

**Bainbridge Partners LLP**

**Annual Report and Audited Financial  
Statements**

Period from 14 November 2008 to 31  
March 2010

Registration Number  
OC341436 (England and Wales)

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COMPANIES HOUSE

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<b>Designated members</b>	A B Haddad Bainbridge (UK) Services Limited
<b>Registered office</b>	5 Young Street London W8 5EH
<b>Registered number</b>	OC341436 (England and Wales)
<b>Auditors</b>	Buzzacott LLP 12 New Fetter Lane London EC4A 1AG

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## **Contents**

### **Reports**

Members' report	1
Independent auditor's report	7

### **Financial statements**

Profit and loss account	9
Balance sheet	10
Cash flow statement	11
Principal accounting policies	12
Notes to the financial statements	13

## Members' report

The members present their report with the financial statements for the period ended 31 March 2010

### Principal activity

The principal activity of the LLP during the period was as investment advisor. The LLP was incorporated on 14 November 2008 and received authorisation from the FSA on 12 March 2009.

The members are satisfied with the results for the period and expect continued growth in the future.

### Designated members

The designated members during the period were as follows:

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A B Haddad	Appointed 14 November 2008
Bainbridge (UK) Services Limited	Appointed 14 November 2008

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### Members' capital and drawings

During the period, the members contributed capital of £330,000 to the LLP. Members may be permitted to contribute additional capital at the LLP's discretion. No member may be required by the LLP to contribute additional capital.

The members may only withdraw capital contributions at the sole discretion of the LLP, and therefore the capital contributed is classified as equity under FRS 25.

Each member is permitted to take drawings in anticipation of the profits of the LLP, subject to the approval of the LLP. If the cash requirements of the LLP's business conflict with the allowance of cash drawings, therefore, the LLP may decline the payment of advance drawings.

### Pillar 3 disclosures

#### 1 Introduction

Bainbridge Partners LLP "the Firm" sets out below its Pillar 3 disclosure in accordance with the FSA's "Prudential Sourcebook for Banks, Building Societies and Investment Firms" (BIPRU), specifically BIPRU 11.3.3 R. The Capital Requirements Directive (Basel II) came into force on 1st January 2007 and introduced rules requiring the Firm to assess the adequacy of its capital resources in light of the risks they faced by its business in order to ensure the continued protection of clients and underlying investors.

#### ◆ Frequency

The Firm will make its Pillar 3 disclosures on an annual basis in line with the Firm's financial year end.

## Members' report

### Pillar 3 disclosures (continued)

- ◆ Media and Location

It is intended that the disclosure will be made in the notes to the annual financial statements

- ◆ Materiality

Information which by its omission or misstatement could change or influence the assessment or decision of a user relying on that information for the purpose of making economic decisions is deemed by the Firm to be material for the purposes of these disclosures. If the Firm deems a certain disclosure to be immaterial, it may be omitted from this statement

- ◆ Confidentiality

Information, the sharing of which with the public would undermine its competitive position, will be deemed to be proprietary information. Such proprietary information may include information on products or systems which, if shared with competitors, would render the Firm's investments therein less valuable. Further, the Firm must regard information as confidential if there are obligations to customers or other counterparty relationships binding the Firm to confidentiality. In the event that any such information is omitted, the Firm will disclose that fact and explain the grounds on which it has been decided that it should be excluded from the disclosures

#### Summary

The CRD requirements comprise three pillars

- ◆ Pillar 1 addresses the Firm's minimum capital requirements,
- ◆ Pillar 2 concerns the Firm's Internal Capital Adequacy Assessment Process ("ICAAP"). This is undertaken by the firm and may be subject to a Supervisory Review and Evaluation Process through which the Firm and regulator satisfy themselves on the adequacy of capital held by the Firm in relation to the risks it faces, and
- ◆ Pillar 3 is concerned with the public disclosure of risk management policies, capital resources and capital requirements. The regulatory aim of these disclosures is to improve market discipline

#### 2 Bainbridge Partners LLP introduction

The Firm is an investment management firm. The Firm is a limited liability partnership incorporated in the UK, and is authorised and regulated by the Financial Services Authority. The Firm is categorised under the BIPRU section of the FSA's Handbook as a "BIPRU €50k limited licence" firm.

The Firm advises on a range of Fund of Fund products and client accounts. It does not hold client money and consequently the principal protection afforded to clients of the Firm is derived from the third party client money arrangements.

## Members' report

### Pillar 3 disclosures (continued)

#### 3 Risk Management

The Firm is governed by its Partners who determine its business strategy and risk appetite. They are also responsible for establishing and maintaining the Firm's governance arrangements along with designing and implementing a risk management framework that recognises the risks that the business faces.

The Partners also determine how the risk the business faces may be mitigated and assess on an ongoing basis the arrangements to manage those risks. The Partners meet on a regular basis with senior staff and discuss current projections for profitability, cash flow, regulatory capital management, and business planning and risk management. The Partners manage the Firm's risks through a framework of policy and procedures having regard to relevant laws, standards, principles and rules (including FSA principles and rules) with the aim to operate a defined and transparent risk management framework.

The Partners have identified that operational and business risk are the main areas of risk to which the Firm is exposed, the Firm considered its market and credit risks as being limited.

Annually the Partners formally review their risks, controls and other risk mitigation arrangements and assess their effectiveness. Where the Partners identify material risks they consider the financial impact of these risks as part of our business planning and capital management and conclude whether the amount of regulatory capital is adequate.

##### *Business Risk*

The main risk the Firm faces is an event leading to a significant fall in the level of assets under management as the Firm's revenue is reliant on the performance of the existing funds and its ability to launch new funds/obtain new mandates. As such, the risk posed to the Firm relates to underperformance resulting in a decline in revenue and adverse market conditions hindering the launch of new funds and ultimately the risk of redemptions from funds managed by the Firm. In the event of significant falls in revenues the Partners are confident that with the existing high levels of capital held by it, the Firm should continue to cover all the expenses of the business.

##### *Operational Risk*

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or resulting from external events. The Firm places strong reliance on the operational procedures and controls that it has in place in order to mitigate risk and seeks to ensure that all personnel are aware of their responsibilities in this respect.

The Firm has identified a number of key operational risks. These relate to the outsourcing of investment accounting, transfer agency and various middle/ back office functions. Appropriate policies are in place to mitigate against these risks, including undertaking both onsite and desk based monitoring and the ongoing review of risk indicators and errors and incidents.

The risk of loss of key investment staff is mitigated by the cross training of staff and extended notice periods for key personnel.

## Members' report

### Pillar 3 disclosures (continued)

#### *Credit Risk*

Credit risk is the risk that a party will default on a financial agreement. The Firm is exposed to credit risk as follows:

- ◆ Fund management and performance fees due from unregulated collective investment schemes ('USIC')
- ◆ UK authorised banks in relations to deposits held with them

The risks are mitigated by:

- ◆ Performing credit checks and completing due diligence checks at the outset of entering into material contracts
- ◆ Periodic monitoring of the financial strength of the credit institution with whom the Firm banks
- ◆ Contractual arrangements in relation to the payment of management fees and monitoring payments against agreed payment arrangements, with monthly management fees being drawn monthly and performance fees drawn quarterly as applicable

#### *Market Risk*

The Firm takes no market risk other than foreign exchange risk in respect of its accounts receivable and cash balances held in currencies

The risk is mitigated by keeping the size of the debtor balance under regular review

No cash balances are maintained in currencies other than sterling

#### 4 Regulatory Capital

The Firm is a Limited Liability Partnership and its capital arrangements are established in its Partnership agreement. As at 31 March 2010 the Firm held regulatory capital resources of £330,000

#### Pillar 1

The Firm is a limited licence firm, and as such its capital requirements are the greater of:

- ◆ Its base capital requirement of €50,000,
- ◆ The sum of its market and credit risk requirements, or
- ◆ Its fixed overhead requirement ("FOR")

At 31 March 2010 the Firm's Pillar 1 requirement was £143,000. This has been determined with reference to the Firm's FOR and calculated in accordance with the FSA's General Prudential Sourcebook ("GENPRU"). The requirement is based on the FOR since at all times this exceeds the total of the credit and market risk requirements it faces and also exceeds its base capital requirement of €50,000.

## Members' report

### Pillar 3 disclosures (continued)

The FOR is based on annual expenses net of variable costs deducted, which include discretionary bonuses paid to staff, allowable commission and fees and other variable expenditure. The Firm monitors its expenditure on a monthly basis and takes into account any material fluctuations in order to determine whether the FOR remains appropriate to the size and nature of the business or whether any adjustment needs to be made intra-year. This is monitored by the CFO and reported to the Partners on a periodic basis.

### Pillar 2

#### *Satisfaction of capital requirements*

Since the Firm's ICAAP (Pillar 2) process has not identified capital to be held over and above the Pillar 1 requirement, the capital resources detailed above are considered adequate to continue to finance the Firm over the next year. No additional capital injections are considered necessary and the Firm expects to continue to be profitable.

#### Capital Resources at 31 March 2010

	£'000
<b>Tier 1 Capital</b>	<b>330</b>
<b>Tier 2 Capital</b>	<b>0</b>
<b>Tier 3 Capital</b>	<b>0</b>
<b>Total Capital Resources</b>	<b>330</b>
<b>Pillar 1 Requirement</b>	<b>143</b>
<b>Surplus over Capital Requirements</b>	<b>187</b>

### Members' responsibilities

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

Legislation applicable to limited liability partnerships 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). The financial statements are required to 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 the financial statements the members are required to

- ♦ select suitable accounting policies and then apply them consistently,
- ♦ make judgements and estimates that are reasonable and prudent,
- ♦ state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and



## Members' report

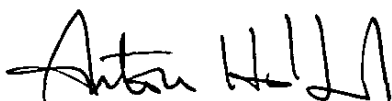
### Members' responsibilities (continued)

- ♦ prepare the financial statements on a going concern basis unless it is inappropriate to presume that the LLP will continue in business

The members are responsible for keeping proper accounting records that disclose, with reasonable accuracy at any time, the financial position of the LLP and that enable them to ensure that the financial statements comply with the Companies Act 2006 as modified by the Limited Liability Partnerships 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.

The responsibilities are exercised by the designated members on behalf of the members.

Signed on behalf of the members



A B Haddad  
Designated member

Approved by the members on 29/6/10

## **Independent auditor's report 31 March 2010**

### **Independent auditor's report to the members of Bainbridge Partners LLP**

We have audited the financial statements of Bainbridge Partners LLP for the period ended 31 March 2010, which comprise the profit and loss account, the balance sheet, the cash flow statement, the principal accounting policies and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the LLP's members, as a body, in accordance with Chapter 3 Part 16 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. 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 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 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 independent auditors**

The members' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and for being satisfied that the financial statements give a true and fair view are set out in the statement of members' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, have been prepared in accordance with the Companies Act 2006 as modified by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008, and give a true and fair view.

In addition we report to you if, in our opinion, the LLP has not kept adequate accounting records or if we have not received all the information and explanations we require for our audit.

We read other information contained in the annual report, and consider whether it is consistent with the audited financial statements. This other information comprises only the members' report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

## Independent auditor's report 31 March 2010

### Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the members in the preparation of the financial statements, and of whether the accounting policies are appropriate to the LLP's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### Opinion

In our opinion,

- ◆ the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice,
- ◆ the financial statements have been prepared in accordance with 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, and
- ◆ the financial statements give a true and fair view of the state of the LLP's affairs as at 31 March 2010 and of its profit for the period then ended.

*Buzzacott LLP.*

David Jarman, Senior Statutory Auditor  
for and on behalf of Buzzacott LLP, Statutory Auditor  
12 New Fetter Lane  
London  
EC4A 1AG

*1 July 2010.*

**Profit and loss account** Period from 14 November 2008 to 31 March 2010

	Notes	Period from 14 November 2008 to 31 March 2010 £
Turnover	1	1,110,765
Administrative expenses		<u>(819,754)</u>
Operating profit	2	<u>291,011</u>
Profit for the financial period before members' remuneration and profit shares	3	<u>291,011</u>
Results for the financial period available for discretionary division among members		<u>291,011</u>

All of the LLP's activities derived from continuing operations during the above financial period

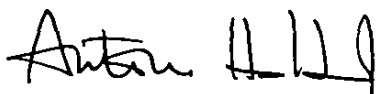
No statement of total recognised gains and losses has been prepared as there are no recognised gains and losses other than the profit for the above financial period

The principal accounting policies and notes on pages 12 to 15 form an integral part of the financial statements

# **Balance sheet** 31 March 2010

	Notes	2010 £	2010 £
<b>Current assets</b>			
Debtors	4	251,265	
Cash at bank and in hand		413,911	
		<u>665,176</u>	
<b>Creditors</b> amounts falling due within one year	5	<u>(14,185)</u>	
<b>Net current assets</b>			<u>650,991</u>
<b>Total assets less current liabilities</b>			<u>650,991</u>
<b>Net assets attributable to members</b>			<u>650,991</u>
<b>Represented by</b>			
<b>Loans and other debts due to members</b>			
Other amounts	6		320,991
<b>Equity</b>			
Members' capital classified as equity under FRS 25	6		330,000
			<u>650,991</u>
<b>Total members interest</b>			
Loans and other debts due to members	6		320,991
Members' other interests	6		330,000
			<u>650,991</u>

Signed on behalf of the members



A B Haddad  
Designated Member

Approved by the members on 29/6/10

**Bainbridge Partners LLP**  
**OC341436 (England and Wales)**

The principal accounting policies and notes on pages 12 to 15 form an integral part of the financial statements

**Cash flow statement** Period from 14 November 2008 to 31 March 2010

		Period from 14 November 2008 to 31 March 2010 £
Net cash inflow from operating activities	7	53,931
Transactions with members	8	359,980
<b>Increase in cash in the period</b>		<b>413,911</b>

**Reconciliation of net cash flow movement in net funds**

		2010 £
Increase in cash in the period		413,911
Increase in net funds in the period		413,911
Net funds at start of period	9	—
<b>Net funds at end of period</b>	<b>9</b>	<b>413,911</b>

The principal accounting policies and notes on pages 12 to 15 form an integral part of the financial statements

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## **Principal accounting policies** 31 March 2010

### **Basis of accounting**

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards and the requirements of the Statement of Recommended Practice 'Accounting for Limited Liability Partnerships'

### **Turnover**

Turnover represents income derived from the LLP's principal activity, net of Value Added Tax (VAT)

### **Foreign currencies**

Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains and losses on translation are included in the profit and loss account.

### **Taxation**

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

## Notes to the financial statements 31 March 2010

### 1 Turnover

Turnover represents the amounts derived from the provision of sub advisory services during the period and is stated net of VAT. All turnover derives from activities performed in the United Kingdom.

### 2 Operating profit

Operating profit is stated after charging

	Period from 14 November 2008 to 31 March 2010 £
Auditors' remuneration - audit	7,000
- taxation	11,750
- other	1,000

### 3 Members' share of profits

Profits are divided among the members during each accounting year and in accordance with established profit sharing arrangements and as the designated members may determine from time to time.

The profit attributable to the member with the highest entitlement to profit during the period was £277,355.

	Period from 14 November 2008 to 31 March 2010
Average number of members during the period	2

### 4 Debtors

	2010 £
Trade debtors	248,441
Prepayments	2,824
	251,265



## Notes to the financial statements 31 March 2010

### 5 Creditors: amounts falling due within one year

	2010 £
Trade creditors	4,935
Accruals	9,250
	<b>14,185</b>

### 6 Members' interests

	Members' other interests			Loans and other debts due to/ (from) members	2010 Total members' interest £
	Members' capital £	Other reserves £	Total £	£	£
<b>Members' interests at 14 November 2008</b>	—	—	—	—	—
Profit for the period available for discretionary division among members	—	291,011	291,011	—	<b>291,011</b>
Members' interests after profit for the period	—	291,011	291,011	—	<b>291,011</b>
Allocation of profit	—	(291,011)	(291,011)	291,011	—
Capital contributions	330,000	—	330,000	—	<b>330,000</b>
Drawings	—	—	—	(13,656)	<b>(13,656)</b>
Other movements	—	—	—	43,636	<b>43,636</b>
<b>Amounts due from members</b>				—	
<b>Amounts due to members</b>				320,991	
<b>Members' interests at 31 March 2010</b>	<b>330,000</b>	<b>—</b>	<b>330,000</b>	<b>320,991</b>	<b>650,991</b>

In the event of a winding up, loans and other debts due to members rank after unsecured creditors

### 7 Net cash inflow from operating activities

	Period from 14 November 2008 to 31 March 2010 £
Operating profit	291,011
Increase in debtors	(251,265)
Increase in creditors	14,185
<b>Net cash inflow from operating activities</b>	<b>53,931</b>

## Notes to the financial statements 31 March 2010

### 8 Analysis of cash flow statement headings

	Period from 14 November 2008 to 31 March 2010 £
<b>Transactions with members</b>	
Capital contributions	330,000
Drawings	(13,656)
Other movements	43,636
	<b>359,980</b>

### 9 Analysis of changes in net funds

	At 14 November 2008 £	Cash flow £	At 31 March 2010 £
Cash	—	413,911	<b>413,911</b>

### 10 Controlling party

During the period ended 31 March 2010, the ultimate controlling party was Mr Antoine Haddad, Chief Executive of Bainbridge Partners LLP, by virtue of this majority holding of the voting rights of the LLP

### 11 Related party transactions

During the period Bainbridge (UK) Services Limited charged the LLP £770,012 in relation to administration costs. At 31 March 2010, after profit allocations, £320,991 remained outstanding

During the period, income of £676,684 was received from Bainbridge Partners LLC, a Limited Liability Company incorporated in the U S A. There was no balance outstanding at the period end

Bainbridge (UK) Services Limited and Bainbridge Partners LLC are considered to be related parties by virtue of common ultimate control