

Registered number  
04667528

Zephyr Management UK Limited

Report and Accounts

31 December 2012



**Zephyr Management UK Limited**  
**Registered number: 04667528**  
**Directors' Report**

The directors present their report and accounts of Zephyr Management UK Limited ('the company') for the year ended 31 December 2012

**Results and dividends**

The profit for the year is set out in the profit and loss account. Dividends of £195,000 (2011 - £325,000) were paid during the year. No final dividend is recommended.

**Principal activities**

The principal activity is the provision of fund management and advisory services.

**Review of the business**

The directors are satisfied by the result for the period but are cautious about the future following recent redemptions of funds. The directors use performance metrics, including investment performance and funds under management, to assist them in the management of the business.

**Principal risks and uncertainties**

**Funds under management**

The funds under management are subject to redemption by investors. While the company continues to market its funds there is no guarantee that subscriptions will exceed redemptions.

**Key personnel**

The company has a small staff making it important to reward and retain key employees.

**Regulation**

The company is authorised and regulated by the Financial Services Authority. The company would have to cease trading as an investment manager if its authority to conduct investment business were to be revoked. This risk is mitigated by the firm's limited activities and the quality and experience of its staff.

**Market risk**

The company does not face any direct market risks because it does not take proprietary positions and does not hold financial investments other than liquid cash. However, there is an indirect exposure to the financial markets as the company's investment management fee income is calculated based on the value of funds under management.

**Credit risk**

The company's main exposure to credit risk is in respect of cash balances held by the company's bankers.

**Interest rate risk**

The company has little interest rate risk other than on short-term cash deposits, which are maintained on a floating rate basis, and on the rent deposit.

**Liquidity risk**

Liquidity risk is minimal as the company maintains large cash balances.

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**Directors' Report**

**Currency exchange rate risk**

Although only small cash balances are maintained in foreign currencies the company has some exposure to currency exchange rate risk because its fund management fee income is denominated in US Dollars

**Operational risk**

The company is exposed to operational risks which may arise from loss of revenue or unexpected increases in operating expenditure

**Going concern**

The company's business activities, together with the factors likely to affect its future development, performance and position are set out above. The financial position of the company and its liquidity position are reflected on the balance sheet

The company has sufficient financial resources and ongoing investment management contracts to sustain the business for at least twelve months. As a consequence, the directors believe that the company is able to manage its business risks. The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future, and thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements

**Directors**

The following persons served as directors during the year

T C Barry  
S A R Bates  
D W J Garrett  
B P Matthews

**Directors' responsibilities**

The directors are responsible for preparing the Directors' report and accounts in accordance with applicable law and regulations

Company law requires the directors to prepare accounts for each financial year. Under that law the directors have elected to prepare the accounts 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 accounts 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 accounts, the directors are required to

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

The directors are 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 accounts 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

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**Directors' Report**

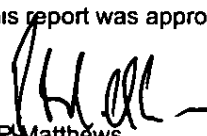
**Audit information**

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware. The directors have taken all steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of this information.

**Auditor**

Ernst & Young LLP will continue as auditor in accordance with section 487(2) of the Companies Act 2006.

This report was approved by the board on 12 March 2013 and signed by its order

  
B P Matthews  
Secretary

**Zephyr Management UK Limited**  
**Independent auditor's report**  
**to the shareholders of Zephyr Management UK Limited**

We have audited the financial statements of Zephyr Management UK Limited for the year ended 31 December 2012 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 17. 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).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of directors and auditors**

As explained more fully in the Statement of Directors' Responsibilities set out on page 2, the directors 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 company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report and financial statements 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 the financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2012 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.

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

In our opinion the information given in the Directors' Report for the financial year for which the accounts are prepared is consistent with the accounts.

**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 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
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.

*Ernst & Young LLP*

Jeremy Young (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
London  
13 March 2013

**Zephyr Management UK Limited**  
**Profit and Loss Account**  
**for the year ended 31 December 2012**

	Notes	2012 £	2011 £
Turnover	2	975,720	2,321,648
Administrative expenses		(1,202,830)	(1,820,156)
<b>Operating (loss)/profit</b>	3	<u>(227,110)</u>	<u>501,492</u>
Property and services income		311,750	258,203
Interest receivable		6,673	6,437
<b>Profit on ordinary activities before taxation</b>		<u>91,313</u>	<u>766,132</u>
Tax on profit on ordinary activities	6	(26,456)	(206,097)
<b>Profit for the financial year</b>		<u>64,857</u>	<u>560,035</u>

**Continuing operations**

None of the company's activities were acquired or discontinued during the above two financial years

**Statement of total recognised gains and losses**

The company has no recognised gains or losses other than the profit for the above two financial years

**Zephyr Management UK Limited**  
**Balance Sheet**  
**as at 31 December 2012**

	Notes	2012 £	2011 £
<b>Fixed assets</b>			
Tangible assets	7	4,219	6,339
Investments	8	-	65,000
Property deposit		93,911	92,168
		<u>98,130</u>	<u>163,507</u>
<b>Current assets</b>			
Debtors	9	159,264	129,644
Cash at bank and in hand		312,046	507,886
		<u>471,310</u>	<u>637,530</u>
<b>Creditors' amounts falling due within one year</b>	10	(128,236)	(229,690)
<b>Net current assets</b>		<u>343,074</u>	<u>407,840</u>
<b>Net assets</b>		<u>441,204</u>	<u>571,347</u>
<b>Capital and reserves</b>			
Called up share capital	11	200,000	200,000
Profit and loss account	12	241,204	371,347
<b>Shareholders' funds</b>	14	<u>441,204</u>	<u>571,347</u>



B P Matthews  
 Director

Approved by the board on 12 March 2013

**Zephyr Management UK Limited**  
**Cash Flow Statement**  
**for the year ended 31 December 2012**

	Notes	2012 £	2011 £
<b>Reconciliation of operating profit to net cash inflow from operating activities</b>			
Operating (loss)/profit		(227,110)	501,492
Depreciation and amortisation		7,191	11,895
Decrease in provision for impairment of investments		-	(942)
(Increase)/decrease in debtors		(29,620)	681,058
Decrease in creditors		(6,362)	(692,790)
Property and services income		311,750	258,203
<b>Net cash inflow from operating activities</b>		<b>55,849</b>	<b>758,916</b>
<b>CASH FLOW STATEMENT</b>			
<b>Net cash inflow from operating activities</b>		<b>55,849</b>	<b>758,916</b>
<b>Returns on investments and servicing of finance</b>		<b>6,673</b>	<b>6,437</b>
<b>Taxation</b>		<b>(99,408)</b>	<b>(216,958)</b>
<b>Capital expenditure</b>		<b>59,929</b>	<b>(1,331)</b>
<b>Property deposit payments</b>		<b>(23,883)</b>	<b>(4,891)</b>
		<b>(840)</b>	<b>542,173</b>
<b>Dividends paid</b>		<b>(195,000)</b>	<b>(325,000)</b>
		<b>(195,840)</b>	<b>217,173</b>
<b>(Decrease)/increase in cash</b>		<b>(195,840)</b>	<b>217,173</b>
<b>Reconciliation of net cash flow to movement in net funds</b>			
(Decrease)/increase in cash in the period		(195,840)	217,173
<b>Change in net funds</b>		<b>(195,840)</b>	<b>217,173</b>
<b>Net funds at 1 January</b>		<b>507,886</b>	<b>290,713</b>
<b>Net funds at 31 December</b>		<b>312,046</b>	<b>507,886</b>

**Zephyr Management UK Limited**  
**Notes to the Accounts**  
**for the year ended 31 December 2012**

**1 Accounting policies**

***Basis of preparation***

The accounts have been prepared under the historical cost convention and in accordance with applicable UK accounting standards

***Turnover***

Turnover is recognised to the extent that the right to consideration is obtained in exchange for performance and is measured at the fair value of the consideration received

***Taxation and deferred taxation***

Provision is made for corporation tax at current rates on the excess of taxable income over allowable expenses. The charge for taxation takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred taxation is provided using the liability method on all timing differences, calculated at the rate at which it is anticipated the timing differences will reverse. Deferred tax assets are recognised only when, on the basis of available evidence it is more likely than not that there will be taxable profits in the future against which the deferred tax asset can be offset.

***Depreciation***

Depreciation is provided on tangible fixed assets at rates calculated to write off the cost or valuation, less estimated residual value based on prices prevailing at the date of acquisition or revaluation, of each asset evenly over its expected useful life, as follows

Office equipment	- 3 years
Furniture and fixtures	- 5 years

***Investments***

Investments in related entities are recorded at cost of capital contributed less any provision for impairment

***Operating leases***

Rentals paid under operating leases are charged to income on a straight line basis over the lease term

***Pensions***

The company offers a defined contribution to the personal pension schemes of employees. Contributions are charged to the profit and loss account as they accrue.

***Property and services income***

Property and services income represents sublease and licence income plus associated occupancy charges credited to the profit and loss account as they become receivable.

***Foreign currencies***

Transactions in foreign currencies are recorded at the rate ruling on the date of the transaction. Differences arising from rate movement between the due date and the actual payment date are taken to the profit and loss account.

**Zephyr Management UK Limited**  
**Notes to the Accounts**  
**for the year ended 31 December 2012**

**2 Analysis of turnover**

Turnover is stated net of value added tax and includes management and advisory fees earned from the supply of investment management and advisory services in the UK to the Cayman Islands and the United States of America

	2012 £	2011 £
By activity		
Management fees and advisory fees	<u>975,720</u>	<u>2,321,648</u>

**3 Operating profit**

	2012 £	2011 £
This is stated after charging		
Depreciation of owned fixed assets	7,191	11,895
Operating lease rentals - plant and machinery	1,479	2,818
Operating lease rentals - land buildings	242,938	242,938
Auditors' remuneration for audit services	15,000	14,300
Auditors' remuneration for other services	<u>2,650</u>	<u>6,700</u>

**4 Directors' emoluments**

	2012 £	2011 £
Emoluments	<u>91,250</u>	<u>105,000</u>
Highest paid director Emoluments	<u>46,250</u>	<u>60,000</u>

**5 Staff costs**

	2012 £	2011 £
Wages and salaries	259,167	299,691
Social security costs	30,656	35,917
Other pension costs	<u>4,333</u>	<u>4,708</u>
	<u>294,156</u>	<u>340,316</u>

**Average number of employees during the year**

	Number	Number
Fund management	4	4
Administration/compliance	<u>1</u>	<u>1</u>
	<u>5</u>	<u>5</u>

**Zephyr Management UK Limited**  
**Notes to the Accounts**  
**for the year ended 31 December 2012**

<b>6 Taxation</b>	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
<b>Analysis of charge in period</b>		
Current tax		
UK corporation tax on profits of the period	26,456	206,097
Tax on profit on ordinary activities	<u>26,456</u>	<u>206,097</u>

**Factors affecting tax charge for period**

The differences between the tax assessed for the period and the standard rate of corporation tax are explained as follows

	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
Profit on ordinary activities before tax	<u>91,313</u>	<u>766,132</u>
Standard rate of corporation tax in the UK	24.49%	26.49%
	<b>£</b>	<b>£</b>
Profit on ordinary activities multiplied by the standard rate of corporation tax	22,362	202,973
Effects of		
Expenses not deductible for tax purposes	72	(397)
Capital allowances for period in excess of depreciation	(274)	1,639
Other short term timing differences	4,296	717
Differences relating to taxation of interest in Salisbury Partners LLP	-	2,304
Adjustments to tax charge in respect of previous years	-	(1,933)
Current tax charge for period	<u>26,456</u>	<u>206,097</u>

**Deferred tax**

Net book value of fixed assets eligible for capital allowances	4,219	6,339
Written down value for Corporation Tax purposes	14,270	17,510
Timing differences	(10,051)	(11,171)

Timing differences multiplied the standard rate of corporation tax in the UK applicable from 1 April 2012 of 24% (2011 26%)

2,412	2,558
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The deferred tax asset of £2,412 (2011 - £2,558) arising from short term timing differences on fixed assets has not been recognised in the balance sheet as they are not expected to reverse

**Zephyr Management UK Limited**  
**Notes to the Accounts**  
**for the year ended 31 December 2012**

**7 Tangible fixed assets**

	Office equipment, fixtures and fittings £
<b>Cost</b>	
At 1 January 2012	65,109
Additions	5,071
At 31 December 2012	<u>70,180</u>
<b>Depreciation</b>	
At 1 January 2012	58,770
Charge for the year	7,191
At 31 December 2012	<u>65,961</u>
<b>Net book value</b>	
At 31 December 2012	<u>4,219</u>
At 31 December 2011	<u>6,339</u>

**8 Investments**

Investment in Salisbury Partners LLP, a provider of investment management services to wealthy individuals (25% interest in profits after partners' drawings charged as an expense) The Company retired as a member of Salisbury Partners LLP on 30 September 2012 and recovered its capital contribution

	Other investments £
<b>Cost</b>	
At 1 January 2012	65,000
Additions	20,000
Disposals	(85,000)
At 31 December 2012	<u>-</u>
<b>Other investments</b>	
	2012      2011
	£      £
Unlisted investments	<u>-      65,000</u>

**9 Debtors**

	2012 £	2011 £
Trade debtors	-	145
Amounts owed by group undertakings and undertakings in which the company has a participating interest	65	27,835
Other debtors	9,525	6,496
Prepayments and accrued income	149,674	95,168
	<u>159,264</u>	<u>129,644</u>

**Zephyr Management UK Limited**  
**Notes to the Accounts**  
**for the year ended 31 December 2012**

<b>10 Creditors amounts falling due within one year</b>			<b>2012</b>	<b>2011</b>
			<b>£</b>	<b>£</b>
Trade creditors			10,157	14,780
Corporation tax			6,456	79,408
Accruals and deferred income			85,294	87,033
Property deposits			26,329	48,469
			<u>128,236</u>	<u>229,690</u>
<b>11 Share capital</b>			<b>2012</b>	<b>2011</b>
	<b>Nominal value</b>	<b>2012 Number</b>	<b>£</b>	<b>£</b>
Allotted, called up and fully paid Ordinary shares	£1 each	200,000	<u>200,000</u>	<u>200,000</u>
<b>12 Profit and loss account</b>			<b>2012</b>	
			<b>£</b>	
At 1 January 2012			371,347	
Profit for the financial year			64,857	
Dividends			(195,000)	
			<u>241,204</u>	
At 31 December 2012				
<b>13 Dividends</b>			<b>2012</b>	<b>2011</b>
			<b>£</b>	<b>£</b>
Dividends for which the company became liable during the year				
Dividends paid			<u>195,000</u>	<u>325,000</u>
<b>14 Reconciliation of movement in shareholders' funds</b>			<b>2012</b>	<b>2011</b>
			<b>£</b>	<b>£</b>
At 1 January			571,347	336,312
Profit for the financial year			64,857	560,035
Dividends			(195,000)	(325,000)
			<u>441,204</u>	<u>571,347</u>
At 31 December				

**Zephyr Management UK Limited**  
**Notes to the Accounts**  
**for the year ended 31 December 2012**

**15 Operating lease commitments**

At the year end, the company had annual commitments under non-cancellable operating leases as follows

	Land and buildings 2012 £	Land and buildings 2011 £	Other 2012 £	Other 2011 £
Operating leases which expire				
within one year	181,039	-	-	2,817
within two to five years	-	242,938	-	-
in over five years	-	-	-	-
	<u>181,039</u>	<u>242,938</u>	<u>-</u>	<u>2,817</u>

**16 Related party transactions**

Transactions with other group companies were as follows

ZMLP – Zephyr Management LP (parent company)

KZAM – Kingdom Zephyr Africa Management (UK) Limited (a fellow subsidiary)

SP – Salisbury Partners LLP (an associate until 30 September 2012)

	ZMLP 2012 £	KZAM 2012 £	SP 2012 £
Income (Profit & loss account)			
Property and services income	-	107,272	85,937
Receipts			
Reimbursed supplier payments	638	-	-
Investment returned	-	-	85,000
Other	-	24,369	-
Payments			
Dividends	195,000	-	-
Investment	-	-	20,000
Property deposit repaid	-	42,300	-
Other	-	27,734	-
Balances at 31 December			
Debtors - balances	65	-	-
	<b>2011 £</b>	<b>2011 £</b>	<b>2011 £</b>
Income (Profit & loss account)			
Property and services income	-	111,925	107,027
Receipts			
Reimbursed supplier payments	6,412	1,316	-
Payments			
Dividends	325,000	-	-
Balances at 31 December			
Debtors - balances	-	-	27,835
Debtors - accrued income	-	3,000	-
Creditors	-	42,300	-

**Zephyr Management UK Limited**  
**Notes to the Accounts**  
**for the year ended 31 December 2012**

**17 Parent undertaking and controlling party**

The company's immediate and ultimate parent undertaking is Zephyr Management LP, 320 Park Avenue, New York, 10022, USA, a Delaware limited partnership registered in the United States of America

**Zephyr Management UK Limited**  
**Supplementary unaudited information**

**Capital adequacy**

The application of the Capital Requirements Directive requires the company to make disclosures about its capital resources and requirements. The disclosure requirements (Pillar 3) are to complement the minimum capital requirements (Pillar 1) and the assessed requirement (Pillar 2) and are intended to encourage market discipline by allowing the market participants to assess key pieces of information on risk exposures and risk assessment processes of the company.

The company will continue to make these disclosures annually as Supplementary Information in the financial statements. The following disclosures are in accordance with BIPRU 11 and are based on the position as at the balance sheet date.

**Capital resources**

The company's capital, comprising share capital and reserves, totals £441,000 (2011 - £571,000), and is all Tier one. The company's capital resources, after deduction of capital invested in Salisbury Partners LLP totals £441,000 (2011 - £506,000).

**Capital requirement**

The company's capital requirement is greater than its base capital requirement of €50,000 and has been analysed as follows:

	<b>2012 Pillar 1 £000s</b>	<b>2,012 Pillar 2 £000s</b>	<b>2,011 Pillar 1 £000s</b>	<b>2011 Pillar 2 £000s</b>
Operational Risk - Basic Indicator Approach	221	225	225	225
Credit Risk - Standardised Approach	-	25	-	25
Market Risk	-	-	-	-
<b>Total</b>	<b>221</b>	<b>250</b>	<b>225</b>	<b>250</b>