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Palamon Capital Partners, Ltd.

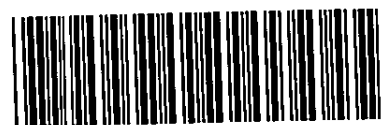
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Annual Report and Financial Statements

For the year ended 31 December 2012

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Palamon Capital Partners, Ltd.

Year ended 31 December 2012

Contents	Page
Directors' Report	3
Statement of Directors' Responsibilities	4
Independent Auditors' Report	5
Profit and Loss Account	6
Balance Sheet	7
Cash Flow Statement	8
Notes to the Financial Statements	9

Palamon Capital Partners, Ltd.

Year ended 31 December 2012

Directors' Report

The Directors present their 14th annual report and the audited financial statements for the year ended 31 December 2012

Activities

Palamon Capital Partners, Ltd (the "Company") is a Delaware corporation and was incorporated in the United States of America on 28 September 1998. The Company's principal activity is to participate as Limited Partner in the Limited Partnership known as Palamon Capital Partners, LP ("SLP"). The Company has a 2% investment in SLP. In addition, the Company has undertaken to provide services, facilities and staff to SLP as determined by the General Partner of SLP, Palamon Capital Partners, LLP. As the Limited Partner, the Company receives a share of the profit of SLP, in an amount determined from time to time by agreement with the General Partner.

Results and dividend

The pre-tax profit amounts to £55,671 for the year to 31 December 2012, compared to a pre-tax profit of £110,396 for 2011. The Directors approved the payment of a dividend for the year of £18,000 (2011: £nil).

Directors

The Directors of the Company at 31 December 2012 and those who served during the year were

P J J Le Vesconte (Chairman)
P S C Tomlinson
S G Ritzema

Directors' Interests

No Director had any interest at any time in the share capital of the Company. The Directors also had no interest in any contracts or arrangements with the Company during the year, other than those disclosed in note 5.

Auditors

A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the Company will be proposed at the annual general meeting.

Approved by the Board of Directors and signed on behalf of the Board



P.S.C. Tomlinson
Secretary

27 March 2013

Palamon Capital Partners, Ltd.

Year ended 31 December 2012

Statement of Directors' Responsibilities in respect of the Annual Report and the financial statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

UK 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 Section 396 of the Companies Act 2006 as modified by SI 2009/1801. The financial statements have not been prepared in accordance with any set GAAP.

In preparing those 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,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business, in which case there should be supporting assumptions or qualifications as necessary

The Directors confirm that they have complied with the above requirements in preparing the financial statements

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with applicable law and regulations. 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.

So far as each Director is aware, there is no relevant audit information of which the Company's auditors are unaware. Each Director has taken all the steps that he ought to have taken as Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

By order of the Board



P S.C. Tomlinson
Secretary

27 March 2013



INDEPENDENT AUDITORS' REPORT TO THE DIRECTORS OF PALAMON CAPITAL PARTNERS, LTD.

We have audited the non-statutory financial statements of Palamon Capital Partners, Ltd 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. The financial reporting framework that has been applied in their preparation is the basis of preparation and accounting policies in note 1 to the financial statements.

Respective responsibilities of the directors and auditors

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the non-statutory financial statements in accordance with the basis of preparation set out in note 1 to the financial statements (as required by section 396 of the Companies Act 2006, as modified by SI 2009/1801). Our responsibility is to audit and express an opinion on the non-statutory 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.

This report, including the opinion, has been prepared for and only for the directors for management purposes in accordance with our engagement letter dated 31 October 2012 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come including without limitation under any contractual obligations of the company, save where expressly agreed by our prior consent in writing.

Scope of the audit of the non-statutory financial statements

An audit involves obtaining evidence about the amounts and disclosures in the non-statutory financial statements sufficient to give reasonable assurance that the non-statutory 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 non-statutory financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited non-statutory financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on non-statutory financial statements

In our opinion the non-statutory financial statements for the year ended 31 December 2012 have been properly prepared, in all material respects, in accordance with the basis of accounting policies set out in note 1 to the non-statutory financial statements (as required by section 396 of the Companies Act 2006, as modified by SI 2009/1801).

Emphasis of matter – Basis of preparation

In forming our opinion on the financial statements, which is not modified, we draw attention to the fact that the accounting policies used and disclosures made are not intended to, and do not, comply with all the requirements of any set GAAP.

In addition, these non-statutory financial statements have not been prepared under section 394 of the Companies Act 2006 and are not the company's statutory financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants
London

27 March 2013

Palamon Capital Partners, Ltd.

Profit and loss account for the year ended 31 December 2012

	Note	2012 £	2011 £
Revenue			
Profit share		8,115,742	7,963,349
Expenses		(8,059,588)	(7,852,990)
Operating profit	2	56,154	110,359
Interest receivable and similar income		203	61
Interest payable and similar charges	3	(686)	(24)
Profit on ordinary activities before taxation		55,671	110,396
Tax expense	6	(43,208)	(91,670)
Profit after tax		12,463	18,726
Dividends		(18,000)	-
(Loss)/profit for the financial year		(5,537)	18,726

There are no recognised gains and losses other than the profit for the financial year
Accordingly, a statement of total recognised gains and losses is not presented

All results derive from continuing operations

There is no material difference in the profit on ordinary activities before taxation and the profit for the financial year as stated above and their historical cost equivalents

The notes on pages 9 to 16 form part of these financial statements


Palamon Capital Partners, Ltd.

Balance sheet as at 31 December 2012

	Note	2012 £	2011 £
Fixed assets			
Investments	7	200	200
Property, plant and equipment	8	287,119	234,342
		<u>287,319</u>	<u>234,542</u>
Current assets			
Trade & other receivables	9	6,801,521	3,448,855
Cash at bank and in hand	10	409,170	280,838
		<u>7,210,691</u>	<u>3,729,693</u>
Trade and other payables Amounts falling due within one year	11	(6,475,538)	(2,936,226)
Net current assets		<u>735,153</u>	<u>793,467</u>
Total assets less current liabilities		<u>1,022,472</u>	<u>1,028,009</u>
Net assets		<u><u>1,022,472</u></u>	<u><u>1,028,009</u></u>
Issued capital and reserves			
Called up share capital	13	1	1
Share premium account	14	1,235	1,235
Profit and loss reserves	14	1,021,236	1,026,773
Total shareholders' funds		<u><u>1,022,472</u></u>	<u><u>1,028,009</u></u>

The notes on pages 9 to 16 form part of these financial statements

These financial statements were approved by the Board of Directors on 27 March 2013 and signed on its behalf by



P J J Le Vesconte (Chairman)

27 March 2013

Palamon Capital Partners, Ltd.

Cash flow statement for the year ended 31 December 2012

	Note	2012 £	2011 £
Net cash inflow from operating activities	15	288,805	46,682
Return on investments and servicing of finance			
Interest received		203	61
Interest paid		(686)	(24)
Taxation paid		(33,973)	(59,607)
Net cash inflow/(outflow) before capital expenditure		254,349	(12,888)
Capital expenditure			
Payments to acquire property, plant and equipment		(109,464)	(80,957)
Proceeds from sale of property, plant and equipment		1,447	-
Net cash inflow/(outflow) before financing activities		146,332	(93,845)
Financing activities			
Dividends paid		(18,000)	-
Increase/(decrease) in cash in the year	10	128,332	(93,845)

The notes on pages 9 to 16 form part of these financial statements

Palamon Capital Partners, Ltd.

Notes to the Financial Statements

1.1 Accounting policies

The financial statements have been prepared under the historical cost convention and in accordance with Section 396 of the Companies Act 2006 as modified by SI 2009/1801. The going concern basis has been adopted, which assumes that Palamon Capital Partners, Ltd (the "Company") will continue in operational existence for the foreseeable future having adequate funds to meet its obligations as they fall due. The financial statements have not been prepared in accordance with a set GAAP. The financial statements have been audited in line with International Standards on Auditing (UK & Ireland).

The principal accounting policies are set out below.

1.2 Revenue

Revenue is recognised in the period in which it is earned. The Company receives a share of the profits of Palamon Capital Partners, LP ("SLP") in such proportion as agreed with the Partners of SLP from time to time, in accordance with the Limited Partnership Agreement.

1.3 Depreciation

Depreciation is provided on property, plant and equipment on a straight-line basis to write off each asset to its net realisable value over its expected useful economic life. The following rates have been applied:

Furniture and fittings	20%
Office and computer equipment	33%
Accounting software	20%

Depreciation is not provided on artworks as the Directors are of the opinion that their estimated residual value is not materially different from cost.

1.4 Foreign currency translation

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences arising from translation are accounted for in the profit and loss account.

1.5 Defined contribution pension schemes

The Company has organised a Group Personal Pension for its employees and makes a contribution to each employee's pension plan. Pension costs are charged to the profit and loss account in the period in which they arise.

Notes to the Financial Statements (continued)

1. Accounting policies (continued)

1.6 Investments

Investments are stated at cost. Provision for a write down below cost will be made if, in the opinion of the Directors, there has been an impairment in value.

1.7 Deferred taxation

Deferred tax is accounted for on an undiscounted basis at expected tax rates on all differences arising from the inclusion of items of income and expenditure in tax computations in periods different from those in which they are included in the financial statements. A deferred tax asset is only recognised when it is more likely than not that the asset will be recoverable in the foreseeable future out of suitable taxable profits from which the underlying timing differences can be deducted.

1.8 Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

1.9 Terms of Reference

In accordance with its Terms of Reference, Palamon Capital Partners, Ltd provides services of an administrative nature to Palamon Capital Partners, LP ("SLP"). The scope of these services is agreed from time to time with SLP's general partner, Palamon Capital Partners, LLP ("LLP"). As a limited partner, the Company receives an annual profit share. Under the Terms of Reference, the Company may be required to make payments on behalf of other Palamon entities, including Palamon European Equity, L P, Palamon European Equity 'B', L P, Palamon European Equity 'C', L P, Palamon European Equity 'D', L P, Palamon European Equity GmbH & Co. Beteiligungs KG, Palamon European Equity II, L P and Palamon European Equity II "BOA", L P, collectively known as the Parallel Funds. Such payments are subject to approval by LLP and confirmation from SLP that the Company will be reimbursed in full for such amounts.

Notes to the Financial Statements (continued)

2. Operating profit

	2012 £	2011 £
Operating profit is determined after taking account of the following items		
Auditors' remuneration		
Audit services	23,950	18,335
Other services	80,848	41,558
	<u>104,798</u>	<u>59,893</u>
Net (gain) / loss on foreign currency translation	(6,000)	56,877
Depreciation	55,883	87,568
Operating lease rentals		
Land and buildings	859,823	762,659
Other	18,022	10,332
	<u><u>859,823</u></u>	<u><u>762,659</u></u>

3. Interest payable

	2012 £	2011 £
Bank interest payable	37	24
Other interest payable	649	-
	<u>686</u>	<u>24</u>

4. Employees

	Note	2012 £	2011 £
Staff costs during the year			
Wages and salaries		3,294,964	3,177,523
Social security costs		424,010	405,097
Pension costs	16	283,270	265,417
		<u>4,002,244</u>	<u>3,848,037</u>
		<u><u>4,002,244</u></u>	<u><u>3,848,037</u></u>
		2012	2011
Average number of persons employed		30	32
		<u><u>30</u></u>	<u><u>32</u></u>

Notes to the Financial Statements (continued)

5. Directors' remuneration

Directors' remuneration of £58,320 (2011 £47,975) was paid to RBC Trust Company (International) Limited for Directors' services

6 Tax expense

Tax expense comprised

	Note	2012 £	2011 £
US tax on profits of the current year		-	33,973
US tax on profits of the prior year not provided		-	39,091
Current tax charge		-	73,064
Deferred tax	12	43,208	18,606
Tax expense		43,208	91,670

The current tax assessed for the year is different from that calculated when the US corporation tax rate of 25% (2011 39%) is applied to the profit on ordinary activities. The differences are explained below

	2012 £	2011 £
Profit on ordinary activities before tax	55,671	110,396
Taxation at effective rate of 30.00% (2011 29.57%) on profit on ordinary activities	16,701	32,644
Permanent differences		
Travel & entertainment expenses	15,253	16,678
Tax effect of expenses that are deductible for tax purposes	(4,580)	5,688
Profit / (loss) on disposal of fixed asset	419	(2,757)
Other disallowed expenses	3,848	326
Timing differences between depreciation and capital allowances	(31,641)	(21,770)
Charitable donations	-	3,164
Tax charge for the current year	-	33,973

7. Investments

	2012 £	2011 £
Investment in Palamon Capital Partners, LP	200	200

Notes to the Financial Statements (continued)

8. Property, plant and equipment

	Furniture & fittings £	Office, computer equipment & accounting software £	Artworks £	Total £
Cost				
Balance at 1 January 2012	1,164,157	599,669	129,753	1,893,579
Additions during year	9,128	100,336	-	109,464
Disposals during year	(3,230)	(251,025)	-	(254,255)
Balance at 31 December 2012	1,170,055	448,980	129,753	1,748,788
Depreciation				
Balance at 1 January 2012	1,136,666	522,571	-	1,659,237
Charged during year	13,511	42,372	-	55,883
Released on disposals	(3,230)	(250,221)	-	(253,451)
Balance at 31 December 2012	1,146,947	314,722	-	1,461,669
Net book value at 31 December 2012	23,108	134,258	129,753	287,119
Net book value at 31 December 2011	27,491	77,098	129,753	234,342

9. Trade and other receivables

	Note	2012 £	2011 £
Trade debtors		915	-
Amounts owed by Palamon Capital Partners, LP		514,580	200,893
Profit share owed by Palamon Capital Partners, LP		3,620,021	-
Amounts owed by other Palamon entities		886	19,879
Other debtors		2,163,024	2,632,558
Deferred tax	12	85,219	128,427
Prepayments and accrued interest		416,876	467,098
		6,801,521	3,448,855

Amounts owed by the Palamon entities are unsecured, interest-free and are repayable on demand

10. Reconciliation of net cash flow to movement in net funds

	2012 £	2011 £
Increase/(decrease) in cash in the year	128,332	(93,845)
Movement in net funds in the year	128,332	(93,845)
Net funds at 1 January	280,838	374,683
Net funds at 31 December	409,170	280,838

Notes to the Financial Statements (continued)

11 Trade and other payables: amount falling due within one year

	2012 £	2011 £
Trade payables	430,845	146,737
Loan in advance of profit share due to Palamon Capital Partners, LP	-	120,621
Loan from Palamon Capital Partners, LP	5,228,378	1,914,775
Amounts owed to Palamon Capital Partners, LLP	101,105	-
Other creditors including taxation and social security	372,672	393,514
Corporation tax	-	33,973
Accruals and deferred income	342,538	326,606
	<u>6,475,538</u>	<u>2,936,226</u>

12 Deferred taxation

The movement in the deferred taxation asset during the year was

	2012 £	2011 £
Asset brought forward	128,427	147,033
Deferred tax debit	(43,208)	(18,606)
Asset carried forward	<u>85,219</u>	<u>128,427</u>

The Company's asset for deferred taxation consists of the tax effect of timing differences in respect of

	2012 £	2011 £
Excess of depreciation on fixed assets over taxation allowances	89,799	121,020
Unrealised profits from Palamon Capital Partners, LP	(1,049,284)	-
US corporation tax losses carried forward	1,044,704	-
Charitable donations	-	7,407
	<u>85,219</u>	<u>128,427</u>

13. Called-up share capital

	2012 £	2011 £
Authorised		
1,000 Ordinary shares of US\$0.01 per share	<u>6</u>	<u>6</u>
Issued, called-up and fully paid		
20 Ordinary shares of US\$0.01 per share	<u>1</u>	<u>1</u>

Notes to the Financial Statements (continued)

14. Reconciliation of movements in shareholders' funds

	Share capital £	Share premium account £	Profit & loss reserves £	Total shareholders' funds £
Balance at 1 January 2012	1	1,235	1,026,773	1,028,009
Profit for the financial year	-	-	(5,537)	(5,537)
Balance at 31 December 2012	1	1,235	1,021,236	1,022,472

15. Reconciliation of operating profit to net cash flow from operating activities

	2012 £	2011 £
Operating profit	56,154	110,359
Adjustment for non-cash and non-operating items		
Depreciation	55,883	87,568
Profit on disposal of fixed assets	(643)	-
Increase in creditors	3,573,285	1,756,366
Increase in debtors	(3,395,874)	(1,907,611)
Net cash inflow from operating activities	288,805	46,682

16. Pensions

The Company has a company sponsored personal pension scheme, which at 31 December 2012 had 29 members (2011 32 members) Pension contributions amounted to £283,270 (2011 £265,417)

17. Related party transactions

The Company received a profit share of £8,115,742 for the year ending 31 December 2012 from Palamon Capital Partners, LP (2011 £7,963,349), of which £3,620,021 (2011 £nil) remained unpaid at the year-end

During the year Palamon Capital Partners, LP made loans of £7,688,703 to the Company, of which £4,375,100 represented advance profit share At the year end £nil (2011 £120,621) was payable to Palamon Capital Partners, LP in relation to loans in advance of profit share The remaining loans of £3,313,603 were made to fund costs paid by the Company but ultimately rechargeable to other Palamon Entities At the year end, loans totalling £5,228,378 (2011 £1,914,775) were payable to Palamon Capital Partners, LP

Trade and other receivables include £514,580 (2011 £200,893) of cumulative business expenses paid by the company on behalf of Palamon Capital Partners, LP and the Parallel Funds Also included in trade and other receivables are cumulative business expenses paid by the Company on behalf of Palamon Capital Partners, LP's other partners, with £nil (2011 £19,358) owed by Palamon Capital Partners, LLP and £885 (2011 £179) owed by Palamon Delaware LP These amounts will be fully reimbursed to the Company

Notes to the Financial Statements (continued)

17. Related party transactions (continued)

Trade and other payables include £101,105 (2011 £nil) owed to Palamon Capital Partners, LLP

18. Commitments under operating lease

At 31 December 2012 the Company had annual commitments under non-cancellable operating leases as set out below

	Land and Buildings		Other	
	2012	2011	2012	2011
	£	£	£	£
Operating leases which expire within 1 year	-	-	-	7,100
Operating leases which expire within 2-5 years	872,600	-	14,000	-
Operating leases which expire after 5 years	-	872,600	-	-
	<u>872,600</u>	<u>872,600</u>	<u>14,000</u>	<u>7,100</u>

The Company signed a lease on its premises on 23 November 2005. No payments were made in 2006 as the Company benefited from a rent-free period for the first fifteen months from November 2005.

19. Ultimate controlling party

The ultimate controlling party is RBC Trustees (CI) Limited as trustee of the A Michael Hoffman 1999 Settlement and RBC Trustees (CI) Limited as trustee of the Louis G Elson 1999 Settlement.