognition**

The Partnership recognises revenue when the revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Partnership.

Bank interest and investment income are recognised on a receivable basis.

**(d) Allocation of Net Income, Net Losses and Realised Capital Gains and Capital Losses**

The allocation of Net Income, Net Losses and Realised Capital Gains and Capital Losses is made in accordance with Section 13 of the Agreement. The General Partner is entitled to a Priority Profit Share agreed by the Limited Partners. The Priority Profit Share is payable quarterly in advance. If the Partnership Income in any Accounting Period is insufficient to pay the Priority Profit Share in full, the amount of the shortfall shall be paid to the General Partner out of gains arising from the disposal of Partnership assets, failing which it shall be advanced interest free by the Partnership to the General Partner as a drawdown from Annual Commitments pursuant to Clause 6 of the Agreement.

**(e) Taxation**

The Partnership is not subject to taxation and no provision for taxation has been made in the financial statements. Any tax on income or capital gains is the responsibility of each individual Partner.

**(f) Financial instruments**

The Partnership has chosen to adopt the Sections 11 and 12 of FRS 102 in respect of financial instruments.

**(i) Financial assets**

Basic financial assets, including receivables and cash and cash equivalents, are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Other basic financial assets, including investments in equity instruments are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in the Statement of Comprehensive Income.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

**(ii) Financial liabilities**

Basic financial liabilities, including trade and other payables, are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Creditors are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.



**Notes to the Financial Statements (continued)**

**3 Summary of significant accounting policies (continued)**

**(g) Fair value of investments**

Investments are carried in the Statement of Financial Position at cost in the first year unless there is a clear indication of appreciation or impairment in value. In subsequent years, the investments are recorded at the fair value as calculated by the Manager at the reporting date, in accordance with International Private Equity and Venture Capital Valuation Guidelines. Adjustments in the value of investments are reflected in the financial statements in the year in which the adjustment is made.

**4 Critical accounting estimates and judgements**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

**Fair value of investments**

When the fair value of investments recorded in the Statement of Financial Position cannot be derived from active markets, their fair value is determined using valuation techniques common in the private equity funds industry, primarily earnings multiples and recent comparable transactions. The inputs in the earnings multiples models include observable data, such as earnings multiples of comparable companies to the relevant portfolio company, and unobservable data, such as forecast earnings for the portfolio company. Changes in assumptions about these factors could affect the reported fair value of investments. The models used to determine fair values are validated and periodically reviewed by the Manager.

Changes in the underlying performance of the portfolio companies could cause a loss to the Partnership as a result of those companies being unable to meet their loan stock obligations, either in part or in full.

**5 Expenditure**

General administrative expenses for the year, including auditors' remuneration have been borne by Key Capital Partners LLP, the Manager of the fund. Expenditure incurred in the acquisition of investments is accounted for as part of the cost of investments.

Expenditure incurred by the General Partner through the management and administration of the Partnership is borne by the General Partner in its own financial statements. These amounts are recovered by the General Partner through a Priority Profit Share charged to the Limited Partners.

All other expenditure is accounted for in the Statement of Comprehensive Income.

**6 Trade and other receivables**

	As at 30 April 2019 £	As at 30 April 2018 £
Loan stock interest receivable	59,571	180,037
	<u>59,571</u>	<u>180,037</u>

**7 Trade and other payables**

	As at 30 April 2019 £	As at 30 April 2018 £
Due to parallel funds	-	2,397
Due to limited partners	-	1,573
Other payables	19	19
	<u>19</u>	<u>3,989</u>

**Notes to the Financial Statements (continued)**
**8 Financial assets held at fair value through profit or loss**

	Shares £	Loan Stock £	Total £
<b>Cost</b>			
As at 1 May 2018	205,426	1,435,204	1,640,630
Disposals	(66,201)	(866,836)	(933,037)
Restructuring *	-	198,535	198,535
As at 30 April 2019	139,225	766,903	906,128
<b>Change in Fair Value</b>			
As at 1 May 2018	1,864,874	35,362	1,900,236
Change for the year	(1,595,301)	-	(1,595,301)
As at 30 April 2019	269,573	35,362	304,935
<b>Fair Value</b>			
As at 30 April 2019	408,798	802,265	1,211,063
As at 30 April 2018	2,070,300	1,470,566	3,540,866

\* The Partnership has sold its loan note in EarthStream Global Limited ("ESG") to CloudStream Global as part of refinancing of ESG on 14 June 2018. Furthermore, CloudStream Global has changed its name to TechStream Group Holdings Limited on 15 August 2018. Also, the Partnership has reissued its £1,500,000 of deferred consideration of loan note in Templine for a 4% secured loan note as part of its exit on 20 December 2018.

The Partnership uses the following hierarchy to estimate the fair value of its investments which are measured at fair value through profit or loss:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities

The Partnership has no investments as at 30 April 2019 and 30 April 2018 under this category.

- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

The Partnership has no investments as at 30 April 2019 and 30 April 2018 under this category.

- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

The Partnership's investments as at 30 April 2019 amounting to £1,211,063 (30 April 2018: £3,540,866) were categorised under this category.

**Moulton Goodies Fund KCP1 LP**

Annual Report and Audited Financial Statements for year ended 30 April 2019

**Notes to the Financial Statements (continued)****9 Investment Undertakings**

	Fund	Geography	Business activity	Number of Shares	% Ownership
<b>Siamo Azzuri Limited (t/a Templine)</b> Templine (4% Secured Loan Notes)	I	UK	Provision of recruitment services to the logistics sector	N/A	N/A
<b>Neville Johnson Holdings Limited *</b> £1 'A' Ordinary Shares 10% Subordinated Loan Stock - 2015	I	UK	Manufacture and installation of bespoke furniture	386	0.08%
<b>Wells</b> 1p 'A' Ordinary Shares 10% Subordinated 'A' Loan Stock - 2011	IV	UK	Producer of specialist additive masterbatch and compounds	610,361	4.29%
<b>Techstream</b> Techstream Group Holdings Limited (Loan notes)	VI	UK	Recruitment for the oil and gas and mining sectors	N/A	N/A
<b>Hallam</b> £1 Preferred Ordinary Shares 10% Fixed Rate Secured Loan Stock - 2021	VII	UK	Recruitment for the medical sector	35,358	3.50%

\* Represents the shareholding of investors opting in the rollover following the sale of Neville Johnson in May 2014.

**10 Related Party Transactions**

The General Partner has entered into a management agreement with the Manager, Key Capital Partners LLP, under which the Manager has assumed certain responsibilities. The Manager is entitled to a fee from the General Partner for its services. Michael Fell, Owen Trotter, Peter Armitage, Philip Duquenoy and James Hall are the Designated Members of Key Capital Partners LLP. The General Partner received £15,713 (30 April 2018: £19,604) as a Priority Profit Share and there were no amounts outstanding at the year end.

**11 Ultimate Controlling Party**

The immediate controlling party of the Partnership is Key Capital Partners (General Partner) Limited, a wholly owned subsidiary of Key Capital Partners LLP, a limited liability partnership incorporated in the United Kingdom. There is no one overall controlling party.

**12 Provision for Carried Interest**

If the investment portfolio were to be fully realised at the values included in the Financial Statements at 30 April 2019, there would be a reallocation of Income between Key Capital Partners (Carried Interest) LLP and those of the other Partners.

This would reallocate to Key Capital Partners (Carried Interest) LLP Net Income of £5,577 (30 April 2018: £15,241) for Key Capital Partners Fund I, £52,102 (30 April 2018: £47,334) for Key Capital Partners Fund IV, £778 (30 April 2018: £4,121) for Key Capital Partners Fund V and £105,841 (30 April 2018: £259,812) for Key Capital Partners Fund VII being an estimate, calculated in accordance with the terms of the Limited Partnership Agreement, of the carried interest due to Key Capital Partners (Carried Interest) LLP at 30 April 2019.



**South Yorkshire Pension Authority Fund KCP1 LP**  
**ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS**  
**YEAR ENDED 30 APRIL 2019**

THESE PARTNERSHIP  
ACCOUNTS FORM PART  
OF THE ACCOUNTS  
OF COMPANY  
No.05696941

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05/09/2019  
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**Partnership Information**

**Partnership Number**

LP12412

**Manager**

Key Capital Partners LLP  
13 Park Place  
Leeds  
LS1 2SJ

**Designated Members of the Manager**

James Hall  
Michael Fell  
Owen Trotter  
Peter Armitage  
Philip Duquenoy

**General Partner**

Key Capital Partners (General Partner) Limited  
13 Park Place  
Leeds  
LS1 2SJ

**Director of the General Partner**

Owen Trotter

**Auditors**

PKF Littlejohn LLP  
Chartered Accountants and Registered Auditors  
1 Westferry Circus  
Canary Wharf  
London E14 4HD

**Legal Advisers**

O'Connors LLP  
Suite 409  
India Buildings  
Water Street  
Liverpool L2 0XA

**Bankers**

Lloyds Bank plc  
Threadneedle Street  
London BX1 1LT

**Independent Fund Administrators**

IQ EQ Administration Services (UK) Ltd  
- Formerly known as Augentius (UK) Ltd  
2 London Bridge  
London SE1 9RA

## **Report of the Manager**

Key Capital Partners (General Partner) Limited (the "General Partner") has appointed Key Capital Partners LLP (the "Manager") to manage the Partnership. The Manager presents the financial statements for South Yorkshire Pension Authority Fund KCP1 LP (the "Partnership") for the year ended 30 April 2019.

## **Strategic Report**

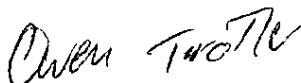
The Partnership is considered as "small" under Section 414B of The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013, as applied to Qualifying Partnerships, and it is therefore exempt from preparing a strategic report.

## **Disclosure of the information to the auditors**

The General Partner and Manager confirm that so far as they are aware, there is no relevant audit information of which the Partnership's auditor is unaware and that they have taken all steps that they ought have taken in order to make themselves aware of any relevant audit information and to establish that the Partnership's auditor is aware of such information.

This report has been prepared in accordance with the special provisions relating to small companies with part 15 of the Companies Act 2006, as applied to Qualifying Partnerships.

Signed on behalf of the Manager



Owen Trotter  
Designated Member

6/8 2019

**Statement of General Partner's Responsibilities in respect of the Financial Statements**

The General Partner is responsible for preparing the Annual Report and financial statements in accordance with applicable law and regulations.

Company law as applied to qualifying partnerships by The Partnerships (Accounts) Regulations 2008 (the "Regulations") requires the General Partner to prepare financial statements for each financial year. Under that law, the General Partner has prepared the Partnership's financial statements in accordance with the statement of compliance and accounting policies in Note 2 and Note 3 to the financial statements. Under company law as applied to qualifying partnerships, the General Partner must not approve the financial statements unless it is satisfied that they give a true and fair view of the state of affairs of the Partnership and of the profit or loss of the Partnership for that period. In preparing these financial statements, the General Partner is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, as specified in accordance with the Limited Partnership Agreement, 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 Partnership will continue in business.

The General Partner is responsible for keeping adequate accounting records that are sufficient to show and explain the Partnership's transactions and disclose with reasonable accuracy at any time the financial position of the Partnership and enable it to ensure that the financial statements comply with the Companies Act 2006 as applied to qualifying partnerships by the Regulations. The General Partner is also responsible for safeguarding the assets of the Partnership and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



**Independent Auditor's Report to the Members of South Yorkshire Pension Authority Fund KCP1 LP**

**Opinion**

We have audited the Financial Statements of South Yorkshire Pension Authority Fund KCP1 LP (the "Partnership") for the year ended 30 April 2019 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Net Assets Attributable to Partners and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In our opinion the Financial Statements:

- give a true and fair view of the state of the Partnership's affairs as at 30 April 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, as applied to qualifying partnerships by The Partnerships (Accounts) Regulations 2008.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Partnership in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the General Partner's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the General Partner has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Partnership's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

**Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The General Partner is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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 that fact.

We have nothing to report in this regard.

**Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Report of the Manager for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Report of the Manager has been prepared in accordance with applicable legal requirements.

**Independent Auditor's Report to the Members of South Yorkshire Pension Authority Fund KCP1 LP**  
(continued)

**Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the Partnership and its environment obtained in the course of the audit, we have not identified material misstatements in the Report of the Manager.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006, as applied to qualifying partnerships requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit; or
- the Partnership was not entitled to take advantage of the small companies' exemption, as applied to qualifying partnerships, in preparing the Report of the Manager, and the exemption from preparing a Strategic Report.

**Responsibilities of the General Partner**

As explained more fully in the Statement of General Partner's Responsibilities, the General Partner is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the General Partner determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

**Use of our report**

This report is made solely to the Partnership's members, as a body, in accordance with the Limited Partnership Agreement and Chapter 3 of Part 16 of the Companies Act 2006, as applied to qualifying partnerships by The Partnerships (Accounts) Regulations 2008. Our audit work has been undertaken so that we might state to the Partnership'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 Partnership and the Partnership's members as a body, for our audit work, for this report, or for the opinions we have formed.



**Ian Cowan (Senior Statutory Auditor)**

For and on behalf of PKF Littlejohn LLP  
Statutory Auditor

6 August 2019

1 Westferry Circus  
Canary Wharf  
London E14 4HD

**Statement of Comprehensive Income**

	Notes	Year ended 30 April 2019 £	Year ended 30 April 2018 £
Bank interest		87	256
Interest income		<u>54,560</u>	<u>73,247</u>
		<b>54,647</b>	<b>73,503</b>
Unrealised (loss) / gain on investments	8	(782,161)	725,596
Realised gain / (loss) on investments		997,011	(359,801)
<b>Profit for the financial year</b>		<b><u>269,497</u></b>	<b><u>439,298</u></b>

All results shown in the Statement of Comprehensive Income are from continuing operations. The Partnership has no comprehensive income other than the amounts recognised above. Accordingly, no Statement of Other Comprehensive Income has been prepared.

The notes on pages 11 to 15 form part of these financial statements.

**Statement of Financial Position**

	Notes	As at 30 April 2019 £	As at 30 April 2018 £
<b>Non-current assets</b>			
Financial assets held at fair value through profit or loss	8	1,008,140	2,173,311
<b>Current assets</b>			
Trade and other receivables	6	24,580	99,637
Cash and cash equivalents		147	1,075
		<u>24,727</u>	<u>100,712</u>
<b>Current Liabilities</b>			
Trade and other payables	7	(38)	(1,000)
<b>Net Current Assets</b>		<u>24,689</u>	<u>99,712</u>
<b>Net Assets attributable to Partners</b>		<u>1,032,829</u>	<u>2,273,023</u>
<b>Partners' accounts</b>			
Capital contribution account		80	80
Loan account		4,009,380	4,009,380
Distribution to Partners		(7,632,456)	(6,122,765)
Retained earnings		4,655,825	4,386,328
<b>Total Partners' Funds</b>		<u>1,032,829</u>	<u>2,273,023</u>

The notes on pages 11 to 15 form part of these financial statements.

These financial statements have been prepared in accordance with the provisions applicable to entities subject to the Small Entities Regime and in accordance with the provisions of FRS 102.

The financial statements on pages 8 to 15 were approved by the Designated Members of the Manager, Key Capital Partners LLP on 6/8 2019.

Signed on behalf of Key Capital Partners LLP



**Owen Trotter**  
**Designated Member**

Partnership Number LP12412

**South Yorkshire Pension Authority Fund KCP1 LP**  
Annual Report and Audited Financial Statements for year ended 30 April 2019

**Statement of Changes in Net Assets Attributable to Partners**

	South Yorkshire Pensions Authority	KCP (Carried Interest) LLP	KCP (Investments) LLP	General Partner Limited	Total
	£	£	£	£	£
Net assets attributable to Partners as at 1 May 2018	2,219,917	1,314	51,782	10	2,273,023
<b>Additions</b>					
Loan	13,829	-	-	-	13,829
Profit for the financial year	151,148	114,137	4,212	-	269,497
Priority Profit Share	(13,829)	-	-	13,829	-
<b>Distributions</b>					
Repayment of loan	(1,362,540)	-	(33,014)	-	(1,395,554)
Income distribution	-	(114,137)	-	-	(114,137)
Priority Profit Share	-	-	-	(13,829)	(13,829)
Net assets attributable to Partners as at 30 April 2019	1,008,525	1,314	22,980	10	1,032,829

The notes on pages 11 to 15 form part of these financial statements.

## Notes to the Financial Statements

### 1 Background and Partnership Agreement

South Yorkshire Pension Authority Fund KCP1 LP is a Limited Partnership (the "Partnership") established in England under the Limited Partnerships Act 1907, by the Limited Partnership Agreement (the "Agreement") dated 30 June 2007.

The principal purpose of the Partnership is to carry on the business of investing in qualifying companies, with a view to providing profits for distribution in accordance with the terms of the Agreement.

The Partnership commenced operations on 30 June 2007 and will continue in existence until all investments of the Partnership have been sold or liquidated unless extended or dissolved earlier in accordance with its Agreement dated 30 June 2007.

The Manager is an authorised person under the United Kingdom Financial Services and Markets Act 2000 ("FSMA"). As a consequence, the Manager is permitted to manage and operate collective investment schemes and manage their portfolios, the Manager is also authorised for the conduct of business in the United Kingdom by the Financial Conduct Authority.

### 2 Statement of compliance

The financial statements of the Partnership have been prepared in compliance with the Agreement, United Kingdom Generally Accounting Practice, by applying the Small Entities requirements under Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the UK and the Republic of Ireland" ("FRS 102") and the Companies Act 2006 as applied to qualifying partnerships by the Partnerships (Accounts) Regulations 2008.

The Partnership has applied the Small Entities Regime under FRS 102 and exercised the option to not prepare a Statement of Cash Flows.

### 3 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied throughout the period, unless otherwise stated. The Partnership has adopted FRS 102 in these financial statements where applicable.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Partnership's financial statements:

#### (a) Basis of preparation

The financial statements have been prepared on a going concern basis under the historical cost convention, as modified by the revaluation of investments held at fair value through profit or loss. The amounts are presented in Pound Sterling ("GBP", "£"), which is also the Partnership's functional currency.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires the General Partner to exercise its judgement in the process of applying the Partnership's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

#### (b) Going concern

The Partnership meets its working capital requirements through capital calls based on the level of commitments of each Partner. Partners have a legal commitment per the Agreement to pay capital into the Partnership up to the amount committed. The Partnership has adequate remaining capital commitments to meet future obligations, payment of Priority Profit Share and other expenses. Any follow on investments will only be made after consideration of the sufficiency of the remaining capital commitments to fund those future obligations.

After making enquiries, the General Partner has a reasonable expectation that the Partnership has adequate resources to continue in operational existence for the foreseeable future. Accordingly, it continues to adopt the going concern basis in preparing the financial statements.

**Notes to the Financial Statements (continued)**

**3 Summary of significant accounting policies (continued)**

**(c) Revenue recognition**

The Partnership recognises revenue when the revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Partnership.

Bank interest and investment income are recognised on a receivable basis.

**(d) Allocation of Net Income, Net Losses and Realised Capital Gains and Capital Losses**

The allocation of Net Income, Net Losses and Realised Capital Gains and Capital Losses is made in accordance with Section 13 of the Agreement. The General Partner is entitled to a Priority Profit Share agreed by the Limited Partners. The Priority Profit Share is payable quarterly in advance. If the Partnership Income in any Accounting Period is insufficient to pay the Priority Profit Share in full, the amount of the shortfall shall be paid to the General Partner out of gains arising from the disposal of Partnership assets, failing which it shall be advanced interest free by the Partnership to the General Partner as a drawdown from Annual Commitments pursuant to Clause 6 of the Agreement.

**(e) Taxation**

The Partnership is not subject to taxation and no provision for taxation has been made in the financial statements. Any tax on income or capital gains is the responsibility of each individual Partner.

**(f) Financial instruments**

The Partnership has chosen to adopt the Sections 11 and 12 of FRS 102 in respect of financial instruments.

**(i) Financial assets**

Basic financial assets, including receivables and cash and cash equivalents, are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Other basic financial assets, including investments in equity instruments are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in the Statement of Comprehensive Income.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

**(ii) Financial liabilities**

Basic financial liabilities, including trade and other payables, are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Creditors are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

**Notes to the Financial Statements (continued)**

**3 Summary of significant accounting policies (continued)**

**(g) Fair value of investments**

Investments are carried in the Statement of Financial Position at cost in the first year unless there is a clear indication of appreciation or impairment in value. In subsequent years, the investments are recorded at the fair value as calculated by the Manager at the reporting date, in accordance with International Private Equity and Venture Capital Valuation Guidelines. Adjustments in the value of investments are reflected in the financial statements in the year in which the adjustment is made.

**4 Critical accounting estimates and judgements**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

**Fair value of investments**

When the fair value of investments recorded in the Statement of Financial Position cannot be derived from active markets, their fair value is determined using valuation techniques common in the private equity funds industry, primarily earnings multiples and recent comparable transactions. The inputs in the earnings multiples models include observable data, such as earnings multiples of comparable companies to the relevant portfolio company, and unobservable data, such as forecast earnings for the portfolio company. Changes in assumptions about these factors could affect the reported fair value of investments. The models used to determine fair values are validated and periodically reviewed by the Manager.

Changes in the underlying performance of the portfolio companies could cause a loss to the Partnership as a result of those companies being unable to meet their loan stock obligations, either in part or in full.

**5 Expenditure**

General administrative expenses for the year, including auditors' remuneration have been borne by Key Capital Partners LLP, the Manager of the fund. Expenditure incurred in the acquisition of investments is accounted for as part of the cost of investments.

Expenditure incurred by the General Partner through the management and administration of the Partnership is borne by the General Partner in its own financial statements. These amounts are recovered by the General Partner through a Priority Profit Share charged to the Limited Partners.

All other expenditure is accounted for in the Statement of Comprehensive Income.

**6 Trade and other receivables**

	As at 30 April 2019 £	As at 30 April 2018 £
Loan stock interest receivable	24,580	99,637
	<u>24,580</u>	<u>99,637</u>

**7 Trade and other payables**

	As at 30 April 2019 £	As at 30 April 2018 £
Due to parallel funds	-	962
Other payables	38	38
	<u>38</u>	<u>1,000</u>



**Notes to the Financial Statements (continued)**

**8 Financial assets held at fair value through profit or loss**

	<b>Shares £</b>	<b>Loan Stock £</b>	<b>Total £</b>
<b>Cost</b>			
As at 1 May 2018	145,176	947,981	1,093,157
Disposals	(27,492)	(600,207)	(627,699)
Restructuring *	-	244,689	244,689
As at 30 April 2019	<u>117,684</u>	<u>592,463</u>	<u>710,147</u>
<b>Change in Fair Value</b>			
As at 1 May 2018	1,065,965	14,189	1,080,154
Change for the year	(782,161)	-	(782,161)
As at 30 April 2019	<u>283,804</u>	<u>14,189</u>	<u>297,993</u>
<b>Fair Value</b>			
As at 30 April 2019	<u>401,488</u>	<u>606,652</u>	<u>1,008,140</u>
As at 30 April 2018	<u>1,211,141</u>	<u>962,170</u>	<u>2,173,311</u>

\* The Partnership has sold its loan note in EarthStream Global Limited ("ESG") to CloudStream Global as part of refinancing of ESG on 14 June 2018. Furthermore, CloudStream Global has changed its name to TechStream Group Holdings Limited on 15 August 2018. Also, the Partnership has reissued its £1,500,000 of deferred consideration of loan note in Templine for a 4% secured loan note as part of its exit on 20 December 2018.

The Partnership uses the following hierarchy to estimate the fair value of its investments which are measured at fair value through profit or loss:

- **Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities**  
The Partnership has no investments as at 30 April 2019 and 30 April 2018 under this category.
- **Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable**  
The Partnership has no investments as at 30 April 2019 and 30 April 2018 under this category.
- **Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable**  
The Partnership's investments as at 30 April 2019 amounting to £1,008,140 (30 April 2018: £2,173,311) were categorised under this category.

**Notes to the Financial Statements (continued)**

**9 Investment Undertakings**

	<b>Fund</b>	<b>Geography</b>	<b>Business activity</b>	<b>Number of Shares</b>	<b>% Ownership</b>
<b>Siamo Azzuri Limited (t/a Templine)</b> Templine (4% Secured Loan Notes)	I	UK	Provision of recruitment services to the logistics sector	N/A	N/A
<b>Neville Johnson Holdings Limited *</b> £1 'A' Ordinary Shares 10% Subordinated Loan Stock - 2015	I	UK	Manufacture and installation of bespoke furniture	15	0.00%
<b>Wells</b> 1p 'A' Ordinary Shares 10% Subordinated 'A' Loan Stock - 2011	IV	UK	Producer of specialist additive masterbatch and compounds	610,361	4.29%
<b>Techstream</b> Techstream Group Holdings Limited (Loan notes)	VI	UK	Recruitment for the oil and gas and mining sectors	N/A	N/A
<b>Hallam</b> £1 Preferred Ordinary Shares 10% Fixed Rate Secured Loan Stock - 2021	VII	UK	Recruitment for the medical sector	14,188	1.40%

\* Represents the shareholding of investors opting in the rollover following the sale of Neville Johnson in May 2014.

**10 Related Party Transactions**

The General Partner has entered into a management agreement with the Manager, Key Capital Partners LLP, under which the Manager has assumed certain responsibilities. The Manager is entitled to a fee from the General Partner for its services. James Hall, Michael Fell, Owen Trotter, Peter Armitage and Philip Duquenoy are the Designated Members of Key Capital Partners LLP. The General Partner received £13,829 (30 April 2018: £19,604) as a Priority Profit Share and there were no amounts outstanding at the year end.

**11 Ultimate Controlling Party**

The immediate controlling party of the Partnership is Key Capital Partners (General Partner) Limited, a wholly owned subsidiary of Key Capital Partners LLP, a limited liability partnership incorporated in the United Kingdom. There is no one overall controlling party.

**12 Provision for Carried Interest**

If the investment portfolio were to be fully realised at the values included in the Financial Statements at 30 April 2019, there would be a reallocation of income between Key Capital Partners (Carried Interest) LLP and those of the other Partners.

This would reallocate to Key Capital Partners (Carried Interest) LLP Net Income of £9,269 (30 April 2018: £26,514) for Key Capital Partners Fund I, £52,102 (30 April 2018: £47,334) for Key Capital Partners Fund IV, £778 (30 April 2018: £4,121) for Key Capital Partners Fund V and £42,469 (30 April 2018: £104,251) for Key Capital Partners Fund VII being an estimate, calculated in accordance with the terms of the Limited Partnership Agreement, of the carried interest due to Key Capital Partners (Carried Interest) LLP at 30 April 2019.

# KCP | KEY CAPITAL PARTNERS

**Sir Peter Vardy KCP1 LP**

**ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS**

**YEAR ENDED 30 APRIL 2019**

THESE PARTNERSHIP  
ACCOUNTS FORM PART  
OF THE ACCOUNTS  
OF COMPANY  
No.05696941

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05/09/2019  
COMPANIES HOUSE

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**Partnership Information**

**Partnership Number**

LP12411

**Manager**

Key Capital Partners LLP  
13 Park Place  
Leeds  
LS1 2SJ

**Designated Members of the Manager**

James Hall  
Michael Fell  
Owen Trotter  
Peter Armitage  
Philip Duquenoy

**General Partner**

Key Capital Partners (General Partner) Limited  
13 Park Place  
Leeds  
LS1 2SJ

**Director of the General Partner**

Owen Trotter

**Auditors**

PKF Littlejohn LLP  
Chartered Accountants and Registered Auditors  
1 Westferry Circus  
Canary Wharf  
London E14 4HD

**Legal Advisers**

O'Connors LLP  
Suite 409  
India Buildings  
Water Street  
Liverpool L2 0XA

**Bankers**

Lloyds Bank plc  
Threadneedle Street  
London BX1 1LT

**Independent Fund Administrators**

IQ EQ Administration Services (UK) Ltd  
- Formerly known as Augentius (UK) Ltd  
2 London Bridge  
London SE1 9RA

**Report of the Manager**

Key Capital Partners (General Partner) Limited (the "General Partner") has appointed Key Capital Partners LLP (the "Manager") to manage the Partnership. The Manager presents the financial statements for Sir Peter Vardy KCP1 LP (the "Partnership") for the year ended 30 April 2019.

**Strategic Report**

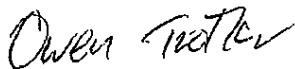
The Partnership is considered as "small" under Section 414B of The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013, as applied to Qualifying Partnerships, and it is therefore exempt from preparing a strategic report.

**Disclosure of the information to the auditors**

The General Partner and Manager confirm that so far as they are aware, there is no relevant audit information of which the Partnership's auditor is unaware and that they have taken all steps that they ought have taken in order to make themselves aware of any relevant audit information and to establish that the Partnership's auditor is aware of such information.

This report has been prepared in accordance with the special provisions relating to small companies with part 15 of the Companies Act 2006, as applied to Qualifying Partnerships.

Signed on behalf of the Manager



Owen Trotter  
Designated Member

01/5 2019

**Statement of General Partner's Responsibilities in respect of the Financial Statements**

The General Partner is responsible for preparing the Annual Report and financial statements in accordance with applicable law and regulations.

Company law as applied to qualifying partnerships by The Partnerships (Accounts) Regulations 2008 (the "Regulations") requires the General Partner to prepare financial statements for each financial year. Under that law, the General Partner has prepared the Partnership's financial statements in accordance with the statement of compliance and accounting policies in Note 2 and Note 3 to the financial statements. Under company law as applied to qualifying partnerships, the General Partner must not approve the financial statements unless it is satisfied that they give a true and fair view of the state of affairs of the Partnership and of the profit or loss of the Partnership for that period. In preparing these financial statements, the General Partner is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, as specified in accordance with the Limited Partnership Agreement, 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 Partnership will continue in business.

The General Partner is responsible for keeping adequate accounting records that are sufficient to show and explain the Partnership's transactions and disclose with reasonable accuracy at any time the financial position of the Partnership and enable it to ensure that the financial statements comply with the Companies Act 2006 as applied to qualifying partnerships by the Regulations. The General Partner is also responsible for safeguarding the assets of the Partnership and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Independent Auditor's Report to the Members of Sir Peter Vardy KCP1 LP**

**Opinion**

We have audited the Financial Statements of Sir Peter Vardy KCP1 LP (the "Partnership") for the year ended 30 April 2019 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Net Assets Attributable to Partners and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In our opinion the Financial Statements:

- give a true and fair view of the state of the Partnership's affairs as at 30 April 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, as applied to qualifying partnerships by The Partnerships (Accounts) Regulations 2008.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Partnership in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the General Partner's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the General Partner has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Partnership's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

**Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The General Partner is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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 that fact.

We have nothing to report in this regard.

**Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Report of the Manager for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Report of the Manager has been prepared in accordance with applicable legal requirements.



**Independent Auditor's Report to the Members of Sir Peter Vardy KCP1 LP (continued)**

**Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the Partnership and its environment obtained in the course of the audit, we have not identified material misstatements in the Report of the Manager.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006, as applied to qualifying partnerships requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit; or
- the Partnership was not entitled to take advantage of the small companies' exemption, as applied to qualifying partnerships, in preparing the Report of the Manager, and the exemption from preparing a Strategic Report.

**Responsibilities of the General Partner**

As explained more fully in the Statement of General Partner's Responsibilities, the General Partner is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the General Partner determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the General Partner is responsible for assessing the Partnership'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 General Partner either intends to liquidate the Partnership or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

**Use of our report**

This report is made solely to the Partnership's members, as a body, in accordance with the Limited Partnership Agreement and Chapter 3 of Part 16 of the Companies Act 2006, as applied to qualifying partnerships by The Partnerships (Accounts) Regulations 2008. Our audit work has been undertaken so that we might state to the Partnership'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 Partnership and the Partnership's members as a body, for our audit work, for this report, or for the opinions we have formed.



**Ian Cowan (Senior Statutory Auditor)**

For and on behalf of PKF Littlejohn LLP  
Statutory Auditor

6 August 2019

1 Westferry Circus  
Canary Wharf  
London E14 4HD

**Statement of Comprehensive Income**

		<b>Year ended 30 April 2019</b>	<b>Year ended 30 April 2018</b>
	<b>Notes</b>	<b>£</b>	<b>£</b>
Bank interest		16	110
Interest income		<u>17,971</u>	<u>13,103</u>
		<b>17,987</b>	<b>13,213</b>
Unrealised (loss) / gain on investments	8	(85,018)	257,868
Realised gain / (loss) on investments		94,638	(179,902)
<b>Profit for the financial year</b>		<u><b>27,607</b></u>	<u><b>91,179</b></u>

All results shown in the Statement of Comprehensive Income are from continuing operations. The Partnership has no comprehensive income other than the amounts recognised above. Accordingly, no Statement of Other Comprehensive Income has been prepared.

The notes on pages 11 to 15 form part of these financial statements.

**Statement of Financial Position**

	Notes	As at 30 April 2019 £	As at 30 April 2018 £
<b>Non-current assets</b>			
Financial assets held at fair value through profit or loss	8	326,383	477,139
<b>Current assets</b>			
Trade and other receivables	6	4,113	5,772
Cash and cash equivalents		86	70
		<u>4,199</u>	<u>5,842</u>
<b>Current Liabilities</b>			
Trade and other payables	7	(19)	(19)
<b>Net Current Assets</b>		<u>4,180</u>	<u>5,823</u>
<b>Net Assets attributable to Partners</b>		<u>330,563</u>	<u>482,962</u>
<b>Partners' accounts</b>			
Capital contribution account		75	75
Loan account		1,293,714	1,293,714
Distribution to Partners		(2,157,178)	(1,977,172)
Retained earnings		1,193,952	1,166,345
<b>Total Partners' Funds</b>		<u>330,563</u>	<u>482,962</u>

The notes on pages 11 to 15 form part of these financial statements.

These financial statements have been prepared in accordance with the provisions applicable to entities subject to the Small Entities Regime and in accordance with the provisions of FRS 102.

The financial statements on pages 8 to 15 were approved by the Designated Members of the Manager, Key Capital Partners LLP on *6/8* 2019.

Signed on behalf of Key Capital Partners LLP

*Owen Trotter*

**Owen Trotter**  
Designated Member

Partnership Number LP12411

**Sir Peter Vardy KCP1 LP**  
Annual Report and Audited Financial Statements for year ended 30 April 2019

**Statement of Changes in Net Assets Attributable to Partners**

	Sir Peter Vardy £	KCP (Carried Interest) LLP £	KCP (Investments) LLP £	General Partner Limited £	Total £
Net assets attributable to Partners as at 1 May 2018	465,041	7,832	10,079	10	482,962
<b>Additions</b>					
Loan	4,710	-	-	-	4,710
Profit for the financial year	16,073	11,071	463	-	27,607
Priority Profit Share	(4,710)	-	-	4,710	-
<b>Distributions</b>					
Repayment of loan	(165,387)	-	(3,548)	-	(168,935)
Income distribution	-	(11,071)	-	-	(11,071)
Priority Profit Share	-	-	-	(4,710)	(4,710)
<b>Net assets attributable to Partners as at 30 April 2019</b>	<b>315,727</b>	<b>7,832</b>	<b>6,994</b>	<b>10</b>	<b>330,563</b>

The notes on pages 11 to 15 form part of these financial statements.

**Notes to the Financial Statements**

**1 Background and Partnership Agreement**

Sir Peter Vardy KCP1 LP is a Limited Partnership (the "Partnership"), established in England under the Limited Partnerships Act 1907, by the Limited Partnership Agreement (the "Agreement") dated 30 June 2007.

The principal purpose of the Partnership is to carry on the business of investing in qualifying companies, with a view to providing profits for distribution in accordance with the terms of the Agreement.

The Partnership commenced operations on 30 June 2007 and will continue in existence until all investments of the Partnership have been sold or liquidated unless extended or dissolved earlier in accordance with its Agreement dated 30 June 2007.

The Manager is an authorised person under the United Kingdom Financial Services and Markets Act 2000 ("FSMA"). As a consequence, the Manager is permitted to manage and operate collective investment schemes and manage their portfolios, the Manager is also authorised for the conduct of business in the United Kingdom by the Financial Conduct Authority.

**2 Statement of compliance**

The financial statements of the Partnership have been prepared in compliance with the Agreement, United Kingdom Generally Accounting Practice, by applying the Small Entities requirements under Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the UK and the Republic of Ireland" ("FRS 102") and the Companies Act 2006 as applied to qualifying partnerships by the Partnerships (Accounts) Regulations 2008.

The Partnership has applied the Small Entities Regime under FRS 102 and exercised the option to not prepare a Statement of Cash Flows.

**3 Summary of significant accounting policies**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied throughout the period, unless otherwise stated. The Partnership has adopted FRS 102 in these financial statements where applicable.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Partnership's financial statements:

**(a) Basis of preparation**

The financial statements have been prepared on a going concern basis under the historical cost convention, as modified by the revaluation of investments held at fair value through profit or loss. The amounts are presented in Pound Sterling ("GBP", "£"), which is also the Partnership's functional currency.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires the General Partner to exercise its judgement in the process of applying the Partnership's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

**(b) Going concern**

The Partnership meets its working capital requirements through capital calls based on the level of commitments of each Partner. Partners have a legal commitment per the Agreement to pay capital into the Partnership up to the amount committed. The Partnership has adequate remaining capital commitments to meet future obligations, payment of Priority Profit Share and other expenses. Any follow on investments will only be made after consideration of the sufficiency of the remaining capital commitments to fund those future obligations.

After making enquiries, the General Partner has a reasonable expectation that the Partnership has adequate resources to continue in operational existence for the foreseeable future. Accordingly, it continues to adopt the going concern basis in preparing the financial statements.

**Notes to the Financial Statements (continued)**

**3 Summary of significant accounting policies (continued)**

**(c) Revenue recognition**

The Partnership recognises revenue when the revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Partnership.

Bank interest and investment income are recognised on a receivable basis.

**(d) Allocation of Net Income, Net Losses and Realised Capital Gains and Capital Losses**

The allocation of Net Income, Net Losses and Realised Capital Gains and Capital Losses is made in accordance with Section 13 of the Agreement. The General Partner is entitled to a Priority Profit Share agreed by the Limited Partners. The Priority Profit Share is payable quarterly in advance. If the Partnership Income in any Accounting Period is insufficient to pay the Priority Profit Share in full, the amount of the shortfall shall be paid to the General Partner out of gains arising from the disposal of Partnership assets, failing which it shall be advanced interest free by the Partnership to the General Partner as a drawdown from Annual Commitments pursuant to Clause 6 of the Agreement.

**(e) Taxation**

The Partnership is not subject to taxation and no provision for taxation has been made in the financial statements. Any tax on income or capital gains is the responsibility of each individual Partner.

**(f) Financial instruments**

The Partnership has chosen to adopt the Sections 11 and 12 of FRS 102 in respect of financial instruments.

**(i) Financial assets**

Basic financial assets, including receivables and cash and cash equivalents, are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Other basic financial assets, including investments in equity instruments are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in the Statement of Comprehensive Income.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

**(ii) Financial liabilities**

Basic financial liabilities, including trade and other payables, are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Creditors are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

**Notes to the Financial Statements (continued)**

**3 Summary of significant accounting policies (continued)**

**(g) Fair value of investments**

Investments are carried in the Statement of Financial Position at cost in the first year unless there is a clear indication of appreciation or impairment in value. In subsequent years, the investments are recorded at the fair value as calculated by the Manager at the reporting date, in accordance with International Private Equity and Venture Capital Valuation Guidelines. Adjustments in the value of investments are reflected in the financial statements in the year in which the adjustment is made.

**4 Critical accounting estimates and judgements**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

**Fair value of investments**

When the fair value of investments recorded in the Statement of Financial Position cannot be derived from active markets, their fair value is determined using valuation techniques common in the private equity funds industry, primarily earnings multiples and recent comparable transactions. The inputs in the earnings multiples models include observable data, such as earnings multiples of comparable companies to the relevant portfolio company, and unobservable data, such as forecast earnings for the portfolio company. Changes in assumptions about these factors could affect the reported fair value of investments. The models used to determine fair values are validated and periodically reviewed by the Manager.

Changes in the underlying performance of the portfolio companies could cause a loss to the Partnership as a result of those companies being unable to meet their loan stock obligations, either in part or in full.

**5 Expenditure**

General administrative expenses for the year, including auditors' remuneration have been borne by Key Capital Partners LLP, the Manager of the fund. Expenditure incurred in the acquisition of investments is accounted for as part of the cost of investments.

Expenditure incurred by the General Partner through the management and administration of the Partnership is borne by the General Partner in its own financial statements. These amounts are recovered by the General Partner through a Priority Profit Share charged to the Limited Partners.

All other expenditure is accounted for in the Statement of Comprehensive Income.

**6 Trade and other receivables**

	As at 30 April 2019 £	As at 30 April 2018 £
Loan stock interest receivable	4,113	5,772
	<u>4,113</u>	<u>5,772</u>

**7 Trade and other payables**

	As at 30 April 2019 £	As at 30 April 2018 £
Other payables	19	19
	<u>19</u>	<u>19</u>

## Notes to the Financial Statements (continued)

## 8 Financial assets held at fair value through profit or loss

	Shares £	Loan Stock £	Total £
<b>Cost</b>			
As at 1 May 2018	52,559	192,942	245,501
Disposals	(432)	(111,460)	(111,892)
Restructuring *	-	46,154	46,154
As at 30 April 2019	52,127	127,636	179,763
<b>Change in Fair Value</b>			
As at 1 May 2018	231,638	-	231,638
Change for the year	(85,018)	-	(85,018)
As at 30 April 2019	146,620	-	146,620
<b>Fair Value</b>			
As at 30 April 2019	198,747	127,636	326,383
As at 30 April 2018	284,197	192,942	477,139

\* The Partnership has reissued its £1,500,000 of deferred consideration of loan note in Templine for a 4% secured loan note as part of its exit on 20 December 2018.

The Partnership uses the following hierarchy to estimate the fair value of its investments which are measured at fair value through profit or loss:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities  
The Partnership has no investments as at 30 April 2019 and 30 April 2018 under this category.
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable  
The Partnership has no investments as at 30 April 2019 and 30 April 2018 under this category.
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

The Partnership's investments as at 30 April 2019 amounting to £326,383 (30 April 2018: £477,139) were categorised under this category.



**Notes to the Financial Statements (continued)**

**9 Investment Undertakings**

	Fund	Geography	Business activity	Number of Shares	% Ownership
<b>Siamo Azzuri Limited (t/a Templine)</b> Templine (4% Secured Loan Notes)	I	UK	Provision of recruitment services to the logistics sector	N/A	N/A
<b>Neville Johnson Holdings Limited *</b> £1 'A' Ordinary Shares 10% Subordinated Loan Stock - 2015	I	UK	Manufacture and installation of bespoke furniture	366	0.08%
<b>Wells</b> 1p 'A' Ordinary Shares 10% Subordinated 'A' Loan Stock - 2011	IV	UK	Producer of specialist additive masterbatch and compounds	305,180	2.15%

\* Represents the shareholding of investors opting in the rollover following the sale of Neville Johnson in May 2014.

**10 Related Party Transactions**

The General Partner has entered into a management agreement with the Manager, Key Capital Partners LLP under which the Manager has assumed certain responsibilities. The Manager is entitled to a fee from the General Partner for its services. Michael Fell, Owen Trotter, Peter Armitage, Philip Duquenoy and James Hall are designated members of Key Capital Partners LLP. The General Partner received £4,710 (30 April 2018: £6,050) as a Priority Profit Share and there were no amounts outstanding at the year end.

**11 Ultimate Controlling Party**

The immediate controlling party of the Partnership is Key Capital Partners (General Partner) Limited, a wholly owned subsidiary of Key Capital Partners LLP, a limited liability partnership incorporated in the United Kingdom. There is no one overall controlling party.

**12 Provision for Carried Interest**

If the investment portfolio were to be fully realised at the values included in the Financial Statements at 30 April 2019, there would be a reallocation of Income between Key Capital Partners (Carried Interest) LLP and those of the other Partners.

This would reallocate to Key Capital Partners (Carried Interest) LLP Net Income of £5,577 (30 April 2018: £15,241) for Key Capital Partners Fund I, £26,051 (30 April 2018: £23,667) for Key Capital Partners Fund IV and £195 (30 April 2018: £1,030) for Key Capital Partners Fund V being an estimate, calculated in accordance with the terms of the Limited Partnership Agreement, of the carried interest due to Key Capital Partners (Carried Interest) LLP at 30 April 2019.



**Adrian Derx Fund KCP1 LP**

**ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS**

**YEAR ENDED 30 APRIL 2019**

THESE PARTNERSHIP  
ACCOUNTS FORM PART  
OF THE ACCOUNTS  
OF COMPANY  
No.05696941

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05/09/2019  
COMPANIES HOUSE

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**Adrian Derx Fund KCP1 LP**

Annual Report and Audited Financial Statements for year ended 30 April 2019

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**Partnership Information****Partnership Number**

LP12413

**Manager**

Key Capital Partners LLP  
13 Park Place  
Leeds  
LS1 2SJ

**Designated Members of the Manager**

James Hall  
Michael Fell  
Owen Trotter  
Peter Armitage  
*Philip Duquenoy*

**General Partner**

Key Capital Partners (General Partner) Limited  
13 Park Place  
Leeds  
LS1 2SJ

**Director of the General Partner**

Owen Trotter

**Auditors**

PKF Littlejohn LLP  
Chartered Accountants and Registered Auditors  
1 Westferry Circus  
Canary Wharf  
London E14 4HD

**Legal Advisers**

O'Connors LLP  
Suite 409  
India Buildings  
Water Street  
Liverpool L2 0XA

**Bankers**

Lloyds Bank plc  
Threadneedle Street  
London BX1 1LT

**Independent Fund Administrators**

IQ EQ Administration Services (UK) Ltd  
- Formerly known as Augentius (UK) Ltd  
2 London Bridge  
London SE1 9RA

## **Adrian Derx Fund KCP1 LP**

Annual Report and Audited Financial Statements for year ended 30 April 2019

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### **Report of the Manager**

Key Capital Partners (General Partner) Limited (the "General Partner") has appointed Key Capital Partners LLP (the "Manager") to manage the Partnership. The Manager presents the financial statements for Adrian Derx Fund KCP1 LP (the "Partnership") for the year ended 30 April 2019.

### **Strategic Report**

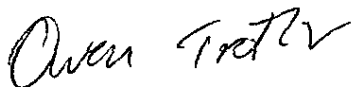
The Partnership is considered as "small" under Section 414B of The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013, as applied to Qualifying Partnerships, and it is therefore exempt from preparing a strategic report.

### **Disclosure of the information to the auditors**

The General Partner and Manager confirm that so far as they are aware, there is no relevant audit information of which the Partnership's auditor is unaware and that they have taken all steps that they ought have taken in order to make themselves aware of any relevant audit information and to establish that the Partnership's auditor is aware of such information.

This report has been prepared in accordance with the special provisions relating to small companies with part 15 of the Companies Act 2006, as applied to Qualifying Partnerships.

Signed on behalf of the Manager



Owen Trotter  
Designated Member

6/8/2019

**Statement of General Partner's Responsibilities in respect of the Financial Statements**

The General Partner is responsible for preparing the Annual Report and financial statements in accordance with applicable law and regulations.

Company law as applied to qualifying partnerships by The Partnerships (Accounts) Regulations 2008 (the "Regulations") requires the General Partner to prepare financial statements for each financial year. Under that law, the General Partner has prepared the Partnership's financial statements in accordance with the statement of compliance and accounting policies in Note 2 and Note 3 to the financial statements. Under company law as applied to qualifying partnerships, the General Partner must not approve the financial statements unless it is satisfied that they give a true and fair view of the state of affairs of the Partnership and of the profit or loss of the Partnership for that period. In preparing these financial statements, the General Partner is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, as specified in accordance with the Limited Partnership Agreement, 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 Partnership will continue in business.

The General Partner is responsible for keeping adequate accounting records that are sufficient to show and explain the Partnership's transactions and disclose with reasonable accuracy at any time the financial position of the Partnership and enable it to ensure that the financial statements comply with the Companies Act 2006 as applied to qualifying partnerships by the Regulations. The General Partner is also responsible for safeguarding the assets of the Partnership and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **Adrian Derx Fund KCP1 LP**

Annual Report and Audited Financial Statements for year ended 30 April 2019

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### **Independent Auditor's Report to the Members of Adrian Derx Fund KCP1 LP**

#### **Opinion**

We have audited the Financial Statements of Adrian Derx Fund KCP1 LP (the "Partnership") for the year ended 30 April 2019 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Net Assets Attributable to Partners and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In our opinion the Financial Statements:

- give a true and fair view of the state of the Partnership's affairs as at 30 April 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, as applied to qualifying partnerships by The Partnerships (Accounts) Regulations 2008.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Partnership in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the General Partner's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the General Partner has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Partnership's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

#### **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The General Partner is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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 that fact.

We have nothing to report in this regard.

#### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Report of the Manager for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Report of the Manager has been prepared in accordance with applicable legal requirements.

**Independent Auditor's Report to the Members of Adrian Derx Fund KCP1 LP (continued)**

**Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the Partnership and its environment obtained in the course of the audit, we have not identified material misstatements in the Report of the Manager.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006, as applied to qualifying partnerships requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit; or
- the Partnership was not entitled to take advantage of the small companies' exemption, as applied to qualifying partnerships, in preparing the Report of the Manager, and the exemption from preparing a Strategic Report.

**Responsibilities of the General Partner**

As explained more fully in the Statement of General Partner's Responsibilities, the General Partner is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the General Partner determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the General Partner is responsible for assessing the Partnership'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 General Partner either intends to liquidate the Partnership or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

**Use of our report**

This report is made solely to the Partnership's members, as a body, in accordance with the Limited Partnership Agreement and Chapter 3 of Part 16 of the Companies Act 2006, as applied to qualifying partnerships by The Partnerships (Accounts) Regulations 2008. Our audit work has been undertaken so that we might state to the Partnership'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 Partnership and the Partnership's members as a body, for our audit work, for this report, or for the opinions we have formed.



Ian Cowan (Senior Statutory Auditor)

For and on behalf of PKF Littlejohn LLP  
Statutory Auditor

6 August 2019

1 Westferry Circus  
Canary Wharf  
London E14 4HD



**Statement of Comprehensive Income**

	Notes	Year ended 30 April 2019 £	Year ended 30 April 2018 £
Bank interest		8	53
Interest income		<u>1,367</u>	<u>5,260</u>
		<b>1,375</b>	<b>5,313</b>
Unrealised (loss) / gain on investments	7	(45,294)	93,997
Realised gain / (loss) on investments		46,732	(89,951)
<b>Profit for the financial year</b>		<u><b>2,813</b></u>	<u><b>9,359</b></u>

All results shown in the Statement of Comprehensive Income are from continuing operations. The Partnership has no comprehensive income other than the amounts recognised above. Accordingly, no Statement of Other Comprehensive Income has been prepared.

The notes on pages 11 to 15 form part of these financial statements.

**Adrian Derx Fund KCP1 LP**

Annual Report and Audited Financial Statements for year ended 30 April 2019

**Statement of Financial Position**

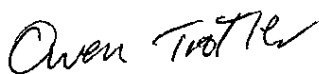
	Notes	As at 30 April 2019 £	As at 30 April 2018 £
<b>Non-current assets</b>			
Financial assets held at fair value through profit or loss	7	27,886	103,427
<b>Current assets</b>			
Cash and cash equivalents		59	51
<b>Current Liabilities</b>			
Trade and other payables	6	(10)	(10)
<b>Net Current Assets</b>		<u>49</u>	<u>41</u>
<b>Net Assets attributable to Partners</b>		<u>27,935</u>	<u>103,468</u>
<b>Partners' accounts</b>			
Capital contribution account		73	73
Loan account		427,438	427,438
Distribution to Partners		(862,966)	(784,620)
Retained earnings		463,390	460,577
<b>Total Partners' Funds</b>		<u>27,935</u>	<u>103,468</u>

The notes on pages 11 to 15 form part of these financial statements.

These financial statements have been prepared in accordance with the provisions applicable to entities subject to the Small Entities Regime and in accordance with the provisions of FRS 102.

The financial statements on pages 8 to 15 were approved by the Designated Members of the Manager, Key Capital Partners LLP on 6/8 2019.

Signed on behalf of Key Capital Partners LLP



**Owen Trotter**  
Designated Member

Partnership Number LP12413

**Adrian Drex Fund KCP1 LP**  
Annual Report and Audited Financial Statements for year ended 30 April 2019

**Statement of Changes in Net Assets Attributable to Partners**

	Adrian Drex £	KCP (Carried Interest) LLP £	KCP (Investments) LLP £	General Partner Limited £	Total £
Net assets attributable to Partners as at 1 May 2018	97,546	3,910	2,002	10	103,458
<b>Additions</b>					
Loan	1,319	-	-	-	1,319
Profit for the financial year	(2,505)	5,394	(76)	-	2,813
Priority Profit Share	(1,319)	-	-	1,319	-
<b>Distributions</b>					
Repayment of loan	(71,517)	-	(1,435)	-	(72,952)
Income distribution	-	(5,394)	-	-	(5,394)
Priority Profit Share	-	-	-	(1,319)	(1,319)
Net assets attributable to Partners as at 30 April 2019	23,524	3,910	491	10	27,935

The notes on pages 11 to 15 form part of these financial statements.

## **Notes to the Financial Statements**

### **1 Background and Partnership Agreement**

Adrian Derx Fund KCP1 LP is a Limited Partnership (the "Partnership") established in England under the Limited Partnerships Act 1907, by the Limited Partnership Agreement (the "Agreement") dated 15 July 2007.

The principal purpose of the Partnership is to carry on the business of investing in qualifying companies, with a view to providing profits for distribution in accordance with the terms of the Agreement.

The Partnership commenced operations on 15 July 2007 and will continue in existence until all investments of the Partnership have been sold or liquidated unless extended or dissolved earlier in accordance with its Agreement dated 15 July 2007.

The Manager is an authorised person under the United Kingdom Financial Services and Markets Act 2000 ("FSMA"). As a consequence, the Manager is permitted to manage and operate collective investment schemes and manage their portfolios, the Manager is also authorised for the conduct of business in the United Kingdom by the Financial Conduct Authority.

### **2 Statement of compliance**

The financial statements of the Partnership have been prepared in compliance with the Agreement, United Kingdom Generally Accounting Practice, by applying the Small Entities requirements under Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the UK and the Republic of Ireland" ("FRS 102") and the Companies Act 2006 as applied to qualifying partnerships by the Partnerships (Accounts) Regulations 2008.

The Partnership has applied the Small Entities Regime under FRS 102 and exercised the option to not prepare a Statement of Cash Flows.

### **3 Summary of significant accounting policies**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied throughout the period, unless otherwise stated. The Partnership has adopted FRS 102 in these financial statements where applicable.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Partnership's financial statements:

#### **(a) Basis of preparation**

The financial statements have been prepared on a going concern basis under the historical cost convention, as modified by the revaluation of investments held at fair value through profit or loss. The amounts are presented in Pound Sterling ("GBP", "£"), which is also the Partnership's functional currency.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires the General Partner to exercise its judgement in the process of applying the Partnership's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

#### **(b) Going concern**

The Partnership meets its working capital requirements through capital calls based on the level of commitments of each Partner. Partners have a legal commitment per the Agreement to pay capital into the Partnership up to the amount committed. The Partnership has adequate remaining capital commitments to meet future obligations, payment of Priority Profit Share and other expenses. Any follow on investments will only be made after consideration of the sufficiency of the remaining capital commitments to fund those future obligations.

After making enquiries, the General Partner has a reasonable expectation that the Partnership has adequate resources to continue in operational existence for the foreseeable future. Accordingly, it continues to adopt the going concern basis in preparing the financial statements.

**Notes to the Financial Statements (continued)**

**3 Summary of significant accounting policies (continued)**

**(c) Revenue recognition**

The Partnership recognises revenue when the revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Partnership.

Bank interest and investment income are recognised on a receivable basis.

**(d) Allocation of Net Income, Net Losses and Realised Capital Gains and Capital Losses**

The allocation of Net Income, Net Losses and Realised Capital Gains and Capital Losses is made in accordance with Section 13 of the Agreement. The General Partner is entitled to a Priority Profit Share agreed by the Limited Partners. The Priority Profit Share is payable quarterly in advance. If the Partnership Income in any Accounting Period is insufficient to pay the Priority Profit Share in full, the amount of the shortfall shall be paid to the General Partner out of gains arising from the disposal of Partnership assets, failing which it shall be advanced interest free by the Partnership to the General Partner as a drawdown from Annual Commitments pursuant to Clause 6 of the Agreement.

**(e) Taxation**

The Partnership is not subject to taxation and no provision for taxation has been made in the financial statements. Any tax on income or capital gains is the responsibility of each individual Partner.

**(f) Financial instruments**

The Partnership has chosen to adopt the Sections 11 and 12 of FRS 102 in respect of financial instruments.

**(i) Financial assets**

Basic financial assets, including receivables and cash and cash equivalents, are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Other basic financial assets, including investments in equity instruments are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in the Statement of Comprehensive Income.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

**(ii) Financial liabilities**

Basic financial liabilities, including trade and other payables, are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Creditors are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

**Notes to the Financial Statements (continued)**

**3 Summary of significant accounting policies (continued)**

**(g) Fair value of investments**

Investments are carried in the Statement of Financial Position at cost in the first year unless there is a clear indication of appreciation or impairment in value. In subsequent years, the investments are recorded at the fair value as calculated by the Manager at the reporting date, in accordance with International Private Equity and Venture Capital Valuation Guidelines. Adjustments in the value of investments are reflected in the financial statements in the year in which the adjustment is made.

**4 Critical accounting estimates and judgements**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

**Fair value of investments**

When the fair value of investments recorded in the Statement of Financial Position cannot be derived from active markets, their fair value is determined using valuation techniques common in the private equity funds industry, primarily earnings multiples and recent comparable transactions. The inputs in the earnings multiples models include observable data, such as earnings multiples of comparable companies to the relevant portfolio company, and unobservable data, such as forecast earnings for the portfolio company. Changes in assumptions about these factors could affect the reported fair value of investments. The models used to determine fair values are validated and periodically reviewed by the Manager.

Changes in the underlying performance of the portfolio companies could cause a loss to the Partnership as a result of those companies being unable to meet their loan stock obligations, either in part or in full.

**5 Expenditure**

General administrative expenses for the year, including auditors' remuneration have been borne by Key Capital Partners LLP, the Manager of the fund. Expenditure incurred in the acquisition of investments is accounted for as part of the cost of investments.

Expenditure incurred by the General Partner through the management and administration of the Partnership is borne by the General Partner in its own financial statements. These amounts are recovered by the General Partner through a Priority Profit Share charged to the Limited Partners.

All other expenditure is accounted for in the Statement of Comprehensive Income.

**6 Trade and other payables**

	As at 30 April 2019 £	As at 30 April 2018 £
Other payables	10	10
	<u>10</u>	<u>10</u>

**Notes to the Financial Statements (continued)**
**7 Financial assets held at fair value through profit or loss**

	Shares £	Loan Stock £	Total £
<b>Cost</b>			
As at 1 May 2018	379	57,754	58,133
Disposals	(186)	(53,138)	(53,324)
Restructuring *	-	23,077	23,077
As at 30 April 2019	193	27,693	27,886
<b>Change in Fair Value</b>			
As at 1 May 2018	45,294	-	45,294
Change for the year	(45,294)	-	(45,294)
As at 30 April 2019	-	-	-
<b>Fair Value</b>			
As at 30 April 2019	193	27,693	27,886
As at 30 April 2018	45,673	57,754	103,427

\* The Partnership has reissued its £1,500,000 of deferred consideration of loan note in Templine for a 4% secured loan note as part of its exit on 20 December 2018.

The Partnership uses the following hierarchy to estimate the fair value of its investments which are measured at fair value through profit or loss:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities

The Partnership has no investments as at 30 April 2019 and 30 April 2018 under this category.

- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

The Partnership has no investments as at 30 April 2019 and 30 April 2018 under this category.

- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

The Partnership's investments as at 30 April 2019 amounting to £27,886 (30 April 2018: £103,427) were categorised under this category.

**8 Investment Undertakings**

	Fund	Geography	Business activity	Number of Shares	% Ownership
<b>Siamo Azzurri Limited (t/a Templine)</b>					
Templine (4% Secured Loan Notes)	I	UK	Provision of recruitment services to the logistics sector	N/A	N/A
<b>Neville Johnson Holdings Limited *</b>					
£1 'A' Ordinary Shares	I	UK	Manufacture and installation of bespoke furniture	193	0.04%
10% Subordinated Loan Stock - 2015					

\* Represents the shareholding of investors opting in the rollover following the sale of Neville Johnson in May 2014.

**Notes to the Financial Statements (continued)**

**9 Related Party Transactions**

The General Partner has entered into a management agreement with the Manager, Key Capital Partners LLP, under which the Manager has assumed certain responsibilities. The Manager is entitled to a fee from the General Partner for its services. James Hall, Michael Fell, Owen Trotter, Peter Armitage and Philip Duquenoy are the Designated Members of Key Capital Partners LLP. The General Partner received £1,319 (30 April 2018: £2,074) as a Priority Profit Share and there were no amounts outstanding at the year end.

**10 Ultimate Controlling Party**

The immediate controlling party of the Partnership is Key Capital Partners (General Partner) Limited, a wholly owned subsidiary of Key Capital Partners LLP, a limited liability partnership incorporated in the United Kingdom. There is no one overall controlling party.

**11 Provision for Carried Interest**

If the investment portfolio were to be fully realised at the values included in the Financial Statements at 30 April 2019, there would be a reallocation of Income between Key Capital Partners (Carried Interest) LLP and those of the other Partners.

This would reallocate to Key Capital Partners (Carried Interest) LLP Net Income of £2,789 (30 April 2018: £7,621) for Key Capital Partners Fund I and £78 (30 April 2018: £412) for Key Capital Partners Fund V being an estimate, calculated in accordance with the terms of the Limited Partnership Agreement, of the carried interest due to Key Capital Partners (Carried Interest) LLP at 30 April 2019.



# KCP | KEY CAPITAL PARTNERS

**Rosalind Anita Jane Smith Fund KCP2 LP**  
**ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS**  
**YEAR ENDED 30 APRIL 2019**

THESE PARTNERSHIP  
ACCOUNTS FORM PART  
OF THE ACCOUNTS  
OF COMPANY

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05/09/2019  
COMPANIES HOUSE

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**Partnership Information**

**Partnership Number**  
LP12943

**Manager**  
Key Capital Partners LLP  
13 Park Place  
Leeds  
LS1 2SJ

**Designated Members of the Manager**  
James Hall  
Michael Fell  
Owen Trotter  
Peter Armitage  
Philip Duquenoy

**General Partner**  
Key Capital Partners (General Partner) Limited  
13 Park Place  
Leeds  
LS1 2SJ

**Director of the General Partner**  
Owen Trotter

**Auditors**  
PKF Littlejohn LLP  
Chartered Accountants and Registered Auditors  
1 Westferry Circus  
Canary Wharf  
London E14 4HD

**Legal Advisers**  
O'Connors LLP  
Suite 409  
India Buildings  
Water Street  
Liverpool L2 0XA

**Bankers**  
Lloyds Bank plc  
Threadneedle Street  
London BX1 1LT

**Independent Fund Administrators**  
IQ EQ Administration Services (UK) Ltd  
- Formerly known as Augentius (UK) Ltd  
2 London Bridge  
London SE1 9RA

**Report of the Manager**

Key Capital Partners (General Partner) Limited (the "General Partner") has appointed Key Capital Partners LLP (the "Manager") to manage the Partnership. The Manager presents the financial statements for Rosalind Anita Jane Smith Fund KCP2 LP (the "Partnership") for the year ended 30 April 2019.

**Strategic Report**

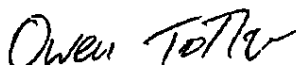
The Partnership is considered as "small" under Section 414B of The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013, as applied to Qualifying Partnerships, and it is therefore exempt from preparing a strategic report.

**Disclosure of the information to the auditors**

The General Partner and Manager confirm that so far as they are aware, there is no relevant audit information of which the Partnership's auditor is unaware and that they have taken all steps that they ought have taken in order to make themselves aware of any relevant audit information and to establish that the Partnership's auditor is aware of such information.

This report has been prepared in accordance with the special provisions relating to small companies with part 15 of the Companies Act 2006, as applied to Qualifying Partnerships.

Signed on behalf of the Manager



Owen Trotter  
Designated Member

6/8 2019

**Statement of General Partner's Responsibilities in respect of the Financial Statements**

The General Partner is responsible for preparing the Annual Report and financial statements in accordance with applicable law and regulations.

Company law as applied to qualifying partnerships by The Partnerships (Accounts) Regulations 2008 (the "Regulations") requires the General Partner to prepare financial statements for each financial year. Under that law, the General Partner has prepared the Partnership's financial statements in accordance with the statement of compliance and accounting policies in Note 2 and Note 3 to the financial statements. Under company law as applied to qualifying partnerships, the General Partner must not approve the financial statements unless it is satisfied that they give a true and fair view of the state of affairs of the Partnership and of the profit or loss of the Partnership for that period. In preparing these financial statements, the General Partner is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, as specified in accordance with the Limited Partnership Agreement, 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 Partnership will continue in business.

The General Partner is responsible for keeping adequate accounting records that are sufficient to show and explain the Partnership's transactions and disclose with reasonable accuracy at any time the financial position of the Partnership and enable it to ensure that the financial statements comply with the Companies Act 2006 as applied to qualifying partnerships by the Regulations. The General Partner is also responsible for safeguarding the assets of the Partnership and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Independent Auditor's Report to the Members of Rosalind Anita Jane Smith Fund KCP2 LP**

**Opinion**

We have audited the Financial Statements of Rosalind Anita Jane Smith Fund KCP2 LP (the "Partnership") for the year ended 30 April 2019 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Net Assets Attributable to Partners and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In our opinion the Financial Statements:

- give a true and fair view of the state of the Partnership's affairs as at 30 April 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, as applied to qualifying partnerships by The Partnerships (Accounts) Regulations 2008.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Partnership in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the General Partner's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the General Partner has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Partnership's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

**Other Information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The General Partner is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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 that fact.

We have nothing to report in this regard.

**Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Report of the Manager for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Report of the Manager has been prepared in accordance with applicable legal requirements.

**Independent Auditor's Report to the Members of Rosalind Anita Jane Smith Fund KCP2 LP (continued)**

**Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the Partnership and its environment obtained in the course of the audit, we have not identified material misstatements in the Report of the Manager.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006, as applied to qualifying partnerships requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit; or
- the Partnership was not entitled to take advantage of the small companies' exemption, as applied to qualifying partnerships, in preparing the Report of the Manager, and the exemption from preparing a Strategic Report.

**Responsibilities of the General Partner**

As explained more fully in the Statement of General Partner's Responsibilities, the General Partner is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the General Partner determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the General Partner is responsible for assessing the Partnership'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 General Partner either intends to liquidate the Partnership or to cease operations, or have no realistic alternative but to do so.

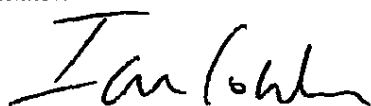
**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

**Use of our report**

This report is made solely to the Partnership's members, as a body, in accordance with the Limited Partnership Agreement and Chapter 3 of Part 16 of the Companies Act 2006, as applied to qualifying partnerships by The Partnerships (Accounts) Regulations 2008. Our audit work has been undertaken so that we might state to the Partnership'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 Partnership and the Partnership's members as a body, for our audit work, for this report, or for the opinions we have formed.



Ian Cowan (Senior Statutory Auditor)

For and on behalf of PKF Littlejohn LLP  
Statutory Auditor

6 August 2019

1 Westferry Circus  
Canary Wharf  
London E14 4HD

**Statement of Comprehensive Income**

	Notes	Year ended 30 April 2019 £	Year ended 30 April 2018 £
Interest income		5,467	6,491
Unrealised gain on investments	7	2,168	58,291
Realised loss on investments		-	(24,008)
<b>Profit for the financial year</b>		<b><u>7,635</u></b>	<b><u>40,774</u></b>

All results shown in the Statement of Comprehensive Income are from continuing operations. The Partnership has no comprehensive income other than the amounts recognised above. Accordingly, no Statement of Other Comprehensive Income has been prepared.

The notes on pages 11 to 15 form part of these financial statements.



**Rosalind Anita Jane Smith Fund KCP2 LP**  
**Annual Report and Audited Financial Statements for year ended 30 April 2019**

**Statement of Financial Position**

	Notes	As at 30 April 2019 £	As at 30 April 2018 £
<b>Non-current assets</b>			
Financial assets held at fair value through profit or loss	7	151,078	152,032
<b>Current assets</b>			
Trade and other receivables	6	226	11,715
Cash and cash equivalents		33	33
		<u>259</u>	<u>11,748</u>
<b>Current Liabilities</b>			
Trade and other payables		(2)	(2)
		<u>257</u>	<u>11,746</u>
<b>Net Current Assets</b>			
		<u>151,335</u>	<u>163,778</u>
<b>Net Assets attributable to Partners</b>			
		<u>151,335</u>	<u>163,778</u>
<b>Partners' accounts</b>			
Capital contribution account		73	73
Loan account		381,886	381,886
Distribution to Partners		(328,309)	(308,231)
Retained earnings		97,685	90,050
		<u>151,335</u>	<u>163,778</u>
<b>Total Partners' Funds</b>		<u>151,335</u>	<u>163,778</u>

The notes on pages 11 to 15 form part of these financial statements.

These financial statements have been prepared in accordance with the provisions applicable to entities subject to the Small Entities Regime and in accordance with the provisions of FRS 102.

The financial statements on pages 8 to 15 were approved by the Designated Members of the Manager, Key Capital Partners LLP on 6/8 2019.

Signed on behalf of Key Capital Partners LLP

*Owen Trotter*

**Owen Trotter**  
**Designated Member**

Partnership Number LP12943

**Rosalind Anita Jane Smith Fund KCP2 LP**  
**Annual Report and Audited Financial Statements for year ended 30 April 2019**

**Statement of Changes in Net Assets Attributable to Partners**

Net assets attributable to Partners as at 1 May 2018	12	3,041	10	163,778
<b>Additions</b>				
Loan	942	-	-	942
Profit for the financial year	7,332	303	-	7,635
Priority Profit Share	(942)	-	942	-
<b>Distributions</b>				
Repayment of loan	(19,757)	(321)	-	(20,078)
Priority Profit Share	-	-	(942)	(942)
<b>Net assets attributable to Partners as at 30 April 2019</b>	<b>148,290</b>	<b>3,023</b>	<b>10</b>	<b>151,335</b>

The notes on pages 11 to 15 form part of these financial statements.

## **Notes to the Financial Statements**

### **1 Background and Partnership Agreement**

Rosalind Anita Jane Smith Fund KCP2 LP is a Limited Partnership (the "Partnership"), established in England under the Limited Partnerships Act 1907, by the Limited Partnership Agreement (the "Agreement") dated 25 April 2008.

The principal purpose of the Partnership is to carry on the business of investing in qualifying companies, with a view to providing profits for distribution in accordance with the terms of the Agreement.

The Partnership commenced operations on 1 May 2008 and will continue in existence until all investments of the Partnership have been sold or liquidated unless extended or dissolved earlier in accordance with its Agreement dated 25 April 2008.

The Manager is an authorised person under the United Kingdom Financial Services and Markets Act 2000 ("FSMA"). As a consequence, the Manager is permitted to manage and operate collective investment schemes and manage their portfolios, the Manager is also authorised for the conduct of business in the United Kingdom by the Financial Conduct Authority.

### **2 Statement of compliance**

The financial statements of the Partnership have been prepared in compliance with the Agreement, United Kingdom Generally Accounting Practice, by applying the Small Entities requirements under Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the UK and the Republic of Ireland" ("FRS 102") and the Companies Act 2006 as applied to qualifying partnerships by the Partnerships (Accounts) Regulations 2008.

The Partnership has applied the Small Entities Regime under FRS 102 and exercised the option to not prepare a Statement of Cash Flows.

### **3 Summary of significant accounting policies**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied throughout the period, unless otherwise stated. The Partnership has adopted FRS 102 in these financial statements where applicable.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Partnership's financial statements:

#### **(a) Basis of preparation**

The financial statements have been prepared on a going concern basis under the historical cost convention, as modified by the revaluation of investments held at fair value through profit or loss. The amounts are presented in Pound Sterling ("GBP", "£"), which is also the Partnership's functional currency.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires the General Partner to exercise its judgement in the process of applying the Partnership's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

#### **(b) Going concern**

The Partnership meets its working capital requirements through capital calls based on the level of commitments of each Partner. Partners have a legal commitment per the Agreement to pay capital into the Partnership up to the amount committed. The Partnership has adequate remaining capital commitments to meet future obligations, payment of Priority Profit Share and other expenses. Any follow on investments will only be made after consideration of the sufficiency of the remaining capital commitments to fund those future obligations.

After making enquiries, the General Partner has a reasonable expectation that the Partnership has adequate resources to continue in operational existence for the foreseeable future. Accordingly, it continues to adopt the going concern basis in preparing the financial statements.

**Notes to the Financial Statements (continued)**

**3 Summary of significant accounting policies (continued)**

**(c) Revenue recognition**

The Partnership recognises revenue when the revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Partnership.

Bank interest and investment income are recognised on a receivable basis.

**(d) Allocation of Net Income, Net Losses and Realised Capital Gains and Capital Losses**

The allocation of Net Income, Net Losses and Realised Capital Gains and Capital Losses is made in accordance with Section 13 of the Agreement. The General Partner is entitled to a Priority Profit Share agreed by the Limited Partners. The Priority Profit Share is payable quarterly in advance. If the Partnership Income in any Accounting Period is insufficient to pay the Priority Profit Share in full, the amount of the shortfall shall be paid to the General Partner out of gains arising from the disposal of Partnership assets, failing which it shall be advanced interest free by the Partnership to the General Partner as a drawdown from Annual Commitments pursuant to Clause 6 of the Agreement.

**(e) Taxation**

The Partnership is not subject to taxation and no provision for taxation has been made in the financial statements. Any tax on income or capital gains is the responsibility of each individual Partner.

**(f) Financial instruments**

The Partnership has chosen to adopt the Sections 11 and 12 of FRS 102 in respect of financial instruments.

**(i) Financial assets**

Basic financial assets, including receivables and cash and cash equivalents, are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Other basic financial assets, including investments in equity instruments are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in the Statement of Comprehensive Income.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

**(ii) Financial liabilities**

Basic financial liabilities, including trade and other payables, are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Creditors are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

**Notes to the Financial Statements (continued)**

**3 Summary of significant accounting policies (continued)**

**(g) Fair value of investments**

Investments are carried in the Statement of Financial Position at cost in the first year unless there is a clear indication of appreciation or impairment in value. In subsequent years, the investments are recorded at the fair value as calculated by the Manager at the reporting date, in accordance with International Private Equity and Venture Capital Valuation Guidelines. Adjustments in the value of investments are reflected in the financial statements in the year in which the adjustment is made.

**4 Critical accounting estimates and judgements**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

**Fair value of investments**

When the fair value of investments recorded in the Statement of Financial Position cannot be derived from active markets, their fair value is determined using valuation techniques common in the private equity funds industry, primarily earnings multiples and recent comparable transactions. The inputs in the earnings multiples models include observable data, such as earnings multiples of comparable companies to the relevant portfolio company, and unobservable data, such as forecast earnings for the portfolio company. Changes in assumptions about these factors could affect the reported fair value of investments. The models used to determine fair values are validated and periodically reviewed by the Manager.

Changes in the underlying performance of the portfolio companies could cause a loss to the Partnership as a result of those companies being unable to meet their loan stock obligations, either in part or in full.

**5 Expenditure**

General administrative expenses for the year, including auditors' remuneration have been borne by Key Capital Partners LLP, the Manager of the fund. Expenditure incurred in the acquisition of investments is accounted for as part of the cost of investments.

Expenditure incurred by the General Partner through the management and administration of the Partnership is borne by the General Partner in its own financial statements. These amounts are recovered by the General Partner through a Priority Profit Share charged to the Limited Partners.

All other expenditure is accounted for in the Statement of Comprehensive Income.

**6 Trade and other receivables**

	As at 30 April 2019 £	As at 30 April 2018 £
Loan stock interest receivable	226	11,715
	<u>226</u>	<u>11,715</u>

Notes to the Financial Statements (continued)

7 Financial assets held at fair value through profit or loss

	Shares £	Loan Stock £	Total £
<b>Cost</b>			
As at 1 May 2018	25,870	54,994	80,864
Disposals	-	(3,122)	(3,122)
As at 30 April 2019	25,870	51,872	77,742
<b>Change in Fair Value</b>			
As at 1 May 2018	71,168	-	71,168
Change for the year	2,168	-	2,168
As at 30 April 2019	73,336	-	73,336
<b>Fair Value</b>			
As at 30 April 2019	99,206	51,872	151,078
As at 30 April 2018	97,038	54,994	152,032

The Partnership uses the following hierarchy to estimate the fair value of its investments which are measured at fair value through profit or loss:

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The Partnership's investments as at 30 April 2019 amounting to £151,078 (30 April 2018: £152,032) were categorised under this category.

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	Fund	Geography	Business activity	Number of Shares	% Ownership
<b>Wells</b>					
1p 'A' Ordinary Shares	IV	UK	Producer of specialist additive masterbatch and compounds	152,590	1.07%
10% Subordinated 'A' Loan Stock - 2011					

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The General Partner has entered into a management agreement with the Manager, Key Capital Partners LLP, under which the Manager has assumed certain responsibilities. The Manager is entitled to a fee from the General Partner for its services. James Hall, Michael Fell, Owen Trotter, Peter Armitage and Philip Duquenoy are the Designated Members of Key Capital Partners LLP. The General Partner received £942 (30 April 2018: £1,296) as a Priority Profit Share and there were no amounts outstanding at the year end.

**Notes to the Financial Statements (continued)**

**10 Ultimate Controlling Party**

The immediate controlling party of the Partnership is Key Capital Partners (General Partner) Limited, a wholly owned subsidiary of Key Capital Partners LLP, a limited liability partnership incorporated in the United Kingdom. There is no one overall controlling party.

**11 Provision for Carried Interest**

If the investment portfolio were to be fully realised at the values included in the Financial Statements at 30 April 2019, there would be a reallocation of Income between Key Capital Partners (Carried Interest) LLP and those of the other Partners.

This would reallocate to Key Capital Partners (Carried Interest) LLP Net Income of £13,026 (30 April 2018: £11,834) for Key Capital Partners Fund IV being an estimate, calculated in accordance with the terms of the Limited Partnership Agreement, of the carried interest due to Key Capital Partners (Carried Interest) LLP at 30 April 2019.



**Steven Lloyd Edwards Fund KCP2 LP**  
**ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS**  
**YEAR ENDED 30 APRIL 2019**

THESE PARTNERSHIP  
ACCOUNTS FORM PART  
OF THE ACCOUNTS  
OF COMPANY  
No.05696941

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**Partnership Information**

**Partnership Number**

LP12942

**Manager**

Key Capital Partners LLP  
13 Park Place  
Leeds  
LS1 2SJ

**Designated Members of the Manager**

James Hall  
Michael Fell  
Owen Trotter  
Peter Armitage  
Philip Duquenoy

**General Partner**

Key Capital Partners (General Partner) Limited  
13 Park Place  
Leeds  
LS1 2SJ

**Director of the General Partner**

Owen Trotter

**Auditors**

PKF Littlejohn LLP  
Chartered Accountants and Registered Auditors  
1 Westferry Circus  
Canary Wharf  
London E14 4HD

**Legal Advisers**

O'Connors LLP  
Suite 409  
India Buildings  
Water Street  
Liverpool L2 0XA

**Bankers**

Lloyds Bank plc  
Threadneedle Street  
London BX1 1LT

**Independent Fund Administrators**

IQ EQ Administration Services (UK) Ltd  
- Formerly known as Augentius (UK) Ltd  
2 London Bridge  
London SE1 9RA

## Steven Lloyd Edwards Fund KCP2 LP

Annual Report and Audited Financial Statements for year ended 30 April 2019

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### Report of the Manager

Key Capital Partners (General Partner) Limited (the "General Partner") has appointed Key Capital Partners LLP (the "Manager") to manage the Partnership. The Manager presents the financial statements for Steven Lloyd Edwards Fund KCP2 LP (the "Partnership") for the year ended 30 April 2019.

### Strategic Report

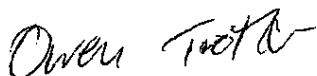
The Partnership is considered as "small" under Section 414B of The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013, as applied to Qualifying Partnerships, and it is therefore exempt from preparing a strategic report.

### Disclosure of the information to the auditors

The General Partner and Manager confirm that so far as they are aware, there is no relevant audit information of which the Partnership's auditor is unaware and that they have taken all steps that they ought have taken in order to make themselves aware of any relevant audit information and to establish that the Partnership's auditor is aware of such information.

This report has been prepared in accordance with the special provisions relating to small companies with part 15 of the Companies Act 2006, as applied to Qualifying Partnerships.

Signed on behalf of the Manager



Owen Trotter  
Designated Member

e/s 2019

**Statement of General Partner's Responsibilities in respect of the Financial Statements**

The General Partner is responsible for preparing the Annual Report and financial statements in accordance with applicable law and regulations.

Company law as applied to qualifying partnerships by The Partnerships (Accounts) Regulations 2008 (the "Regulations") requires the General Partner to prepare financial statements for each financial year. Under that law, the General Partner has prepared the Partnership's financial statements in accordance with the statement of compliance and accounting policies in Note 2 and Note 3 to the financial statements. Under company law as applied to qualifying partnerships, the General Partner must not approve the financial statements unless it is satisfied that they give a true and fair view of the state of affairs of the Partnership and of the profit or loss of the Partnership for that period. In preparing these financial statements, the General Partner is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, as specified in accordance with the Limited Partnership Agreement, 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 Partnership will continue in business.

The General Partner is responsible for keeping adequate accounting records that are sufficient to show and explain the Partnership's transactions and disclose with reasonable accuracy at any time the financial position of the Partnership and enable it to ensure that the financial statements comply with the Companies Act 2006 as applied to qualifying partnerships by the Regulations. The General Partner is also responsible for safeguarding the assets of the Partnership and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Independent Auditor's Report to the Members of Steven Lloyd Edwards Fund KCP2 LP**

**Opinion**

We have audited the Financial Statements of Steven Lloyd Edwards Fund KCP2 LP (the "Partnership") for the year ended 30 April 2019 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Net Assets Attributable to Partners and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In our opinion the Financial Statements:

- give a true and fair view of the state of the Partnership's affairs as at 30 April 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, as applied to qualifying partnerships by The Partnerships (Accounts) Regulations 2008.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Partnership in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the General Partner's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the General Partner has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Partnership's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

**Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The General Partner is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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 that fact.

We have nothing to report in this regard.

**Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Report of the Manager for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Report of the Manager has been prepared in accordance with applicable legal requirements.

**Independent Auditor's Report to the Members of Steven Lloyd Edwards Fund KCP2 LP (continued)**

**Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the Partnership and its environment obtained in the course of the audit, we have not identified material misstatements in the Report of the Manager.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006, as applied to qualifying partnerships requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit; or
- the Partnership was not entitled to take advantage of the small companies' exemption, as applied to qualifying partnerships, in preparing the Report of the Manager, and the exemption from preparing a Strategic Report.

**Responsibilities of the General Partner**

As explained more fully in the Statement of General Partner's Responsibilities, the General Partner is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the General Partner determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the General Partner is responsible for assessing the Partnership'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 General Partner either intends to liquidate the Partnership or to cease operations, or have no realistic alternative but to do so.


**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

**Use of our report**

This report is made solely to the Partnership's members, as a body, in accordance with the Limited Partnership Agreement and Chapter 3 of Part 16 of the Companies Act 2006, as applied to qualifying partnerships by The Partnerships (Accounts) Regulations 2008. Our audit work has been undertaken so that we might state to the Partnership'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 Partnership and the Partnership's members as a body, for our audit work, for this report, or for the opinions we have formed.



**Ian Cowan (Senior Statutory Auditor)**

For and on behalf of PKF Littlejohn LLP  
Statutory Auditor

6 August 2019

1 Westferry Circus  
Canary Wharf  
London E14 4HD

**Statement of Comprehensive Income**

	Notes	Year ended 30 April 2019 £	Year ended 30 April 2018 £
Interest income		5,467	6,491
Unrealised gain on investments	7	2,168	58,291
Realised loss on investments		-	(24,008)
<b>Profit for the financial year</b>		<b>7,635</b>	<b>40,774</b>

All results shown in the Statement of Comprehensive Income are from continuing operations. The Partnership has no comprehensive income other than the amounts recognised above. Accordingly, no Statement of Other Comprehensive Income has been prepared.

The notes on pages 11 to 15 form part of these financial statements.

**Steven Lloyd Edwards Fund KCP2 LP**

Annual Report and Audited Financial Statements for year ended 30 April 2019

**Statement of Financial Position**

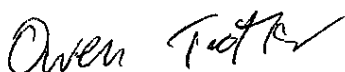
	Notes	As at 30 April 2019 £	As at 30 April 2018 £
<b>Non-current assets</b>			
Financial assets held at fair value through profit or loss	7	151,078	152,032
<b>Current assets</b>			
Trade and other receivables	6	226	11,715
Cash and cash equivalents		33	33
		<u>259</u>	<u>11,748</u>
<b>Current Liabilities</b>			
Trade and other payables		(2)	(2)
<b>Net Current Assets</b>		<u>257</u>	<u>11,746</u>
<b>Net Assets attributable to Partners</b>		<u>151,335</u>	<u>163,778</u>
<b>Partners' accounts</b>			
Capital contribution account		73	73
Loan account		381,886	381,886
Distribution to Partners		(328,309)	(308,231)
Retained earnings		97,685	90,050
<b>Total Partners' Funds</b>		<u>151,335</u>	<u>163,778</u>

The notes on pages 11 to 15 form part of these financial statements.

These financial statements have been prepared in accordance with the provisions applicable to entities subject to the Small Entities Regime and in accordance with the provisions of FRS 102.

The financial statements on pages 8 to 15 were approved by the Designated Members of the Manager, Key Capital Partners LLP on 6/8 2019.

Signed on behalf of Key Capital Partners LLP



**Owen Trotter**  
Designated Member

Partnership Number LP12942



**Steven Lloyd Edwards Fund KCP2 LP**  
Annual Report and Audited Financial Statements for year ended 30 April 2019

**Statement of Changes in Net Assets Attributable to Partners**

	Steven Lloyd Edwards £	KCP (Carried Interest) LLP £	KCP (Investments) LLP £	General Partner Limited £	Total £
Net assets attributable to Partners as at 1 May 2018	160,715	12	3,041	10	163,778
<b>Additions</b>					
Loan	942	-	-	-	942
Profit for the financial year	7,332	-	303	-	7,635
Priority Profit Share	(942)	-	-	942	-
<b>Distributions</b>					
Repayment of loan	(19,757)	-	(321)	-	(20,078)
Priority Profit Share	-	-	-	(942)	(942)
<b>Net assets attributable to Partners as at 30 April 2019</b>	<b>148,290</b>	<b>12</b>	<b>3,023</b>	<b>10</b>	<b>151,335</b>

The notes on pages 11 to 15 form part of these financial statements.

## Notes to the Financial Statements

### 1 Background and Partnership Agreement

Steven Lloyd Edwards Fund KCP2 LP is a Limited Partnership (the "Partnership"), established in England under the Limited Partnerships Act 1907, by the Limited Partnership Agreement (the "Agreement") dated 25 April 2008.

The principal purpose of the Partnership is to carry on the business of investing in qualifying companies, with a view to providing profits for distribution in accordance with the terms of the Agreement.

*The Partnership commenced operations on 1 May 2008 and will continue in existence until all investments of the Partnership have been sold or liquidated unless extended or dissolved earlier in accordance with its Agreement dated 25 April 2008.*

The Manager is an authorised person under the United Kingdom Financial Services and Markets Act 2000 ("FSMA"). As a consequence, the Manager is permitted to manage and operate collective investment schemes and manage their portfolios, the Manager is also authorised for the conduct of business in the United Kingdom by the Financial Conduct Authority.

### 2 Statement of compliance

*The financial statements of the Partnership have been prepared in compliance with the Agreement, United Kingdom Generally Accounting Practice, by applying the Small Entities requirements under Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the UK and the Republic of Ireland" ("FRS 102") and the Companies Act 2006 as applied to qualifying partnerships by the Partnerships (Accounts) Regulations 2008.*

The Partnership has applied the Small Entities Regime under FRS 102 and exercised the option to not prepare a Statement of Cash Flows.

### 3 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied throughout the period, unless otherwise stated. The Partnership has adopted FRS 102 in these financial statements where applicable.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Partnership's financial statements:

#### (a) Basis of preparation

The financial statements have been prepared on a going concern basis under the historical cost convention, as modified by the revaluation of investments held at fair value through profit or loss. The amounts are presented in Pound Sterling ("GBP", "£"), which is also the Partnership's functional currency.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires the General Partner to exercise its judgement in the process of applying the Partnership's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

#### (b) Going concern

The Partnership meets its working capital requirements through capital calls based on the level of commitments of each Partner. Partners have a legal commitment per the Agreement to pay capital into the Partnership up to the amount committed. The Partnership has adequate remaining capital commitments to meet future obligations, payment of Priority Profit Share and other expenses. Any follow on investments will only be made after consideration of the sufficiency of the remaining capital commitments to fund those future obligations.

After making enquiries, the General Partner has a reasonable expectation that the Partnership has adequate resources to continue in operational existence for the foreseeable future. Accordingly, it continues to adopt the going concern basis in preparing the financial statements.

**Notes to the Financial Statements (continued)**

**3 Summary of significant accounting policies (continued)**

**(c) Revenue recognition**

The Partnership recognises revenue when the revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Partnership.

Bank interest and investment income are recognised on a receivable basis.

**(d) Allocation of Net Income, Net Losses and Realised Capital Gains and Capital Losses**

The allocation of Net Income, Net Losses and Realised Capital Gains and Capital Losses is made in accordance with Section 13 of the Agreement. The General Partner is entitled to a Priority Profit Share agreed by the Limited Partners. The Priority Profit Share is payable quarterly in advance. If the Partnership Income in any Accounting Period is insufficient to pay the Priority Profit Share in full, the amount of the shortfall shall be paid to the General Partner out of gains arising from the disposal of Partnership assets, failing which it shall be advanced interest free by the Partnership to the General Partner as a drawdown from Annual Commitments pursuant to Clause 6 of the Agreement.

**(e) Taxation**

The Partnership is not subject to taxation and no provision for taxation has been made in the financial statements. Any tax on income or capital gains is the responsibility of each individual Partner.

**(f) Financial instruments**

The Partnership has chosen to adopt the Sections 11 and 12 of FRS 102 in respect of financial instruments.

**(i) Financial assets**

Basic financial assets, including receivables and cash and cash equivalents, are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Other basic financial assets, including investments in equity instruments are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in the Statement of Comprehensive Income.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

**(ii) Financial liabilities**

Basic financial liabilities, including trade and other payables, are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Creditors are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

**Notes to the Financial Statements (continued)****3 Summary of significant accounting policies (continued)****(g) Fair value of investments**

Investments are carried in the Statement of Financial Position at cost in the first year unless there is a clear indication of appreciation or impairment in value. In subsequent years, the investments are recorded at the fair value as calculated by the Manager at the reporting date, in accordance with International Private Equity and Venture Capital Valuation Guidelines. Adjustments in the value of investments are reflected in the financial statements in the year in which the adjustment is made.

**4 Critical accounting estimates and judgements**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

**Fair value of investments**

When the fair value of investments recorded in the Statement of Financial Position cannot be derived from active markets, their fair value is determined using valuation techniques common in the private equity funds industry, primarily earnings multiples and recent comparable transactions. The inputs in the earnings multiples models include observable data, such as earnings multiples of comparable companies to the relevant portfolio company, and unobservable data, such as forecast earnings for the portfolio company. Changes in assumptions about these factors could affect the reported fair value of investments. The models used to determine fair values are validated and periodically reviewed by the Manager.

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**Notes to the Financial Statements (continued)**

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	Shares £	Loan Stock £	Total £
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10% Subordinated 'A' Loan Stock - 2011					

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**Notes to the Financial Statements (continued)**

**10 Ultimate Controlling Party**

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**11 Provision for Carried Interest**

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This would reallocate to Key Capital Partners (Carried Interest) LLP Net Income of £13,026 (30 April 2018: £11,834) for Key Capital Partners Fund IV being an estimate, calculated in accordance with the terms of the Limited Partnership Agreement, of the carried interest due to Key Capital Partners (Carried Interest) LLP at 30 April 2019.