4-883005

CELF Investment Advisors Limited

Report and Financial Statements

31 December 2009

Directors
C Finn
C Goldsmith
J Hance (Re-appointed 25th February 2009)
M Cottrell
M J Ramsay
M J Zupon (Resigned 4th March 2009)

Secretary
H Mitchell

Auditors
Ernst & Young LLP
1 More London Place
London SE1 2AF

Registered Office
Lansdowne House
57 Berkeley Square
London W1J 6ER

Directors' report

The directors have pleasure in presenting their report on the affairs of CELF Investment Advisors Limited (the "company"), together with the financial statements and auditors' report, for the year ended 31 December 2009

Results and dividends

The profit for the year, after taxation and dividends, is £627,548 (2008 – £1,735,306) An interim dividend payment of £4,220,450 was made paid in respect of 2009 on 23rd December 2009

Principal activities and business review

The principal activity of the company during the year continued to be that of investment management The Dubai branch continued to provide investment advisory services in respect of the Middle East and North Africa (MENA) region The company is regulated by the Financial Services Authority

The company's key financial performance during the year were as follows

	2009 *£'000*	*2008* *£'000*	*Change* *%*
Turnover	18,525	23,080	-20%
Profit after tax	4,848	3,686	+32%
Equity shareholders' funds	7,412	6770	+9%

The company's turnover decreased by 20% during the year primarily due to the reduction in management fees earned during the year This was due to the prevailing economic factors during 2009

Profit after tax increased by 31% due primarily to the impairment of the notes held in CELF Partnership Loan Funding 2008-1 in 2008, which was not recovered in 2009

Future developments

The company has no plans that will significantly change the nature of its activities

Principal risks and uncertainties

The company's income represents management and incentive fees, which the directors also consider to be the key performance indicator The business is subject to risks associated with the tax and regulatory regimes and market conditions within which it operates and with attracting and retaining the services of key staff

Directors

The directors serving during the year were

C Finn
C Goldsmith
J Hance (Re-appointed 25th February 2009)
M Cottrell
M J Ramsay
M J Zupon (Resigned 4th March 2009)

Directors' report

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 directors believe that the group are well placed to manage its business risks successfully The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements

Disclosure of information to auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware Having made enquiries of fellow directors and the company's auditor, the directors have taken all the steps that they are obliged to take as directors in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information

Auditors

A resolution will be proposed at the Annual General Meeting to reappoint Ernst & Young LLP as auditor of the company for the ensuing year

On behalf of the Board by MICHAEL RAMSAY

Director

21ST APRIL 2010

Statement of directors' responsibilities

The directors are responsible for preparing the annual 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 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 financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping proper accounting records 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

ERNST & YOUNG

Independent auditors' report

to the members of CELF Investment Advisors Limited

We have audited the financial statements of CELF Investment Advisors Limited for the year ended 31 December 2009 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Statement of Cash Flows and the related notes 1 to 15 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 Directors' Responsibilities Statement set out on page 3, 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 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 (APB'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

Opinion on 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 2009 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 matter prescribed by the Companies Act 2006

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

ERNST & YOUNG

Independent auditors' report

to the members of CELF Investment Advisors Limited

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

Sarah Williams (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, statutory Auditor
London
27/4/2010

Profit and loss account

for the year ended 31 December 2009

	Notes	2009 £	2008 £
Turnover	2	18,525,096	23,079,748
Operating expenses		(11,903,099)	(19,277,994)
Operating profit	3	6,621,997	3,801,754
Foreign exchange gain		130,967	1,317,621
Bank interest receivable		–	54,930
Profit on ordinary activities before taxation		6,752,964	5,174,305
Tax on profit on ordinary activities	5	(1,904,966)	(1,488,511)
Profit for the financial year		4,847,998	3,685,794

All profits are the result of continuing operations

The notes on pages 11 to 18 form an integral part of these financial statements

Statement of total recognised gains and losses
for the year ended 31 December 2009

	Notes	2009 £	2008 £
Profit for the year		4,847,998	3,685,794
Exchange difference on retranslation of net assets of overseas branch	12	14,782	(74,370)
Total recognised gains and losses relating to the year		4,862,780	3,611,424

The notes on pages 11 to 18 form an integral part of these financial statements

Balance sheet

at 31 December 2009

	Notes	2009 £	2008 £
Fixed assets			
Tangibles	6	287,351	471,096
Investments	7	2,474,840	2,677,463
		2,762,191	3,148,559
Current assets			
Cash at bank		9,836,459	11,902,035
Debtors	8	3,440,397	4,607,438
Creditors amounts falling due within one year	9	(5,223,468)	(6,908,946)
Net current assets		8,053,388	9,600,527
Creditors amounts falling due after one year	10	(3,403,666)	(5,979,503)
Net assets		7,411,913	6,769,583
Capital and reserves			
Called-up share capital	11	1,300,000	1,300,000
Other reserves	12	(33,881)	(48,663)
Profit and loss account	12	6,145,794	5,518,246
Equity shareholders' funds	12	7,411,913	6,769,583

The financial statements were approved and authorised by the board on 21st April 2010 and signed on its behalf by MICHAEL RAMSAY

Director

The notes on pages 11 to 18 form an integral part of these financial statements

Statement of cash flows

for the year ended 31 December 2009

	Notes	2009 £	2008 £
Net cash inflow from operating activities	13(a)	7,036,074	17,675,695
Returns on investments and servicing of finance	13(b)	–	54,930
Taxation	13(b)	(2,195,000)	(2,513,910)
Capital expenditure and financial investment	13(b)	(2,066)	(8,438,508)
Cash inflow before management of liquid resources and financing		4,839,008	6,778,207
Dividends paid in the year	13(b)	(4,220,450)	(1,950,488)
Financing (repayment of loan)	13(b)	(2,901,538)	–
(Decrease)/increase in net funds in the year	13(c)	(2,282,980)	4,827,719

Reconciliation of net cash flow to movement in net funds

		2009 £	2008 £
(Decrease) / increase in funds	13(c)	(2,282,980)	4,827,719
Exchange differences		14,782	(74,370)
Movement in net funds		(2,268,198)	4,753,349
Net funds at 1 January	13(c)	11,902,035	7,148,686
Net funds at 31 December	13(c)	9,633,837	11,902,035

The notes on pages 11 to 18 form an integral part of these financial statements

Notes to the financial statements

at 31 December 2009

1. Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the current year is set out below

Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with the United Kingdom generally accepted accounting practice

Investments

Investments are stated at cost less provision for permanent diminution in value

Tangible fixed assets

Fixed assets are shown at cost less accumulated depreciation Depreciation is provided at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life The rate is as follows

Furniture and fittings	20% per annum straight line
Computer equipment and software	33 1/3% per annum straight line
Leasehold improvements	Over the remaining life of lease

Taxation

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax This is subject to deferred tax assets only being recognised if it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted Timing differences are differences between the company's taxable profits and its results as stated in the financial statements, which are capable of reversal in one or more subsequent periods

Turnover

All revenue streams are recognised to the extent that the company obtains the right to consideration in exchange for its performance Revenue is measured at the fair value of the consideration for an arm's length transaction, excluding rebates and VAT

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account

The net assets of the overseas branch are translated at the rate of exchange ruling at the balance sheet date Exchange differences resulting from the retranslation of net assets of the overseas branch are recognised in the statement of total recognised gains and losses

Notes to the financial statements

at 31 December 2009

2. Turnover and segmental analysis

Turnover is stated net of value added tax The company operates within two geographical markets, the United Kingdom and United Arab Emirates Turnover received in the United Kingdom represents amounts earned through service agreements with CELF Loan Partners funds based in the Netherlands and Ireland Turnover received by the branch relates to amounts paid by Carlyle Investment Management LLC, a fellow group company Turnover, profit on ordinary activities before tax and net assets are analysed as follows

	United Kingdom		*United Arab Emirates*		*Total*	
	2009	*2008*	*2009*	*2008*	*2009*	*2008*
	£	*£*	*£*	*£*	*£*	*£*
Turnover	15,200,728	20,061,771	3,324,368	3,017,977	18,525,096	23,079,748
Operating profit	6,358,145	3,707,620	263,852	94,134	6,621,997	3,801,754
Net assets	6,847,890	6,427,257	564,023	342,327	7,411,913	6,769,584

All amounts relate to continuing operations

3. Operating profit

This is stated after charging

	2009	*2008*
	£	*£*
Auditors' remuneration		
- audit services	30,365	30,384
- taxation services	9,100	9,000
Depreciation	185,811	185,017

4 Staff costs

(a) Staff costs

	2009	*2008*
	£	*£*
Wages and salaries	8,055,685	8,336,226
Social security costs	767,215	832,740
	8,822,900	9,168,966

The average number of persons employed by the company during the year was 19 (2008 – 20)

Notes to the financial statements

at 31 December 2009

(b) Directors' emoluments

In 2009 the directors' remuneration in their capacity as directors was £Nil (2008 – £Nil) However, the remuneration of certain directors was paid by other group companies £2,399,187 (2008 – £2,658,771) was charged to the company in connection with the services of the directors £2,026,058 (2008 – £2,238,148) was charged in respect of the highest paid director

5. Taxation

(a) Tax on profit on ordinary activities

The tax charge is made up as follows

	2009 £	*2008* £
Current tax		
UK corporation tax on profit of the year	1,902,630	1,530,871
Overseas taxation	–	–
Total current tax (note 5(b))	1,902,630	1,530,871
Deferred tax		
Originating and reversal of timing differences (note 5(c))	2,336	(42,360)
Tax on profit on ordinary activities	1,904,966	1,488,511

(b) Factors affecting the tax charge for the year

The tax assessed on profit on ordinary activities for the year is different than the standard rate of corporation tax in the United Kingdom The differences are explained below

	2009 £	*2008* £
Profit on ordinary activities before tax	6,752,964	5,174,305
Profit on ordinary activities multiplied by the standard rate of corporation tax in the United Kingdom of 28% (2008 – 28 5%)	1,890,830	1,474,677
Effect of		
Disallowed expenses and non taxable income	14,136	15,592
Depreciation in excess of capital allowance	20,155	13,468
Other timing differences	(22,491)	22,607
Additional 2007 payments	–	4,674
Others	–	(147)
Corporation tax charge for the period	1,902,630	1,530,871

Notes to the financial statements
at 31 December 2009

(c) Deferred tax

The movements of deferred tax asset are explained below

	2009	*2008*
	£	*£*
At 1 January	21,019	(21,342)
Recognised/(reversed) during the year	(2,336)	36,075
Change in rate	–	(375)
Adjustments in prior years	–	6,661
At 31 December	18,683	21,019

The deferred tax asset included in the balance sheet is as follows

	2009	*2008*
	£	*£*
Included in debtors (note 8)	18,683	21,019
Decelerated/(accelerated) capital allowances	17,518	(2,637)
Other timing differences	1,165	23,656
	18,683	21,019

6. Tangible fixed assets

	Leasehold improvements	*Office furniture*	*Office equipment*	*Total*
	£	*£*	*£*	*£*
Cost				
At 1 January 2009	517,143	151,143	105,416	773,702
Additions	–	–	2,066	2,066
Disposals	–	–	–	–
At 31 December 2009	517,143	151,143	107,482	775,768
Depreciation				
At 1 January 2009	196,829	50,181	55,596	302,606
Charge	120,118	30,229	35,464	185,811
Disposals	–	–	–	–
At 31 December 2009	316,947	80,410	91,060	488,417
Net book value				
At 31 December 2009	200,196	70,733	16,422	287,351
At 1 January 2009	320,314	100,962	49,820	471,096

Notes to the financial statements

at 31 December 2009

7. Investments

	2009 £	2008 £
At 1 January	2,677,463	–
Additions	–	8,428,190
Impairment	–	(5,750,727)
Foreign exchange loss on revaluation	(202,623)	–
At 31 December	2,474,840	2,677,463

During 2008 CELF Investment Advisors Limited purchased notes in CELF Partnership Loan Funding 2008-1 Limited for the amount of €8,657,436 After a foreign exchange revaluation adjustment, the GBP equivalent at year end was £2,474,840 (2008 - £2,677,463)

8. Debtors

	Note	2009 £	2008 £
Due to fellow group companies	14	530,347	–
Corporation tax		326,173	33,802
Deferred tax		18,683	21,019
Other debtors		2,565,194	4,552,617
		3,440 397	4,607,438

9. Creditors: amounts falling due within one year

	Note	2009 £	2008 £
Due to fellow group companies	14	1,857,800	2,950,509
Other creditors		1,226,142	1,361,964
Deferred income		16,541	147,787
Loan	10	2,122,985	2,448,686
		5,223,468	6,908,946

10. Creditors: amounts falling due after one year

	2009 £	2008 £
Loan	3,403,666	5,979,503

The purpose of the loan was to buy subordinated notes in CELF Partnership Loan Funding 2008-1 Limited, one of the funds to which CELF Investment Advisors Limited provides investment management services The term of the loan is 3 67 years There will be 7 semi annual payment of both interest and capital repayment The interest is calculated by reference to the 6 months EURIBOR rates

Notes to the financial statements

at 31 December 2009

11. Issued share capital

		2009		2008
Allotted, called up and fully paid	*No*	*£*	*No*	*£*
Ordinary shares of £1 each	1,300,000	1,300,000	1,300,000	1,300,000

12 Reconciliation of shareholders' funds and movements on reserves

	Share capital	*Other reserves*	*Profit and loss account*	*Total share-holders funds*
	£	*£*	*£*	*£*
At 1 January 2008	1,300,000	25,707	3,782,940	5,108,647
Losses on translation of net assets of overseas branch	–	(74,370)	–	(74,370)
Profit for the year	–	–	3,685,794	3,685,794
Dividends	–	–	(1,950,488)	(1,950,488)
At 1 January 2009	1,300,000	(48,663)	5,518,246	6,769,583
Gains on translation of net assets of overseas branch	–	14,782	–	14,782
Profit for the year	–	–	4,847,998	4,847,998
Dividends	–	–	(4,220,450)	(4,220,450)
At 31 December 2009	1,300,000	(33,881)	6,145,794	7,411,913

Dividends and other appropriations

	2009	2008
Equity dividends on ordinary Shares	£	£
Final dividend for 2007 (150 04p)	–	1,950,488
Interim dividend for 2009 (201 74p)	2,622,613	-
Interim dividend for 2009 (122 91p)	1,597,837	-
	4,220,450	1,950,488

Notes to the financial statements

at 31 December 2009

13 Notes to the statement of cash flows

(a) Reconciliation of operating profit to net cash inflows

	2009	*2008*
	£	*£*
Operating profit	6,621,997	3,801,754
Depreciation	185,811	185,017
Decrease/ (increase) in debtors	1,457,076	1,088,320
(Decrease)/ increase in creditors	(1,359,777)	5,532,256
Foreign exchange gain	130,967	1,317,621
Impairment of investment	–	5,750,727
Net cash inflow from operating activities	7,036,074	17,675,695

(b) Analysis of company cash flows

	2009	*2008*
	£	*£*
Returns on investments and servicing of finance		
Interest received	–	54,930
Taxation		
Corporation tax paid	(2,195,000)	(2,513,910)
Capital expenditure		
Acquisition of tangible fixed assets	(2,066)	(10,319)
Investment	–	(8,428,189)
	(2,066)	(8,438,508)
Dividends		
Dividends paid in the year	(4,220,450)	(1,950,488)
Financing		
Payment of loan	(2,901,538)	–

(c) Analysis and reconciliation of net funds

	31 December 2008	*Cash flows*	*Exchange differences*	*31 December 2009*
	£	*£*	*£*	*£*
Cash at bank	11,902,035	(2 282,980)	14,782	9,633,837
Loan	(8,428,189)	2,282,090	619,448	(5,526,651)
Net funds	3,473,846	(890)	634,230	4,107,186

Notes to the financial statements

at 31 December 2009

14 Related parties

During the year the company earned £3,324,368 (2008 – £3,017,977) for advice to investment funds in which TC Group LLC or its subsidiaries are the general partners The company was charged £1,134,237 (2008 – £1,778,784) in respect of certain costs paid by Carlyle Investment Management LLC on behalf of the company The company was also charged £8,372,538 (2008 – £8,957,972) in respect of certain costs paid by CECP Investment Advisors Limited, a fellow subsidiary of TC Group LLC, on behalf of the company

As at 31 December, the company had the following balances with group companies

	Amounts owed to company	
	2009	*2008*
	£	*£*
Other affiliates		
Carlyle Investment Management LLC	530,347	–

	Amounts due by company	
	2009	*2008*
	£	*£*
Other affiliates		
Carlyle Investment Management LLC	–	143,036
CECP Investment Advisors Limited	1,857,800	2,807,473
	1,857,800	2,950,509

15. Ultimate parent undertaking

The immediate and ultimate parent undertaking of the company is TC Group LLC, a company incorporated in United States of America This is the largest group in which the company is consolidated