

Financial Statements

TOWERBROOK CAPITAL PARTNERS (U.K.) LLP

Report and Consolidated Financial Statements
For the year ended 31 December 2021

Registered Number: OC311344



**Towerbrook Capital Partners (U.K.) LLP
Report and Consolidated Financial Statements
For the year ended 31 December 2021**

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REPORT OF THE MEMBERS

The members present their report and the audited financial statements for the year ended 31 December 2021 for TowerBrook Capital Partners (U.K.) LLP ("the Firm") (Registered Number: OC311344). TowerBrook Capital Partners (U.K.) LLP ("the Firm") owns 100% of the share capital of TowerBrook Capital Partners (Germany) GmbH ("the Subsidiary") and TowerBrook Capital Partners Spain SL ("the Subsidiary"), together "the Group", and as such the subsidiaries are consolidated into the financial statements of the Group.

Principal activities

The principal activity of TowerBrook Capital Partners (U.K.) LLP is providing investment advice and arranging investments in the private equity arena. The Firm is authorised and regulated by the Financial Conduct Authority ('FCA').

Review of business and future developments

During the year, the Firm continued to provide investment advice to TowerBrook Capital Partners L.P. ('TCPLP'), and authorised representative services to TowerBrook Financial L.P. ('TFLP'), both of which are limited partnerships established in the State of Delaware, USA.

Designated Members

The Designated members who served in the year and up to the date of signing the financial statements were:

Ramez Sousou

Filippo Cardini

TowerBrook Capital Partners Limited

Total members' interests

A detailed analysis of total members' interests as of 31 December 2021 of £5,776,000 (2020: £4,685,000) may be found in note 16 to the financial statements. This includes capital contributed by members of £5,020,000 (2020: £4,153,000) and £14,534,000 (2020: £13,747,000) of undistributed members' reserves net of the amount due from members of £13,778,000 (2020: £13,215,000).

During the year one member was appointed (2020: one) and made a capital contribution of £170,000 (2020: £80,000) and one partner resigned (2020: one) and his capital of £240,000 was repaid. Total net capital contributed of £867,000 were made by the partners during the year.

Members' capital and profit shares

All members are equity members and share in the profits and subscribe the entire capital of the Firm.

Each member's capital subscription is determined as set out in the limited liability partnership agreement. The limited liability partnership agreement states that, at a minimum, contributed capital must be maintained equal to or in excess of the regulatory capital requirement as set out in the FCA rules. Pursuant to the agreement repayments of capital to members or introductions of capital by members to ensure this minimum is at the discretion of the managing member.

The method of allocation of the net profits or net losses of the Firm are set out in the limited liability partnership agreement. TowerBrook Capital Partners Limited, the Managing Member, has the authority to mandate charitable contributions as part of the allocation of profits on behalf of the members as set out in the limited liability partnership agreement.

Members are remunerated solely out of the profits of the Firm and are personally responsible for the funding of their pensions and other benefits.

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Members' drawings

TowerBrook Capital Partners Limited, the 'Managing Member', sets the level of members' monthly drawings. Members draw a proportion of their profit share in monthly instalments during the year in which the profit is made.

The balance of any profit for the year shall be distributed at such time as determined by the Managing Member of the Firm. The final allocation and distribution of profits will be made once performance has been assessed and the annual financial statements have been approved. All such payments are made subject to the cash requirements of the business.

Going Concern

From a macro perspective the recession triggered by the effects of COVID-19 has resulted in significant declines in market values of many companies worldwide. Although timing and decisions highly depend on the market developments. General market conditions continue to provide opportunities for new acquisitions and TowerBrook Capital Partners LP continues to provide full support to the Group.

The Members have a reasonable expectation that the Firm has adequate financial resources to meet its operational needs for the foreseeable future and therefore the going concern basis has been adopted in preparing the financial statements.

COVID-19 disclosure

The Firm continuously monitors and evaluates the developments of COVID-19, its impact on global and local macro circumstances and specifically their impact on the Firm's activities and portfolio entities. The Firm evaluates its portfolio companies' solvency and liquidity risks on an ongoing basis. The Firm has significant resources and can protect the portfolio companies where necessary.

Although it is facing challenging times, the Firm feels that the nature of its business and that sufficient mitigating measures have been implemented by management to justify the Group's going concern. The offices have now reopened. The management team is monitoring the welfare of staff on an ongoing basis and providing them with the support that they need to operate effectively from remote locations.

Russia and Ukraine developments

On 24 February 2022 Russian Forces entered Ukraine, resulting in Western Nation reactions including announcements of sanctions against Russia and Russian interests worldwide and an economic ripple effect on the global economy. The directors have carried out an assessment of the potential impact of Russian Forces entering Ukraine on the business, including the impact of mitigation measures and uncertainties, and have concluded that this is a non-adjusting post balance sheet event.

Streamlined Energy and Carbon Reporting (SECR)

In accordance with the disclosure requirements for LLP's, the table below shows the Group's greenhouse gas emissions during the financial year:

	2021	2020
	£	£
Energy consumption used to calculate emissions (kWh)		
Purchased electricity	8,403	7,497
Scope 2 emissions in metric tonnes CO2e		
Purchased electricity	0.16	0.16
Total gross emissions in metric tonnes CO2e	0.16	0.16

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Streamlined Energy and Carbon Reporting (SECR) (continued)

Quantification and reporting methodology

We have followed the 2019 HM Government Environmental Reporting Guidelines. We have also used the GHG Reporting Protocol - Corporate Standard and have used the 2020 UK Government's Conversion Factors for Company Reporting.

Measures taken to improve energy efficiency

The business did not undertake any energy efficiency activities during the year. However, the Group is mindful of its environmental obligations and will examine opportunities to reduce energy consumption and therefore carbon emissions in the year ahead.

Post balance sheet events

In the first quarter of 2022 the partners contributed £696,000 and TowerBrook Capital Partners Limited was repaid £1,330,000.

Statement of members' responsibilities in respect of financial statements

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


Company law, as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 (the "Regulations"), requires the members to prepare financial statements for each financial year. Under that law the members have prepared the group and LLP financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law).

Under company law, as applied to limited liability partnerships, members 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 group and LLP and of the profit or loss of the group for that period. In preparing the financial statements, the members are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The members are also responsible for safeguarding the assets of the group and LLP and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The members are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and LLP's transactions and disclose with reasonable accuracy at any time the financial position of the group and LLP and enable them to ensure that the financial statements comply with the Companies Act 2006.


Ramez Sousou
Designated Member
Date: 26th April 2022


Filippo Cardini
Designated Member
Date: 26th April 2022

Independent auditors' report to the members of Towerbrook Capital Partners (U.K.) LLP

Report on the audit of the financial statements

Opinion

In our opinion, Towerbrook Capital Partners (U.K.) LLP's group financial statements and LLP financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the LLP's affairs as at 31 December 2021 and of the group's profit and the group's cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements 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.

We have audited the financial statements, included within the Report and Consolidated Financial Statements (the "Annual Report"), which comprise: Consolidated and Firm Balance sheets as at 31 December 2021; the Consolidated profit and loss account and the Consolidated cash flow statement for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the LLP's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the members' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's and the LLP's ability to continue as a going concern.

Our responsibilities and the responsibilities of the members with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The members are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Responsibilities for the financial statements and the audit

Responsibilities of the members for the financial statements

As explained more fully in the Statement of members' responsibilities in respect of the financial statements, the members are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The members are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the members are responsible for assessing the group's and the LLP's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the members either intend to liquidate the group or the LLP or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of UK regulatory principles, such as those governed by the Financial Conduct Authority, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as 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. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries. Audit procedures performed by the engagement team included:

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- Review of the financial statement disclosures to underlying supporting documentation;
- Enquiries of management, including consideration of known or suspected instances of non-compliance with laws and regulations including fraud;
- Identifying and testing journal entries, in particular any journal entries posted on non-working days or by senior management;
- Review of relevant meeting minutes; and
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the members of the partnership as a body 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 for no other purpose. We do not, in giving these opinions, 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 save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 as applicable to limited liability partnerships we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the LLP, or returns adequate for our audit have not been received from branches not visited by us; or
- the LLP financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Phillip Barnett (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

Date: 26 April 2022

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Consolidated profit and loss account
For the year ended 31 December 2021

	Note	Group 2021	Group 2020
		£'000	£'000
Revenue	4	43,303	39,814
FX gains/(losses)	5	2	(51)
Staff costs	6	(14,697)	(12,482)
Depreciation and other amounts written off tangible fixed assets	10	(426)	(559)
Other operating charges		(13,630)	(12,978)
		<hr/>	<hr/>
Operating profit	7	14,552	13,744
Interest receivable and similar income	8	5	18
Profit available for division		<hr/>	<hr/>
		14,557	13,762
Tax on profit on ordinary activities	17	(23)	(15)
		<hr/>	<hr/>
Profit for the financial year before members' remuneration and profit shares available for discretionary division among members	9, 16	<u>14,534</u>	<u>13,747</u>

All the Group's activities are continuing activities both in current and prior year.

No members received salaried remuneration in either the current or prior year.

The Group has no recognised gains and losses other than those included in the profits above and therefore no separate statement of total recognised gains and losses has been presented.

There is no material difference between the profit on the ordinary activities and the profit for the financial year stated above and their historical cost equivalents.

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Consolidated and Firm Balance sheets
As at 31 December 2021

	Note	Group 2021 £'000	Group 2020 £'000	Firm 2021 £'000	Firm 2020 £'000
Non-current assets					
Tangible assets	10	1,553	1,902	1,552	1,893
Investment	11	-	-	24	24
Loan	19	244	241	244	241
Rent deposit		11	17	-	-
		<u>1,808</u>	<u>2,160</u>	<u>1,820</u>	<u>2,158</u>
Current assets					
Amount owed by members	12	13,778	13,215	13,866	13,318
Other debtors	12	1,148	545	1,137	536
Amounts owed by Group undertakings	12	11,677	10,001	11,498	9,897
Prepayments and accrued income	12	1,260	1,154	1,260	1,154
Cash at bank and in hand		1,451	314	1,450	305
		<u>29,314</u>	<u>25,229</u>	<u>29,211</u>	<u>25,210</u>
Creditors: amounts falling due within one year	13	<u>(11,568)</u>	<u>(9,489)</u>	<u>(11,524)</u>	<u>(9,459)</u>
Net current assets		<u>17,746</u>	<u>15,740</u>	<u>17,687</u>	<u>15,751</u>
Total assets less current liabilities		<u>19,554</u>	<u>17,900</u>	<u>19,507</u>	<u>17,909</u>
Net assets attributable to Members		<u>19,554</u>	<u>17,900</u>	<u>19,507</u>	<u>17,909</u>
Represented by:					
Members other interests					
Members' capital classified as equity	16	5,020	4,153	5,020	4,153
Other reserves classified as equity	16	14,534	13,747	14,487	13,756
	16	<u>19,554</u>	<u>17,900</u>	<u>19,507</u>	<u>17,909</u>
Members other interests					
Amount due from members	16	(13,778)	(13,215)	(13,866)	(13,318)
Total members other interests	16	<u>19,554</u>	<u>17,900</u>	<u>19,507</u>	<u>17,909</u>
		<u>5,776</u>	<u>4,685</u>	<u>5,641</u>	<u>4,591</u>

The Firm has elected to take exemption under Section 408 of the Companies Act 2006 not to present the Firm Profit and Loss account. The profit of the Firm for the year was £14,487,000 (2020: profit of £13,756,000).

The Financial Statements on pages 7 to 21 were approved by all members and signed on their behalf by the designated members by:


Ramez Sousou

Date: 26th April 2022


Filippo Cardini

Date: 26th April 2022

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Consolidated cash flow statement
For the year ended 31 December 2021

	Note	2021 £'000	2020 £'000
Net cash generated from operating activities	15	14,661	15,978
Interest received		5	18
Purchase of tangible assets	10	(86)	(136)
Net cash used in investing activities		(81)	(118)
Drawings and distributions to members and former members	16	(14,310)	(16,928)
Net capital contributed by members	16	867	465
Net cash used in financing activities		(13,443)	(16,463)
Net increase/(decrease) in cash and cash equivalents		1,137	(603)
Cash and cash equivalents at the beginning of the year		314	917
Cash and cash equivalents at the end of the year		1,451	314

The Firm is a qualifying entity for the purposes of FRS 102 and has elected to take the exemption under FRS 102, para 1.12 (b) not to present the Firm cashflow statement.

Notes to the financial statements

1 General information

The Group provides investment advisory services and arranges investments in the private equity arena in the UK and Western Europe. The Group provides services solely to associated TowerBrook entities in the United States of America.

The Firm is domiciled in England. The registered office address is 1 St. James's Market, Carlton Street, London, SW1Y 4AH.

2 Statement of compliance

The Group and individual financial statements of the Firm have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland ('FRS 102') and the Companies Act 2006 and the requirements of the Statement of Recommended Practice "Accounting by Limited Liability Partnerships".

3 Summary of significant accounting policies

The following accounting policies have been applied consistently in dealing with the items that are considered material to the financial statements.

Basis of preparation

The financial statements have been prepared on a going concern basis under the historical cost convention in accordance with Companies Act 2006 as applied to Limited Liability Partnerships, the Statement of Recommended Practice, Accounting by Limited Liability Partnerships and applicable accounting standards in the United Kingdom, including FRS 102. Accounting Policies have been consistently applied.

Going Concern

From a macro perspective the recession triggered by the effects of COVID-19 has resulted in significant declines in market values of many companies worldwide. Although timing and decisions highly depend on the market developments. General market conditions continue to provide opportunities for new acquisitions and TowerBrook Capital Partners LP continues to provide full support to the Group.

The Members have a reasonable expectation that the Firm has adequate financial resources to meet its operational needs for the foreseeable future and therefore the going concern basis has been adopted in preparing the financial statements.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents the amount receivable for services rendered net of value added taxes.

Sale of services – The Group provides investment advisory services to TowerBrook associated entities, based on an advisory services agreement which determines the fees. Revenue is recognised in the accounting period in which the services are rendered and are billed on a monthly basis.

Notes to the financial statements (continued)

3 Summary of significant accounting policies (continued)

Foreign exchange gains/(losses) – This arises from the translation of balance sheet items held in a foreign currency. This item has been translated at the balance date using the closing rate on that date. The exchange difference arising on translating the balance sheet item at the closing rate which is different from the rate of initial recognition has been recognised in the profit and loss account.

Interest Income – Interest income is recognised using the effective interest rate method. The effective interest rate method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period.

Employee benefits

The Group provides a range of benefits to employees, including annual bonus arrangements, medical care benefits and defined contribution pension plans.

Short term benefits – including annual bonus arrangements and medical care benefits, are recognised as an expense in the period in which the service is received.

Defined pension contribution plans – The Group operates a defined contribution plan for certain employees. The defined contribution plan is a pension plan under which the Group pays fixed contributions to non-associated third parties. Once the contributions have been paid the Group has no further payment obligations. The contributions are recognised as an expense when they become due. The assets of the plan are held separately from the Group in independently administered funds.

Annual bonus plan – The Group operates an annual bonus plan for employees. An expense is recognised in the profit and loss account when the Group has a legal or constructive obligation to make payments under the plan as a result of past events and a reliable estimate of the obligation can be made.

Tangible assets

Tangible assets are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price and costs directly attributable to bringing the asset to its working condition for its intended use.

Furniture and fittings – are stated at cost less accumulated depreciation and accumulated impairment losses.

Leasehold improvements - are stated at cost less accumulated depreciation and accumulated impairment losses.

Computer equipment - are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation of tangible fixed assets is calculated on a straight-line basis over the following estimated useful lives:

Furniture and fittings	over 5 years
Leasehold improvements	over the period of the lease
Computer equipment	over 3 years

Notes to the financial statements (continued)

3 Summary of significant accounting policies (continued)

Leased Assets

At inception, the Group assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

Operating leased assets – Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

Cash at bank and in hand

Cash at bank and in hand includes deposits held at call with banks and cash in hand.

Foreign currencies

The Group financial statements are presented in pounds sterling and rounded to thousands. The Firm's functional currency and presentation currency is pound sterling. Transactions denominated in currencies other than sterling are translated into sterling using the relevant closing mid-market rate of exchange for the month in which the transaction was executed. Monetary assets and liabilities denominated in currencies other than sterling are translated into sterling using the relevant closing mid-market rate of exchange. Where appropriate, the rate of exchange under the terms of any related or matching forward contract is used. All exchange gains or losses are reported as part of the profit or loss for the year from ordinary activities.

Allocation of profits and drawings

During the year, the Managing Member sets the level of members' monthly drawings after considering the Firm's working capital needs. Where drawings exceed allocations of profits then the excess is included in Debtors. Final allocation of profits and distributions to members is made once the annual financial statements are approved. Unallocated profits are included in other reserves within Members' other interests.

Taxation

The taxation payable on profits of the Firm is the personal liability of the members during the year. Tax as presented in these financial statements represents tax arising from other Group undertakings and is the amount of corporation tax payable in respect of the taxable profit for the current year. Tax is calculated in the basis of tax rates and laws that have been enacted or substantially enacted by the period end.

4 Revenue

Revenue represents fees received for services, exclusive of value added tax. All revenue relates to activities based in the United Kingdom, Germany and Spain.

5 FX gains/(losses)

FX gains/(losses) arises from the revaluation of the foreign subsidiaries.

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Notes to the financial statements (continued)

6 Staff costs

The average monthly number of persons employed by the Firm during the year was 57 (2020: 50).

The costs incurred during the year in respect of staff were as follows:

	2021	2020
	£'000	£'000
Wages and salaries	12,625	10,812
Social security costs	1,937	1,545
Other pension costs	135	125
	<u>14,697</u>	<u>12,482</u>

Within wages and salaries are amounts relating to medical benefits provided to staff of £305,000 (2020: £246,000).

7 Operating profit

Operating profit is arrived at after charging/(crediting):

	2021	2020
	£'000	£'000
Revenue	43,303	39,814
FX gains/(losses)	2	(51)
Operating profit is arrived at after charging:		
Staff cost	(14,697)	(12,482)
Auditors' remuneration for audit of the LLP	(58)	(71)
Auditors' remuneration for audit of CASS	(13)	(12)
Auditors' remuneration for taxation compliance services	(26)	(4)
Auditors' remuneration for other services	(1,140)	(218)
Depreciation	(426)	(559)
Operating lease charges – land and buildings	(1,254)	(1,288)
Operating lease charges – equipment	(16)	(21)

8 Interest receivable and similar income

	2021	2020
	£'000	£'000
Interest received from related parties	4	15
Interest received on employee loan	1	3
	<u>5</u>	<u>18</u>

9 Members' share of profits

The average number of members during the year was 14 (2020: 14).

The 2021 profit attributable to the member with the largest entitlement will be determined following the final allocation of 2021 profits. The final allocation of 2020 profit attributable to the member with the largest entitlement determined after the 2020 Financial Statements were approved was £3,471,000 (2019: £3,276,000).

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Notes to the financial statements (continued)

10 Tangible assets

Group	Leasehold improvements	Computer equipment	Furniture and fittings	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 January 2021	1,938	866	1,539	4,343
Additions	-	18	68	86
Disposals	(12)	-	(144)	(156)
At 31 December 2021	1,926	884	1,463	4,273
Accumulated depreciation				
At 1 January 2021	600	791	1,050	2,441
Charge for the year	196	34	196	426
Disposals	(3)	-	(144)	(147)
At 31 December 2021	793	825	1,102	2,720
Net book value				
At 31 December 2021	1,133	59	361	1,553
At 31 December 2020	1,338	75	489	1,902
Firm				
	Leasehold improvements	Computer equipment	Furniture and fittings	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 January 2021	1,924	864	1,539	4,327
Additions	-	20	65	85
Disposals	-	-	(144)	(144)
At 31 December 2021	1,924	884	1,460	4,268
Accumulated depreciation				
At 1 January 2021	594	790	1,050	2,434
Charge for the year	200	35	191	426
Disposals	-	-	(144)	(144)
At 31 December 2021	794	825	1,097	2,716
Net book value				
At 31 December 2021	1,130	59	363	1,552
At 31 December 2020	1,330	74	489	1,893

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11 Investment

	Investment in subsidiary companies £'000
Cost	
At 1 January 2021	<u>24</u>
At 31 December 2021	<u>24</u>
Net book value	
At 31 December 2021	<u>24</u>
At 31 December 2020	<u>24</u>

Investments refers to the investment in TowerBrook Capital Partners (Germany) GmbH, which commenced on 19 January 2016 and the investment in TowerBrook Capital Partners Spain SL, which commenced on 1 February 2017. The subsidiaries were incorporated in Germany and Spain for the purpose of developing business relationships directly with the German and Spanish markets. The Firm owns 100% of the share capital of each entity.

Direct subsidiary undertakings

The following were subsidiary undertakings of the firm:

Name	Registered office
TowerBrook Capital Partners Spain SL	Calle Almagna 36, 3a planta, 28010, Madrid, Spain
TowerBrook Capital Partners (Germany) GmbH	Taunus Turm, TaunusTor 1, D-60310, Frankfurt am Main, Germany

Both subsidiary companies are exempt from audit by virtue of s479A of Companies Act 2006.

The aggregate of the share capital and reserves as at 31 December 2021 and the profit for the year then ended for the subsidiary undertakings were as follows:

Name	Aggregate of share capital and reserves £'000	Profit £'000
TowerBrook Capital Partners Spain SL	58	16
TowerBrook Capital Partners (Germany) GmbH	100	31

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12 Debtors: amounts falling due within one year

	Group 2021	Group 2020	Firm 2021	Firm 2020
	£'000	£'000	£'000	£'000
Amounts owed by members (see note 19)	13,778	13,215	13,866	13,318
Other debtors	1,148	545	1,137	536
Amounts owed by Group undertakings (see note 19)	11,677	10,001	11,498	9,897
Prepayments and accrued income	1,260	1,154	1,260	1,154
	<u>27,863</u>	<u>24,915</u>	<u>27,761</u>	<u>24,905</u>

13 Creditors: amounts falling due within one year

	Group 2021	Group 2020	Firm 2021	Firm 2020
	£'000	£'000	£'000	£'000
Other creditors	800	409	796	398
Accruals	10,768	9,080	10,728	9,061
	<u>11,568</u>	<u>9,489</u>	<u>11,524</u>	<u>9,459</u>

14 Operating lease commitments

The annual total future minimum lease payments under non-cancellable operating leases are as follows:

	Group 2021	Group 2020	Firm 2021	Firm 2020
	£'000	£'000	£'000	£'000
Not later than one year				
- Land and buildings	1,202	1,202	1,202	1,202
Later than one year and not later than five years				
- Land and buildings	4,809	4,808	4,809	4,808
After five years				
- Land and buildings	-	1,203	-	1,203
	<u>6,011</u>	<u>7,213</u>	<u>6,011</u>	<u>7,213</u>

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15 Net cash generated from operating activities

	Note	2021	2020
		£'000	£'000
Profit for the financial year		14,557	13,762
Tax	17	(23)	(15)
		<u>14,534</u>	<u>13,747</u>
Depreciation of tangible fixed assets	10	426	559
(Increase)/decrease in debtors	12,19	(2,378)	3,962
Increase/(decrease) in creditors	13	2,079	(2,290)
Net Cash inflow from operating activities		<u>14,661</u>	<u>15,978</u>

16 Consolidated statement of changes in equity

Group	Members' capital	Other reserves	Total	Loans and debts from members	Total Members' Interests 2021	Total Members' Interests 2020
	£'000	£'000	£'000	£'000	£'000	£'000
Amounts due from members						
Members' interests at 1 January 2021	4,153	13,747	17,900	(13,215)	4,685	7,401
Profit for the financial year available for division among members	-	14,534	14,534	-	14,534	13,747
Members interests after profit for the year	4,153	28,281	32,434	(13,215)	19,219	21,148
Allocated profits	-	(13,747)	(13,747)	13,747	-	-
Capital introduced	1,363	-	1,363	-	1,363	636
Capital repaid	(496)	-	(496)	-	(496)	(171)
Drawings and distributions	-	-	-	(14,310)	(14,310)	(16,928)
Amounts due from members	-	-	-	(13,778)	-	-
Members' interests at 31 December 2021	5,020	14,534	19,554	(13,778)	5,776	4,685

Members' interests rank after unsecured creditors in the event of winding up. Capital and current account (repayments)/payments are made at the sole discretion of the managing member.

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Notes to the financial statements (continued)

16 Consolidated statement of changes in equity (continued)

Firm	Members' Capital (Equity) £'000	Other reserves £'000	Total £'000	Loans and debts from Members £'000	Total Members' Interests 2021 £'000	Total Members' Interests 2020 £'000
Amounts due from members						
Members' interests at 1 January 2021	4,153	13,756	17,909	(13,318)	4,591	7,298
Profit for the financial year available for division among members	-	14,487	14,487	-	14,487	13,756
Members interests after profit for the year	4,153	28,243	32,396	(13,318)	19,078	21,054
Allocated profits	-	(13,756)	(13,756)	13,756	-	-
Capital introduced	1,363		1,363	-	1,363	636
Capital repaid	(496)	-	(496)	-	(496)	(171)
Drawings and distributions	-	-	-	(14,304)	(14,304)	(16,928)
Amounts due from members	-	-	-	(13,866)		-
Members' interests at 31 December 2021	5,020	14,487	19,507	(13,866)	5,641	4,591

Members' interests rank after unsecured creditors in the event of winding up. Capital and current account (repayments)/payments are made at the sole discretion of the managing member.

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17 Tax on profit on ordinary activities

Current tax is the amount of tax payable in respect of the taxable profit of the German and Spanish entities for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantially enacted by the year end.

	Group	Group
	2021	2020
	£'000	£'000
Current tax	23	15
	<hr/>	<hr/>
Tax on profit on ordinary activities	23	15
	<hr/>	<hr/>

18 Financial instruments

The Group's principal financial instruments held are cash, debtors and creditors.

Group	Note	2021	2020
		£'000	£'000
Financial assets that are debt instruments measured at amortised cost:			
Debtors	12	26,603	23,761
		<hr/>	<hr/>
Financial liabilities measured at amortised cost:			
Creditors	13	11,568	9,489
		<hr/>	<hr/>
Firm	Note	2021	2020
		£'000	£'000
Financial assets that are debt instruments measured at amortised cost:			
Debtors	12	26,501	23,751
		<hr/>	<hr/>
Financial liabilities measured at amortised cost:			
Creditors	13	11,524	9,459
		<hr/>	<hr/>

Notes to the financial statements (continued)

18 Financial instruments (continued)

The main financial risks the Group and the firm is exposed to and the policies with respect to those risks are:

- Credit risk: the risk that counterparties to the Group's and Firm's financial assets may default. The Group's and Firm's credit risk is primarily attributable to receivables from TCP LP, which is the main customer of the Group and to amounts due from members representing drawings in advance of profit allocations.
- Liquidity Risk: the risk that the Group and Firm's cash resources may be insufficient to meet its creditors as they fall due. The Group receives fee income in advance of the year for which its services are provided to mitigate any liquidity risk.
- Foreign currency risk: the risk of foreign currency fluctuations.

The majority of the Group's income and expenditure is in sterling. Any expenditure that is required to be met in foreign currency is transacted at spot rates via the Group's bankers as required. The risk associated with such transactions is considered minimal and not material at present.

19 Related party transactions

The Group's revenue is generated from the investment advisory services provided to TCPLP which totalled £33,524,000 (2020: £30,551,000) and administrative services provided to TFLP which totalled £778,000 (2020: £701,000). At 31 December 2021, included within debtors (see note 12) is a receivable from TCPLP of £11,677,000 (2020: £9,996,000).

Included within interest receivable is £4,000 (2020: £15,000 receivable) on the net arrears in funding throughout the year is included in the receivable balance from TCPLP (see note 8). Included in debtors (see note 12) are amounts due from members of £13,778,000 (2020: £13,215,000), being members' drawings for the year.

All the revenue of the subsidiaries is generated through transactions with the Firm. These, together with the association expenses by the Firm are eliminated on consolidation. The value of the revenue for 2021 was £1,287,000 (2020: £983,000).

The Group has determined Key Management Personnel to be the Group's ultimate controllers Ramez Sousou and Neal Moszkowski. Remuneration from the Firm to Ramez Sousou who is the highest paid member of the Group is disclosed in note 9.

Neal Moszkowski is not directly remunerated by the Group. Ramez Sousou and Neal Moszkowski share equally in profits allocated to the Group's managing member TowerBrook Capital Partners Limited. The 2021 profit attributable to the managing member will be determined following the final allocation of 2021 profits. The final allocation of 2020 profit attributable to the managing member determined after the 2020 Financial Statements were approved was £177,000 (2019: £186,000).

Notes to the financial statements (continued)

19 Related party transactions (continued)

In May 2015, an employee was granted a loan to the value of USD 300,000. In July 2016, the employee became a partner of the Firm but the terms of the loan are unchanged. The loan has been extended and is repayable in May 2023. The loan attracts interest at US Libor and compounds annually. The balance owed on the loan as at 31 December 2021 is £244,000 (2020: £241,000) including a foreign exchange revaluation gain of £2,000 (2020: loss of £7,000) and accrued interest receivable of £1,000 (2020: £2,000).

20 Controlling parties

TowerBrook Capital Partners Limited, registered at 1 St. James's Market, Carlton Street, London, SW1Y 4AH, a company registered in England and Wales, is the managing member and immediate controlling undertaking of the Firm. Ramez Sousou and Neal Moszkowski equally own and control TowerBrook Capital Partners Limited and are the Firm's ultimate controllers.

21 Post balance sheet events

In the first quarter of 2022 the partners contributed £696,000 and TowerBrook Capital Partners Limited was repaid £1,330,000.