

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III

SEC FILE NUMBER  
6 67600

FACING PAGE  
Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING January 1, 2007 AND ENDING December 31, 2007  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: KEMA Partners LLC

OFFICIAL USE ONLY  
FIRM I.D. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)  
309 LaVerne Avenue

(No and Street)

Mill Valley

California

94941

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
Howard Cann

(415) 383-4743

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

Breard & Associates Inc., Certified Public Accountants

(Name - if individual, state last, first, middle name)

9221 Corbin Avenue Suite 170

Northridge

CA

91324

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

- Certified Public Accountant
- Public Accountant
- Accountant not resident in United States or any of its possessions.

PROCESSED  
APR 07 2008  
THOMSON FINANCIAL  
MAR 28 2008  
Washington, DC 104

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\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

SEC 1410 (06-02)

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SECURITIES AND EXCHANGE COMMISSION  
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04

OATH OR AFFIRMATION

I, Howard Cann, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of KEMA Partners LLC, as of December 31, 2007 are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

State of California  
County of Marin  
Subscribed and sworn (or affirmed) to before me this 20th day of March, 2008

Lisa A. Walzsmith  
Notary Public

Howard Cann  
Signature  
CEO  
Title



This report \*\* contains (check all applicable boxes):

- (a) Facing Page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss)
- (d) Statement of Changes in Cash Flows
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- (g) Computation of Net Capital.
- (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-3 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- (l) An Oath or Affirmation.
- (m) A copy of the SIPC Supplemental Report.
- (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17c-5(e)(3).

**BREARD & ASSOCIATES, INC.**  
Certified Public Accountants

Independent Auditor's Report

Board of Directors  
KEMA Partners LLC:

We have audited the accompanying statement of financial condition of KEMA Partners LLC (the Company) as of December 31, 2007, and the related statements of income, changes in members' equity, and cash flows for the year then ended that you are filing pursuant to rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of KEMA Partners LLC as of December 31, 2007, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedules I, II, and III is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by rule 17a-5 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Breard & Associates, Inc.*

Breard & Associates, Inc.  
Certified Public Accountants

Oakland, California  
March 25, 2008

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**KEMA Partners LLC**  
**Statement of Financial Condition**  
**December 31, 2007**

**Assets**

Cash	\$ 11,214
Accounts receivable, net	—
Receivable from related party	15,685
Prepaid expenses	1,350
Deposit	<u>180</u>
<b>Total assets</b>	<b><u>\$ 28,429</u></b>

**Liabilities and Members' Equity**

**Liabilities**

Accounts payable	<u>\$ 3,295</u>
<b>Total liabilities</b>	3,295

<b>Members' equity</b>	<u>25,134</u>
<b>Total liabilities and Members' equity</b>	<b><u>\$ 28,429</u></b>

*The accompanying notes are an integral part of these financial statements.*

**KEMA Partners LLC**  
**Statement of Income**  
**For the year ended December 31, 2007**

**Revenues**

Advisory fees	<u>\$ 32,200</u>
<b>Total revenues</b>	32,200

**Expenses**

Communications	863
Professional fees and services	4,667
Regulatory fees	1,530
Other operating expenses	<u>14,806</u>
<b>Total expenses</b>	<u>21,866</u>
<b>Net income (loss) before income tax provision</b>	10,334
<b>Income tax provision</b>	<u>1,600</u>
<b>Net income (loss)</b>	<u><u>\$ 8,734</u></u>

*The accompanying notes are an integral part of these financial statements.*

**KEMA Partners LLC**  
**Statement of Changes in Members' Equity**  
**For the year ended December 31, 2007**

	<u>Members'</u> <u>Equity</u>
Balance at December 31, 2006	\$ 10,400
Members' contributions	6,000
Net income (loss)	<u>8,734</u>
Balance at December 31, 2007	<u>\$ 25,134</u>

*The accompanying notes are an integral part of these financial statements.*

**KEMA Partners LLC**  
**Statement of Cash Flows**  
**For the year ended December 31, 2007**

**Cash flows from operating activities:**

Net income (loss)		\$ 8,734
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Provision for loss on accounts receivable	\$ 12,200	
(Increase) decrease in:		
Accounts receivable	(12,200)	
Receivable from related party	(15,685)	
Prepaid expenses	(1,350)	
Deposit	(180)	
(Decrease) increase in:		
Accounts payable	<u>3,295</u>	
Total adjustments		<u>(13,920)</u>
<b>Net cash provided by (used in) operating activities</b>		<b>(5,186)</b>
<b>Cash flows from investing activities:</b>		<b>-</b>
<b>Cash flows from financing activities:</b>		
Proceeds from members' contributions	<u>6,000</u>	
<b>Net cash provided by (used in) financing activities</b>		<b><u>6,000</u></b>
Net increase (decrease) in cash		814
Cash at beginning of year		<u>10,400</u>
Cash at end of year		<u><u>\$ 11,214</u></u>

**Supplemental disclosure of cash flow information:**

Cash paid during the period for:

Interest		\$ -
Income taxes		\$ 1,600

*The accompanying notes are an integral part of these financial statements.*

**KEMA Partners LLC**  
**Notes to Financial Statements**  
**December 31, 2007**

**Note 1: GENERAL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*General*

KEMA Partners LLC (the "Company") was organized as a California Limited Liability Company (LLC) on November 16, 2006. On August 24 2007, the Company became a registered broker/dealer in securities under the Securities Exchange Act of 1934. The Company is a member of the Financial Industry Regulatory Authority ("FINRA") and the Securities Investor Protection Corporation ("SIPC").

The Company is engaged to provide private placement of securities, mergers, acquisitions, and other financial advisory services. The Company does not carry security accounts for customers and does not perform custodial functions relating to customer securities. Two (2) clients make up 100% of the Company's revenue.

*Summary of Significant Accounting Policies*

The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Accounts receivable are valued and reported at net realizable value. An allowance for doubtful accounts is considered necessary because probable uncollectible accounts are material.

Financial advisory fees are recognized as earned according to the fee schedule stipulated in the client's engagement contracts.

The Company, with the consent of its Members, has elected to be a Limited Liability Company. For tax purposes the Company is treated like a partnership, therefore in lieu of business income taxes, the Members are taxed on the Company's taxable income. Accordingly, no provision or liability for Federal Income Taxes is included in these financial statements. The State of California has similar treatment, although there exists a provision for a gross receipts fee and a minimum Franchise Tax of \$800.

**KEMA Partners LLC**  
**Notes to Financial Statements**  
**December 31, 2007**

**Note 2: ACCOUNTS RECEIVABLE, NET**

As of December 31, 2007, the Company has determined that the accounts receivable balance of \$12,200 is uncollectible. This allowance is included as bad debt expense in other operating expenses.

As a result accounts receivable, net consists of the following:

Accounts receivable	\$ 12,200
Less : Allowance for doubtful accounts	<u>(12,200)</u>
Accounts receivable, net	<u><u>\$ —</u></u>

**Note 3: INCOME TAX PROVISION**

The Company is subject to a limited liability company gross receipts fee with a yearly minimum tax provision of \$800. The Company recorded no gross receipts fee, and the minimum limited liability company income tax provision of \$1,600 for 2006 and 2007.

**Note 4: RELATED PARTY TRANSACTIONS**

The Company earns income from performing financial advisory services for a related party. The entity shares common management with the Company. For the year ended December 31, 2007, the Company earned \$20,000 for these services. At year end, the Company is still owed \$15,685.

At December 31, 2007, the Company owes one of its members \$2,695 for operating expenses paid on behalf of the Company.

**Note 5: RECENTLY ISSUED ACCOUNTING STANDARDS**

*Accounting for Certain Hybrid Financial Instruments*

In February 2006, the FASB issued Statement of Financial Accounting Standards No. 155 ("SFAS 155"), "Accounting for Certain Hybrid Financial Instruments, an amendment of FASB statements No. 133 and 140." The statement allows financial instruments that have embedded derivatives to be accounted for as a whole (eliminating the need to bifurcate the derivative from its host) as long as the entire instrument is valued on a fair value basis. SFAS 155 also resolves and clarifies other specific issues contained in SFAS 133 and 140. The statement is effective for all financial instruments acquired or issued after the beginning of an entity's first fiscal year that begins after December 15, 2006. The adoption of SFAS 155 has not had a material impact upon the Company's financial statements.

**KEMA Partners LLC**  
**Notes to Financial Statements**  
**December 31, 2007**

**Note 5: RECENTLY ISSUED ACCOUNTING STANDARDS**  
**(Continued)**

*Accounting for Uncertainty in Income Taxes*

In June 2006, the FASB issued Financial Interpretation No. 48 ("FIN 48"), "Accounting for Uncertainty in Income Taxes - an Interpretation of FASB Statement No. 109" which prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 requires that the Company recognize in its financial statements the impact of a tax position if it is more likely than not that such position will be sustained on audit based on its technical merits. This interpretation also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The effective date of the provisions of FIN 48 for all nonpublic companies has been postponed to fiscal years beginning after December 15, 2007. The Company is currently evaluating the impact of this statement, but does not expect that it will have a material impact upon the Company's financial statements.

*Fair Value Measurements*

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157 ("SFAS 157"), "Fair Value Measurements". The statement defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles, and expands disclosures about fair value measurements. This Statement applies under other accounting pronouncements that require or permit fair value measurements, the Board having previously concluded in those pronouncements that fair value is a relevant measurement attribute. Accordingly, this Statement does not require any new fair value measurements. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007. The Company is currently evaluating the impact of this statement, but does not expect the pronouncement will have a material impact upon the Company's financial statements.

*Retirement Plans*

In September 2006, the FASB issued SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans - an amendment of FASB Statements Nos. 87, 106, and 132(R)" ("SFAS 158"). SFAS 158 requires companies to recognize on a prospective basis the funded status of their defined benefit pension and postretirement plans as an asset or liability and to recognize changes in that funded status in the year in which the changes occur as a component of other comprehensive income, net of tax. The effective date of the pronouncement is a function of whether the Company's equity securities are traded publicly. If the entity has publicly traded securities, the effective date is for fiscal years ending after December 15, 2006. Entities without publicly traded securities must adopt the standard for fiscal years ending after June 15, 2007. Adoption of the new standard has not had a material effect on the Company's financial statements.

**KEMA Partners LLC**  
**Notes to Financial Statements**  
**December 31, 2007**

**Note 5: RECENTLY ISSUED ACCOUNTING STANDARDS**  
**(Continued)**

*Fair Value Option*

In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159 ("SFAS 159"), "Fair Value Option for Financial Assets and Financial Liabilities-including an amendment of FASB Statement No. 115". SFAS 159 is expected to expand the use of fair value accounting but does not affect existing standards which require certain assets or liabilities to be carried at fair value. The objective of this pronouncement is to improve financial reporting by providing companies with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. Under SFAS 159, a company may choose at specified election dates, to measure eligible items at fair value and report unrealized gains and losses on items for which the fair value option has been elected in earnings at each subsequent reporting date. SFAS 159 is effective for financial statements issued for fiscal years beginning after November 15, 2007. The Company is currently evaluating the impact of this statement, but does not expect that it will have a material impact upon the Company's financial statements.

**Note 6: NET CAPITAL REQUIREMENTS**

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (SEC rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 8 to 1. Net capital and aggregate indebtedness change day to day, but on December 31, 2007, the Company had net capital of \$7,919, which was \$2,919 in excess of its required net capital of \$5,000; and the Company's ratio of aggregate indebtedness (\$3,295) to net capital was 0.42 to 1, which is less than the 8 to 1 maximum ratio allowed for a first year broker/dealer.

**Note 7: RECONCILIATION OF AUDITED NET CAPITAL TO UNAUDITED FOCUS**

There is a \$1,529 difference between the computation of net capital under net capital SEC rule 15c3-1 and the corresponding unaudited FOCUS part IIA.

Net capital per unaudited schedule		\$ 9,448
Adjustments:		
Members' equity	(12,199)	
Non-allowable assets	<u>10,670</u>	
	Total adjustments	<u>(1,529)</u>
	Net capital per audited statements	<u>\$ 7,919</u>

**KEMA Partners LLC**  
**Schedule I - Computation of Net Capital Requirements**  
**Pursuant to Rule 15c3-1**  
**As of December 31, 2007**

**Computation of net capital**

<b>Members' equity</b>		\$ 25,134
Less: Non-allowable assets		
Receivable from related party	\$ (15,685)	
Prepaid expenses	(1,350)	
Deposit	<u>(180)</u>	
Net adjustments		<u>(17,215)</u>
 <b>Net capital</b>		 7,919

**Computation of net capital requirements**

Minimum net capital requirements		
12 ½ percent of net aggregate indebtedness	\$ 412	
Minimum dollar net capital required	\$ 5,000	
 Net capital required (greater of above)		 <u>5,000</u>

**Excess net capital** \$ 2,919

Ratio of aggregate indebtedness to net capital 0.42:1

There was a \$1,529 difference between net capital shown here and net capital as reported on the Company's unaudited Form X-17A-5 report dated December 31, 2007. See Note 7.

*See independent auditor's report.*

**KEMA Partners LLC**  
**Schedule II - Computation for Determination of Reserve**  
**Requirements Pursuant to Rule 15c3-3**  
**As of December 31, 2007**

A computation of reserve requirements is not applicable to KEMA Partners LLC as the Company qualifies for exemption under Rule 15c3-3 (k)(2)(i).

*See independent auditor's report.*

**KEMA Partners LLC**  
**Schedule III.- Information Relating to Possession or Control**  
**Requirements Pursuant to Rule 15c3-3**  
**As of December 31, 2007**

Information relating to possession or control requirements is not applicable to KEMA Partners LLC as the Company qualifies for exemption under Rule 15c3-3 (k)(2)(i).

*See independent auditor's report.*

**KEMA Partners LLC**  
**Supplementary Accountant's Report**  
**on Internal Accounting Control**  
**Report Pursuant to 17a-5**  
**For the Year Ended December 31, 2007**

**BREARD & ASSOCIATES, INC.**  
Certified Public Accountants

Board of Directors  
KEMA Partners LLC:

In planning and performing our audit of the financial statements of KEMA Partners LLC (the Company), as of and for the year ended December 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Company's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Also, as required by rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company including consideration of control activities for safeguarding securities. This study included tests of such practices and procedures that we considered relevant to the objectives stated in rule 17a-5(g) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications, and comparisons and recordation of differences required by rule 17a-13
2. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

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Because of inherent limitations in internal control and the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first and second paragraphs and would not necessarily identify all deficiencies in internal control that might be material weaknesses. We did not identify any deficiencies in internal control and control activities for safeguarding securities that we consider to be material weaknesses, as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures, as described in the second paragraph of this report, were adequate at December 31, 2007, to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, Financial Industry Regulatory Authority, and other regulatory agencies that rely on rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.



Breard & Associates, Inc.  
Certified Public Accountants

Oakland, California  
March 25, 2008