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**Kelso Place Asset Management LLP**

Report And Financial Statements

*31 March 2011*

Rees Pollock  
Chartered Accountants

THURSDAY



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## **MEMBERS' REPORT**

For the year ended 31 March 2011

The members present their annual report together with the audited financial statements of Kelso Place Asset Management LLP (the "LLP") for the year ended 31 March 2011

### **Principal activities**

The principal activity of the LLP during the year was fund management

### **Results for the period**

The trading results for the year and the LLP's financial position at the end of the year are shown in the attached accounts

### **Designated Members**

The following were designated members during the period

P Weston  
S Kearsey

### **Policy with respect to members' drawings and subscription and repayments of amounts subscribed or otherwise contributed by members**

Members are permitted to make drawings in anticipation of profits which will be allocated to them. The amount of such drawings is set at the beginning of each financial period, taking into account the anticipated cash needs of the LLP.

### **Statement of Members' responsibilities**

The members are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law, as applied to LLPs, requires the members to prepare financial statements for each financial year. Under that law the members 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, as applied to LLPs, the members 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 LLP and of the profit and loss of the LLP for that period. In preparing these financial statements, the members are required to

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

The members are responsible for keeping adequate accounting records that are sufficient to show and explain the entity's transactions and disclose with reasonable accuracy at any time the financial position of the LLP 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 LLP and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

MEMBERS' REPORT (continued)  
For the year ended 31 March 2011

**Provision of information to the auditors**

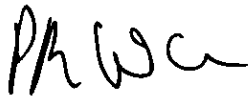
Each of the persons who are designated members at the time when this Members' Report is approved has confirmed that

- so far as that designated member is aware, there is no relevant audit information of which the company's auditors are unaware, and
- that member has taken all the steps that he ought to have taken as a member in order to be aware of any information needed by the partnership's auditors in connection with preparing their report and to establish that the partnership's auditors are aware of that information

**Auditors**

Rees Pollock have indicated their willingness to continue in office

This report was approved by the members on 27 July 2011 and signed on their behalf by



P Weston  
Designated member



# REES POLLOCK

Chartered Accountants

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## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KELSO PLACE ASSET MANAGEMENT LLP

We have audited the financial statements of Kelso Place Asset Management LLP for the year ended 31 March 2011, set out on pages 4 to 11. The financial reporting framework that has been applied in their preparation is applicable law and the Financial Reporting Standard for Smaller Entities (effective April 2008) (United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities).

This report is made solely to the LLP's members, as a body, in accordance with the Companies Act 2006, as applied by Part 12 of The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008. Our audit work has been undertaken so that we might state to the LLP's members those matters we are required to state to them in an Auditors' 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 LLP and the LLP's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of members and auditors

As explained more fully in the Statement of members' responsibilities, the members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error.

This includes an assessment of whether the accounting policies are appropriate to the LLP's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the designated members, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Members' report to identify material inconsistencies with the audited financial statements.

If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the LLP's affairs as at 31 March 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities, and
- have been prepared in accordance with the requirements of the Companies Act 2006, as applied to limited liability partnerships by The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008.

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

We have nothing to report in respect of the following matters where the Companies Act 2006, as applied to limited liability 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 members were not entitled to prepare the financial statements in accordance with the small limited liability partnerships regime.

Jonathan Moulds (Senior statutory auditor)  
for and on behalf of  
Rees Pollock, Statutory Auditor  
28 July 2011

**PROFIT AND LOSS ACCOUNT**  
For the year ended 31 March 2011

	<b>Note</b>	<b>2011 £</b>	<b>2010 £</b>
<b>TURNOVER</b>		2,607,217	1,793,882
Administrative expenses		(1,202,138)	(580,292)
<b>OPERATING PROFIT</b>	2	1,405,079	1,213,590
Interest receivable and similar income		762	742
Interest payable and similar charges		(722)	-
<b>PROFIT FOR THE FINANCIAL YEAR BEFORE MEMBERS' REMUNERATION AND PROFIT SHARES</b>		1,405,119	1,214,332
<b>PROFIT FOR THE FINANCIAL YEAR BEFORE MEMBERS' REMUNERATION AND PROFIT SHARES</b>		1,405,119	1,214,332
Members' remuneration charged as an expense		(1,381,966)	(1,048,512)
<b>PROFIT FOR THE FINANCIAL YEAR AVAILABLE FOR DISCRETIONARY DIVISION AMONG MEMBERS</b>		23,153	165,820

The notes on pages 6 to 11 form part of these financial statements

**BALANCE SHEET**  
As at 31 March 2011

	Note	£	2011 £	£	2010 £
<b>FIXED ASSETS</b>					
Tangible assets	4		140,334		21,978
Investments	5		20		20
			<u>140,354</u>		<u>21,998</u>
<b>CURRENT ASSETS</b>					
Debtors	6	1,320,989		1,827,741	
Cash at bank and in hand		174,377		1,445,405	
		<u>1,495,366</u>		<u>3,273,146</u>	
<b>CREDITORS: amounts falling due within one year</b>	7	(658,448)		(2,304,826)	
<b>NET CURRENT ASSETS</b>			<u>836,918</u>		<u>968,320</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>977,272</u>		<u>990,318</u>
<b>CREDITORS: amounts falling due after more than one year</b>	8		(92,227)		(148,800)
<b>NET ASSETS ATTRIBUTABLE TO MEMBERS</b>			<u><u>885,045</u></u>		<u><u>841,518</u></u>
<b>REPRESENTED BY:</b>					
<b>Loans and other debts due to members within one year</b>					
Other amounts			819,652		633,458
<b>Equity</b>					
Members' capital classified as equity		100,000		100,000	
Other reserves classified as equity		(34,607)		108,060	
		<u>65,393</u>		<u>208,060</u>	
			<u><u>885,045</u></u>		<u><u>841,518</u></u>
<b>TOTAL MEMBERS' INTERESTS</b>					
Loans and other debts due to members			819,652		633,458
Members' other interests			65,393		208,060
	10		<u><u>885,045</u></u>		<u><u>841,518</u></u>

The financial statements have been prepared in accordance with the special provisions relating to LLPs subject to the small LLPs regime within Part 15 of the Companies Act 2006 as applied by The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008)

The financial statements were approved and authorised for issue by the members and were signed on their behalf on 27 July 2011 by P Weston, Designated Member



The notes on pages 6 to 11 form part of these financial statements

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2011

### 1 ACCOUNTING POLICIES

#### 1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008) and the requirements of the Statement of Recommended Practice "Accounting by Limited Liability Partnerships"

The LLP is the parent undertaking of a small group and as such is not required by the Companies Act 2006 to prepare group accounts. These financial statements therefore present information about the LLP as an individual undertaking and not about its group.

#### 1.2 Cash flow

The financial statements do not include a Cash flow statement because the LLP, as a small reporting entity, is exempt from the requirement to prepare such a statement under the Financial Reporting Standard for Smaller Entities (effective April 2008).

#### 1.3 Turnover

Turnover comprises revenue recognised by the LLP in respect of management and other fees receivable for the year, exclusive of Value Added Tax and trade discounts.

#### 1.4 Depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Motor vehicles	-	over 3 years on a straight line basis
Furniture & fixtures	-	over 4 years on a straight line basis
Computer equipment	-	over 3 years on a straight line basis

#### 1.5 Investments

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

#### 1.6 Leasing and hire purchase

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the entity. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

#### 1.7 Operating leases

Rentals under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2011

### 1 ACCOUNTING POLICIES (continued)

#### 1.8 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction

Exchange gains and losses are recognised in the profit and loss account

#### 1.9 Members' remuneration

A members' share in the profit or loss for the period is accounted for as an allocation of profits or losses  
Unallocated profits or losses are included within "other reserves"

### 2 OPERATING PROFIT

The operating profit is stated after charging

	2011 £	2010 £
Depreciation of tangible fixed assets		
- owned by the LLP	17,190	25,584
- held under hire purchase agreements	4,554	-
Auditors' remuneration	14,000	14,000
Auditors' remuneration - non-audit	2,653	5,290
Operating leases - land & buildings	150,552	150,310
	<u>188,349</u>	<u>200,184</u>

### 3 INFORMATION IN RELATION TO MEMBERS

	2011	2010
The average number of members during the year was	<u>14</u>	<u>12</u>



**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 March 2011

**4 TANGIBLE FIXED ASSETS**

	<b>Motor vehicles</b>	<b>Fixtures &amp; fittings</b>	<b>Office equipment</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Cost</b>				
At 1 April 2010	-	119,161	64,522	183,683
Additions	133,017	-	7,083	140,100
At 31 March 2011	133,017	119,161	71,605	323,783
<b>Depreciation</b>				
At 1 April 2010	-	105,138	56,567	161,705
Charge for the year	4,554	9,836	7,354	21,744
At 31 March 2011	4,554	114,974	63,921	183,449
<b>Net book value</b>				
At 31 March 2011	128,463	4,187	7,684	140,334
At 31 March 2010	-	14,023	7,955	21,978

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows

	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
Motor vehicles	106,293	-

**5 FIXED ASSET INVESTMENTS**

	<b>Subsidiary companies</b>
	<b>£</b>
<b>Cost and net book value</b>	
At 1 April 2010 and 31 March 2011	20

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 March 2011

**5 FIXED ASSET INVESTMENTS (continued)**

<b>Name</b>	<b>Country of incorporation</b>	<b>Nature of business</b>
Kelso Place General Partner Limited	England & Wales	General partner of Kelso Place Corporate Turnaround Fund LP
Kelso Place General Partner III Limited	England & Wales	General partner of Kelso Place UK Special Situations Fund A LP & Kelso Place UK Special Situations Executive Fund LP
Kelso Place General Partner IV Limited	England & Wales	General partner of Kelso Place Special Situations Fund LP
Kelso Place Asset Management (Scotland) Limited	Scotland	General partner of KPAM Carry Partnership LP
Kelso Place Asset Management (Scotland) III Limited	Scotland	General partner of KPAM Carry Partnership III LP
Kelso Place Asset Management (Scotland) IV Limited	Scotland	General partner of Kelso Place Special Situations Founder Partner LP
MDNX General Partner Limited	England & Wales	General partner of MDNX Co-investment LP

Kelso Place Asset Management LLP owns 100% of the ordinary share capital of each of the above companies

	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
<b>Aggregate capital and reserves</b>		
Kelso Place General Partner Limited	(1,099)	(1,099)
Kelso Place General Partner III Limited	(3,651,967)	(3,651,967)
Kelso Place General Partner IV Limited	(2,561,479)	(793,177)
Kelso Place Asset Manager (Scotland) Limited	1	1
Kelso Place Asset Manager (Scotland) III Limited	1	1
Kelso Place Asset Manager (Scotland) IV Limited	1	1
<b>Results for the period</b>		
Kelso Place General Partner Limited	-	-
Kelso Place General Partner III Limited	-	(1,309,209)
Kelso Place General Partner IV Limited	(2,561,480)	(793,178)
Kelso Place Asset Manager (Scotland) Limited	-	-
Kelso Place Asset Manager (Scotland) III Limited	-	-
Kelso Place Asset Manager (Scotland) IV Limited	-	-

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2011

### 6 DEBTORS

	2011 £	2010 £
Trade debtors	165,263	176,888
Prepayments & accrued income	1,142,063	1,542,004
Other debtors	13,663	108,849
	<u>1,320,989</u>	<u>1,827,741</u>

Prepayments & accrued income includes an amount of £785,990 (2010 £1,083,590) due in more than one year

### 7 CREDITORS Amounts falling due within one year

	2011 £	2010 £
Net obligations under hire purchase contracts	25,388	-
Trade creditors	256,792	786,030
Social security and other taxes	8,971	11,058
Other creditors	367,297	1,507,738
	<u>658,448</u>	<u>2,304,826</u>

### 8 CREDITORS Amounts falling due after more than one year

	2011 £	2010 £
Net obligations under hire purchase contracts	92,227	-
Trade creditors	-	148,800
	<u>92,227</u>	<u>148,800</u>

### 9 RELATED PARTY TRANSACTIONS

During the year, management fees of £73,809 (2010 £126,854) were receivable from Kelso Place General Partner Limited, a subsidiary. Included in debtors at 31 March 2011 was a balance of £nil (2010 £nil) due from Kelso Place General Partner Limited.

During the year, management fees of £nil (2010 £468,750) were receivable from Kelso Place General Partner III Limited, a subsidiary. Included in debtors at 31 March 2011 was a balance of £nil (2010 £104,093) due from Kelso Place General Partner III Limited.

During the year, management fees of £2,210,000 (2010 £793,178) were receivable from Kelso Place General Partner IV Limited, a subsidiary. Included in other creditors at 31 March 2011 was a deferred income balance of £311,822 (2010 £1,416,822), also relating to management fees receivable from Kelso Place General Partner IV Limited.

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 March 2011

**10 RECONCILIATION OF MEMBERS' INTERESTS**

	<b>Members' capital (classified as equity) £</b>	<b>Other reserves (classified as equity) £</b>	<b>Loans and debts due to members less any amounts due from members in debtors £</b>	<b>Total £</b>
Amounts due to members b/fwd			633,458	
Amounts due from members b/fwd			-	
Members' interests balance at 1 April 2010	100,000	108,060	633,458	841,518
Members' remuneration charged as an expense, including employment and retirement benefit costs	-	-	1,381,966	1,381,966
Profit for the year available for discretionary division among members	-	23,153	-	23,153
Members' interests after profit for the year	100,000	131,213	2,015,424	2,246,637
Profit allocated during the period	-	(165,820)	165,820	-
Amounts withdrawn by members	-	-	(1,381,966)	(1,381,966)
Other transactions with members	-	-	20,374	20,374
Members' interests at 31 March 2011	100,000	(34,607)	819,652	885,045

Members' other interests rank after unsecured creditors, and loans and other debts due to members rank pari passu with unsecured creditors in the event of a winding up

**11 CONTROLLING PARTY**

The LLP is controlled by its members