

Registered number: OC418074

## **Red Kite Capital Management LLP**

Report And Financial Statements

*31 December 2018*

Rees Pollock  
Chartered Accountants



## **Red Kite Capital Management LLP**

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### **INFORMATION**

<b>Designated Members</b>	P G Coughlan Lord Farmer
<b>LLP registered number</b>	OC418074
<b>Registered office</b>	6th Floor 1 Bartholomew Lane London EC2N 2AX
<b>Independent auditors</b>	Rees Pollock 35 New Bridge Street London EC4V 6BW
<b>Bankers</b>	Courts & Co 440 Strand London WC2R 0QS

## **Red Kite Capital Management LLP**

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### **MEMBERS' REPORT**

**For the Year Ended 31 December 2018**

The members present their annual report together with the audited financial statements of Red Kite Capital Management LLP (the "LLP") for the year ended 31 December 2018.

#### **Principal activities**

The principal activity during the year was that of investment advisor. The LLP was authorised by the Financial Conduct Authority (FCA) on 1 March 2018.

#### **Designated Members**

P G Coughlan and Lord Farmer were designated members of the LLP throughout the year.

#### **Results**

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

#### **Pillar III disclosure**

The firm has documented the disclosures required by the FCA under BIPRU 11. These are available from the registered office.

#### **Policy with respect to members drawings and subscriptions and repayments of member's capital**

Members' capital and drawings are determined by the regulatory capital requirements of the FCA and any trading needs of the LLP.

#### **Members' responsibilities statement**

The members are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law, (as applied by The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008), 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 by The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008) 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 or 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 accounting 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.

**MEMBERS' REPORT (continued)**  
**For the Year Ended 31 December 2018**

The members are responsible for keeping adequate accounting records that are sufficient to show and explain the LLP's transactions and disclose with reasonable accuracy at any time the financial position of the LLP and to enable them to ensure that the financial statements comply with the Companies Act 2006 (as applied by The Limited Liability Partnerships (Accounts and Audit) (Application of the Companies Act 2006) Regulations 2008). 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.

**Disclosure of information to auditors**

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

- so far as the members are aware, there is no relevant audit information of which the LLP's auditors are unaware, and
- that the members have taken all the steps that ought to have been taken as members in order to be aware of any relevant audit information and to establish that the LLP's auditors are aware of that information.

**Auditors**

Rees Pollock have expressed their willingness to continue in office.

This report was approved by the members on 25/4/19 and signed on their behalf by:

**Lord Farmer**  
Designated member



## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF RED KITE CAPITAL MANAGEMENT LLP**

### **Opinion**

We have audited the financial statements of Red Kite Capital Management LLP (the 'LLP') for the year ended 31 December 2018, which comprise the Statement of comprehensive income, the Balance sheet, the Statement of cash flows, the Reconciliation of members' interests and the related notes, 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, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the LLP's affairs as at 31 December 2018 and of its loss 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 limited liability partnerships by The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) 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 Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the LLP in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council'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 members' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the members have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the LLP'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 members are responsible for the other information. The other information comprises the information included in the Annual report, other than the financial statements and our Auditors' report thereon. Our opinion on the financial statements does not cover the other information and 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.

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF RED KITE CAPITAL MANAGEMENT LLP (CONTINUED)**

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

We have nothing to report in respect of the following matters in relation to which 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.

### **Responsibilities of members**

As explained more fully in the Members' responsibilities statement on page 1, the members are 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 members determine 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 members are responsible for assessing the LLP'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 members either intend to liquidate the LLP or to cease operations, or have no realistic alternative but to do so.

### **Auditors' 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 Auditors' 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 Auditors' report.

### **Use of our report**

This report is made solely to the LLP's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, as applied by Part 12 of The Limited Liability Partnerships (Accounts and Audit) (Applications 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.

Andrew Snook (Senior Statutory Auditor)

for and on behalf of

**Rees Pollock, Statutory Auditor**

Date: 25 APRIL 2019

**STATEMENT OF COMPREHENSIVE INCOME**  
For the Year Ended 31 December 2018

		Year to 31 December 2018 £	6 month period from incorporation to 31 December 2017 £
	Note		
Turnover	3	3,048,284	1,068,279
<b>Gross profit</b>		<b>3,048,284</b>	<b>1,068,279</b>
Administrative expenses		(3,481,588)	(1,084,286)
<b>Operating loss</b>	4	<b>(433,304)</b>	<b>(16,007)</b>
Interest receivable and similar income		441	-
<b>Loss for the year before members' remuneration and profit shares available for discretionary division among members</b>		<b>(432,863)</b>	<b>(16,007)</b>

There were no recognised gains and losses for 2018 or 2017 other than those included in the statement of comprehensive income.

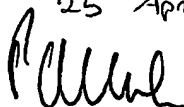
There was no other comprehensive income for 2018 (6 month period to 31 December 2017:£NIL).

The notes on pages 9 to 13 form part of these financial statements.

**BALANCE SHEET**  
**As at 31 December 2018**

	Note	2018 £	2017 £
<b>Current assets</b>			
Debtors: amounts falling due within one year	8	2,291,042	2,501,968
Cash at bank and in hand		239,520	-
		<u>2,530,562</u>	<u>2,501,968</u>
Creditors: Amounts Falling Due Within One Year	9	(1,430,562)	(1,401,968)
<b>Net current assets</b>		<u>1,100,000</u>	<u>1,100,000</u>
<b>Total assets less current liabilities</b>		<u>1,100,000</u>	<u>1,100,000</u>
<b>Net assets</b>		<u><u>1,100,000</u></u>	<u><u>1,100,000</u></u>
<b>Represented by:</b>			
<b>Members' other interests</b>			
Members' capital classified as equity		1,100,000	1,100,000
		<u>1,100,000</u>	<u>1,100,000</u>
<b>Total members' interests</b>		<u><u>1,100,000</u></u>	<u><u>1,100,000</u></u>
Amounts due from members (included in debtors)	8	-	(1,483,170)
Members' other interests		1,100,000	1,100,000
		<u>1,100,000</u>	<u>(383,170)</u>

The financial statements were approved and authorised for issue by the members and were signed on their behalf on 25 April 2019.



**Lord Farmer**  
Designated member

The notes on pages 9 to 13 form part of these financial statements.

**RECONCILIATION OF MEMBERS' INTERESTS**  
For the Year Ended 31 December 2018

	<b>EQUITY</b> <b>Members' other interests</b>			<b>DEBT</b> <b>Loans and other debts due to members less any amounts due from members in debtors</b>		<b>Total members' interests</b>
	<b>Members' capital (classified as equity) £</b>	<b>Other reserves £</b>	<b>Total £</b>	<b>Other amounts £</b>	<b>Total £</b>	<b>Total £</b>
Loss for the year available for discretionary division among members	-	(16,007)	(16,007)	-	-	(16,007)
<b>Members' interests after profit for the year</b>	-	(16,007)	(16,007)	-	-	(16,007)
Other division of losses	-	16,007	16,007	(16,007)	(16,007)	-
Amounts introduced by members	1,100,000	-	1,100,000	(1,100,000)	(1,100,000)	-
Drawings	-	-	-	(367,163)	(367,163)	(367,163)
Amounts due to members				-	-	
Amounts due from members				(1,483,170)	(1,483,170)	
<b>Balance at 31 December 2017</b>	<b>1,100,000</b>	<b>-</b>	<b>1,100,000</b>	<b>(1,483,170)</b>	<b>(1,483,170)</b>	<b>(383,170)</b>
Loss for the year available for discretionary division among members	-	(432,863)	(432,863)	-	-	(432,863)
<b>Members' interests after profit for the year</b>	<b>1,100,000</b>	<b>(432,863)</b>	<b>667,137</b>	<b>(1,483,170)</b>	<b>(1,483,170)</b>	<b>(816,033)</b>
Other division of losses	-	432,863	432,863	(432,863)	(432,863)	-
Amounts introduced by members	-	-	-	2,729,171	2,729,171	2,729,171
Drawings	-	-	-	(813,138)	(813,138)	(813,138)
Amounts due to members				-	-	
<b>Balance at 31 December 2018</b>	<b>1,100,000</b>	<b>-</b>	<b>1,100,000</b>	<b>-</b>	<b>-</b>	<b>1,100,000</b>

There are no existing restrictions or limitations which impact the ability of the members of the LLP to reduce the amount of Members' other interests.

**STATEMENT OF CASH FLOWS**  
For the Year Ended 31 December 2018

	2018 £	2017 £
<b>Cash flows from operating activities</b>		
Loss for the financial year	(432,863)	(16,007)
<b>Adjustments for:</b>		
Interest received	(441)	-
(Increase) in debtors	(978,956)	(1,018,798)
(Increase)/decrease in amounts owed by related parties	(293,288)	-
(Decrease)/increase in creditors	(604,609)	657,555
Increase in amounts owed to related parties	2,262,374	744,413
<b>Net cash generated from operating activities before transactions with members</b>	<b>(47,783)</b>	<b>367,163</b>
<b>Cash flows from investing activities</b>		
Interest received	441	-
<b>Net cash from investing activities</b>	<b>441</b>	<b>-</b>
<b>Cash flows from financing activities</b>		
Amounts introduced by members	1,100,000	-
Distribution paid to members	(813,138)	(367,163)
<b>Net cash used in financing activities</b>	<b>286,862</b>	<b>(367,163)</b>
<b>Net increase in cash and cash equivalents</b>	<b>239,520</b>	<b>-</b>
<b>Cash and cash equivalents at the end of year</b>	<b>239,520</b>	<b>-</b>
<b>Cash and cash equivalents at the end of year comprise:</b>		
Cash at bank and in hand	239,520	-
	<b>239,520</b>	<b>-</b>

The notes on pages 9 to 13 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended 31 December 2018**

**1. General information**

Red Kite Capital Management LLP is a limited liability partnership incorporated in the UK.

The entity's registered address is 6th floor, 1 Bartholomew Lane, London, EC2N 2AX.

**2. Accounting policies**

**2.1 Basis of preparation of financial statements**

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006 and the requirements of the Statement of Recommended Practice "Accounting by Limited Liability Partnerships".

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. Management do not consider there are any key accounting estimates or assumptions made that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

Management are also required to exercise judgement in applying the entity's accounting policies. Due to the straight forward nature of the business management consider that no critical judgements have been made in applying the entity's accounting policies.

The following principal accounting policies have been applied:

**2.2 Going concern**

The controlling partner, has indicated his willingness to provide funding to the LLP, as and when required in order for it to operate for at least 12 months from the date these financial statements were signed. Accordingly, the designated members consider it appropriate to continue to adopt the going concern basis in preparing the financial statements.

**2.3 Turnover**

Turnover comprises revenue recognised by the LLP in respect of services provided during the year. Investment management fees are recognised as they accrue across the year. Performance fees are only recognised on crystallisation.

**2.4 Taxation**

The taxation payable on the profits of the LLP is the personal liability of the members.

**2.5 Financial instruments**

**(i) Financial assets**

Basic financial assets, including trade and other receivables, cash and bank balances and investments in commercial paper, are initially recognised at transaction price. Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

Other financial assets, including investments in equity instruments of entities which are not

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended 31 December 2018**

**2. Accounting policies (continued)**

**2.5 Financial instruments (continued)**

subsidiaries, associates or joint ventures, are initially measured at fair value, which is nominally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in the profit and loss account.

**(ii) Financial liabilities**

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow Group companies and preference shares that are classified as debt, are initially recognised at 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.

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

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss unless they are included in a hedging arrangement. Financial liabilities are derecognised when the liability is extinguished, that is when the associated contractual obligation is discharged, cancelled or expires.

**(iii) Offsetting**

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended 31 December 2018**

**2. Accounting policies (continued)**

**2.6 Foreign currency translation**

**(i) Functional and presentational currency**

The LLP's functional and presentational currency is GBP.

**(ii) Transactions and balances**

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and nonmonetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of income and retained earnings except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of income and retained earnings within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of income and retained earnings within 'other operating income'.

**2.7 Members profit allocation**

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

**3. Turnover**

The turnover and operating profit for the year was derived from the LLP's principal continuing activity which was carried out wholly in the UK.

**4. Operating profit**

The operating profit is stated after charging:

	<b>Year to 31 December 2018</b>	<i>6 months from incorporation to 31 December 2017</i>
	£	£
Exchange differences	<b>(41,065)</b>	<b>642</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended 31 December 2018

**5. Auditors' remuneration**

	<b>Year to 31 December 2018</b>	<b>6 months from incorporation to 31 December 2017</b>
	<b>£</b>	<b>£</b>
Fees payable to the LLP's auditor and its associates for the audit of the LLP's annual financial statements	10,000	10,000
Fees payable to the LLP's auditor and its associates in respect of:		
All other services	6,250	4,250
	<u>16,250</u>	<u>14,250</u>

**6. Employees**

Staff costs were as follows:

	<b>Year to 31 December 2018</b>	<b>6 months from incorporation to 31 December 2017</b>
	<b>£</b>	<b>£</b>
Wages and salaries	200,802	66,641
Social security costs	28,287	21,265
Cost of defined contribution scheme	33,180	22,614
	<u>262,269</u>	<u>110,520</u>

The average monthly number of employees during the period was 3 (2017: 3)

**7. Information in relation to members**

	<b>2018 Number</b>	<b>2017 Number</b>
The average number of members during the year was	<u>4</u>	<u>4</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended 31 December 2018

**8. Debtors**

	2018 £	2017 £
Trade debtors	371,262	-
Amounts owed by group undertakings	293,288	-
Other debtors	143,536	161,330
Prepayments and accrued income	1,482,956	857,468
Amounts due from members	-	1,483,170
	<u>2,291,042</u>	<u>2,501,968</u>

**9. Creditors: Amounts falling due within one year**

	2018 £	2017 £
Amounts owed to related parties	1,377,616	744,413
Other taxation and social security	28,704	-
Accruals and deferred income	24,242	657,555
	<u>1,430,562</u>	<u>1,401,968</u>

**10. Pension commitments**

The entity operated a defined contribution pension scheme. The assets of the scheme are held separately from those of the entity in an independently administered fund. The pension cost charge represents contributions payable by the entity to the fund and amounted to £33,180 (2017: £22,614). Contributions totaling £nil (2017: £1,695) were payable to the fund at the balance sheet date.

**11. Related party transactions**

Included in turnover is £487,862 (2017: £6,176) in relation to amounts charged to related parties, by way of being under common control or significant influence. Included in administrative expenses is £3,002,199 (2017: £396,528) in relation to amounts charged by related parties, by way of being under common control or significant influence.

Included in debtors at 31 December 2018 is £293,288 (2017: £nil) due from these entities and £161,415 (2017: £18,138) included within prepayments and accrued income in relation to transactions with these entities.

Included within creditors at 31 December 2018 is £1,377,616 (2017: £744,413) due from these entities and £nil (2017: £346,386) included within accruals in relation to transactions with these entities.

**12. Controlling party**

The controlling party is Lord Farmer.