Registered number: 09154248

TIKEHAU CAPITAL EUROPE LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

COMPANY INFORMATION

Directors	Lord P.K. Levene Mr H. Marcoux Mr P. Cirenza Ms. M. Alonso Aranda Ms. D. Anderson (appointed 29 April 2021)
Company secretary	Cornhill Secretaries Limited
Registered number	09154248
Registered office	30 St Mary Axe London EC3A 8BF
Independent auditors	Mazars LLP Tower Bridge House St. Katharine's Way London E1W 1DD

CONTENTS

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021

Introduction

The directors present their strategic report and the audited financial statements of Tikehau Capital Europe Limited (the "Company" "TCE") for the financial year ended 31 December 2021.

Stewardship Code

The Stewardship Code requires a firm managing investments (other than venture capital firms) to disclose the nature of its commitment to the Financial Reporting Council ("FRC") Stewardship Code; or where it does not commit to the Code, its alternative investment strategy.

The Company provides asset management services covering the credit markets through the management of Tikehau CLO D.A.C., Tikehau CLO II D.A.C., Tikehau CLO III D.A.C., Tikehau CLO IV D.A.C., Tikehau CLO V D.A.C. and Tikehau CLO VI D.A.C., as well as the management of Tikehau CLO VII D.A.C., which is in warehouse. Accordingly, its trading strategies do not generally involve it holding equities as an institutional investor. As a result, although the Company supports the general objectives underlying the Stewardship Code, the provisions of the Stewardship Code are not considered to be relevant to the current activities of the Company.

Remuneration Code

The Company operates a remuneration policy in line with the Remuneration Code. The Financial Conduct Authority Remuneration Code disclosure discloses the basic details of the Company's remuneration policy along with aggregate details of the year's remuneration.

The objective of the remuneration policy is to be:

- consistent with and promote sound and effective risk management and not encourage risk taking which is inconsistent with the risk profiles, rules or instruments of incorporation of the Company;

- consistent with applicable FCA remuneration principles; and

- in line with the business strategy, objectives, values and interests of TCE, the instruments it manages or the investors of such Instruments and includes measures to avoid conflicts of interest. This includes establishing a consistent approach to attract, retain and reward employees for contributing to the Firm's success.

Discretionary elements of remuneration, including bonuses and any other aspects of variable remuneration, as well as increases in base salary, will be awarded based on the quantitative and qualitative performance of each employee, based on the realisation of the objectives of the year at individual and Company levels. Within this context, the qualitative element to all bonuses can be adjusted as appropriate to reflect behaviours and performance in relation to risk and compliance behaviours.

Please refer to the Company's Pillar 3 information available in Appendix 1 of the financial statements for further information.

Pillar 3

Pillar 3 requires firms to publicly disclose information relating to their risks, capital adequacy, and policies for managing risk with the aim of promoting market discipline.

In accordance with this requirement the Firm operates an internal capital adequacy assessment to demonstrate that it maintains sufficient capital to cover the risks inherent to its business. Risk management policies are maintained and are monitored by the Company's Risk and Compliance Committee whose function it is to oversee all risk management activity undertaken at or for the Firm.

The Company's Pillar 3 information is available in Appendix 1 of the financial statements.

Review of the business

The key financial and other performance indicators during the year were as follows:

	2021 €	2020 €
Turnover	23,655,519	*22,048,347*
Operating profit	18,089,731	*16,629,555*
Profit after tax	16,140,451	*6,682,623*
Current assets as % of current liabilities ('quick ratio')	1331%	*2453%*
Average number of employees and directors	21	*19*

The results for the year and financial position of the Company are as shown in the attached financial statements.

The Company monitors the performance of the business primarily through the monitoring of the Company's policies and procedures to ensure that adequate and effective systems and controls are in place. The directors have reviewed the performance of the fixed asset investments during the year. Even though some of the assets have been impaired, the directors do not see this as poor reflection of performance.

The increase in income for the year ended 31 December 2021 is mainly attributed by:

(i) the management fees of the CLO settled in July 2015 as well as the second CLO settled in November 2016, the third CLO settled in November 2017, the fourth CLO settled in September 2018, the fifth CLO settled in September 2019 and the sixth CLO settled in December 2021 ; and
(ii) the revenues from the investments in the CLOs;

Trading for the year to 31 December 2021 has been in line with the expectations of the directors with the Company recording a profit after tax of €16,140,451 (2020 : €6,682,623). The directors do not recommend the payment of a dividend in respect of the current year (2020: €NIL).

The directors have reviewed the result for the year and the financial position at the reporting date of the Company. The Company has continued its business development in the year and plan to develop the business further in the year to 31 December 2022. The directors do not foresee any changes to the nature of the Company's activity going forward. Given the success of the past closures of previous CLOs, the directors forecast to continue launching CLOs in the future.

On 31 December 2021, the directors reviewed the level of capitalisation which meets all financial obligations.

Key performance indicators ("KPIs")

The Company's activities relate to the investment management of Tikehau CLO D.A.C., Tikehau CLO II D.A.C., Tikehau CLO III D.A.C., Tikehau CLO IV D.A.C., Tikehau CLO V D.A.C. and Tikehau CLO VI D.A.C., as well as the management of Tikehau CLO VII D.A.C., which is in warehouse. The directors measure Company performance on the amount of assets under management, management fees and interest income.

Principal risks and uncertainties

The Manager evaluates the Company's risk appetite on a regular basis. The principal risks and uncertainties facing the Company are broadly considered to be the following:

Investment Risk

The Company's investments in Tikehau CLO D.A.C., Tikehau CLO II D.A.C, Tikehau CLO III D.A.C., Tikehau CLO IV D.A.C., Tikehau CLO V D.A.C., and Tikehau CLO VI D.A.C., are exposed to market price risk, concentration risk, liquidity risk, credit risk and interest rate risk. These are monitored by the Company and its affiliates in their capacity as investment advisor to these entities. The directors took all steps necessary to ensure that Brexit had minimal impact on Tikehau CLO D.A.C., Tikehau CLO II D.A.C., Tikehau CLO III D.A.C., Tikehau CLO IV D.A.C., Tikehau CLO V D.A.C and Tikehau CLO VI D.A.C.

To manage the potential risk of Covid-19, Tikehau CLO D.A.C., Tikehau CLO II D.A.C., Tikehau CLO III D.A.C., Tikehau CLO IV D.A.C., Tikehau CLO V D.A.C and Tikehau VI CLO D.A.C were monitored on a quarterly basis by the Company..

Foreign currency risk

Foreign exchange risk is the risk that the value of future cash flows will fluctuate due to changes in foreign exchange rates.

The Company as an investment entity has foreign exchange risk through its euro assets / revenues and a GBP cost base.

Liquidity risk

The Company's investments in Tikehau CLO D.A.C., Tikehau CLO II D.A.C., Tikehau CLO III D.A.C., Tikehau CLO IV D.A.C., Tikehau CLO V D.A.C., and Tikehau CLO VI D.A.C., are not readily realisable and it maintains sufficient liquid resources to meet its annual running costs.

This report was approved by the board and signed on its behalf.

Mr H. Marcoux
Director

Date: 21 April 2022

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present their report and the financial statements for the year ended 31 December 2021.

Directors' responsibilities statement

The directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Results and dividends

The profit for the year, after taxation, amounted to €16,140,451 *(2020: €6,682,623)*.

During the year, no dividends were paid (2020: €NIL).

Directors

The directors who served during the year were:

Lord P.K. Levene
Mr H. Marcoux
Mr P. Cirenza
Ms M. Alonso Aranda
Ms. D. Anderson (appointed 29 April 2021)

Future developments

The Company plans to launch further CLOs to continue expanding its asset base.

Going Concern

The directors have carried out a going concern assessment and have determined that the going concern basis is appropriate as the entity will continue to be supported by group companies.

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and

- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Post balance sheet events

On 24 February 2022 it was announced that the Russian Forces were entering Ukraine, leading to announcements of sanctions against Russia and Russian interests worldwide, resulting in a potential for significant market volatility and economic disruption. The prevailing uncertainty prevents the Company from estimating the economic effects reliably, however the current assessment is that the situation is not deemed to have a significant impact on the underlying business operations and market value of investments held.

There have been no significant events affecting the Company since the year end.
The commitment for the CLO VII which is in warehouse, was on 23 December 2021 and the first drawdown took place on 22 February 2022.

Auditors

The auditors, Mazars LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.

Mr H. Marcoux
Director

Date: 21 April 2022

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF TIKEHAU CAPITAL EUROPE LIMITED

Opinion

We have audited the financial statements of Tikehau Capital Europe Limited (the 'Company') for the year ended 31 December 2021 which comprise the Statement of Comprehensive Income, the Statement of Financial Position and the Statement of Changes in Equity, and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as of 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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 Company'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.

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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 in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the directors' responsibilities statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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 directors are responsible for assessing the Company'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 directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's 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 auditor's 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 the financial statements.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

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.

Based on our understanding of the Company and its industry, we considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: UK tax legislation, employment regulation and health and safety regulation, anti-bribery, General Data Protection Regulation, corruption and fraud and money laundering.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF TIKEHAU CAPITAL EUROPE LIMITED

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- Inquiring of management and, where appropriate, those charged with governance, as to whether the Company is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence, if any, with relevant licensing or regulatory authorities;
- Communicating identified laws and regulations to the engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the Company which were contrary to applicable laws and regulations, including fraud.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as Tax legislation and the Companies Act 2006.

In addition, we evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of management override of controls, and determined that the principal risks related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to valuations of the Investments and significant one-off or unusual transactions.

Our audit procedures in relation to fraud included but were not limited to:

- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

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

Use of the audit report

This report is made solely to the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body for our audit work, for this report, or for the opinions we have formed.

Nargis Yunis (Apr 22, 2022 17:58 GMT+1)

Nargis Yunis (Senior Statutory Auditor) for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
Mazars LLP
Tower Bridge House
St Katharines Way
London E1W 1DD

21 April 2022

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 €	*2020* *€*
Revenue	4	23,655,519	*22,048,347*
Gross profit		23,655,519	*22,048,347*
Administrative expenses		(5,565,788)	*(5,418,792)*
Operating profit	5	18,089,731	*16,629,555*
Impairment of investments	9	1,870,793	*(8,297,251)*
Interest payable and expenses	7	(7,616)	*(39,858)*
Profit before tax		19,952,908	*8,292,445*
Tax on profit	8	(3,812,457)	*(1,609,821)*
Profit for the financial year		16,140,451	*6,682,623*

There were no recognised gains and losses for 2021 or 2020 other than those included in the statement of comprehensive income.

The notes on pages 14 to 30 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	Note		2021 €		2020 €
Intangible fixed assets					
Software	18		872,127		381,750
Fixed assets					
Investments	9		104,623,440		84,566,267
			105,495,567		84,948,017
Current assets					
Debtors: amounts falling due within one year	10	2,520,651		2,136,043	
Cash at bank and in hand	11	34,853,548		38,586,022	
		37,374,199		40,722,065	
Creditors: amounts falling due within one year	12	(2,807,408)		(1,939,291)	
Net current assets			34,566,791		38,782,774
Total assets less current liabilities			140,062,358		123,730,791
Creditors: amounts falling due after more than one year	13		(101,077)		(82,363)
Net assets			139,961,281		123,648,428
Capital and reserves					
Called up share capital	15		94,434,040		94,434,040
Share premium account			3,679,924		3,679,924
Other reserves			1,606,363		1,433,958
Profit and loss account			40,240,954		24,100,506
			139,961,281		123,648,428

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

Mr H. Marcoux
Director

Date: 21 April 2022

The notes on pages 14 to 30 form part of these financial statements.

TIKEHAU CAPITAL EUROPE LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

	Called up share capital	Share premium account	Other reserves	Profit and loss account	Total equity
	€	€	€	€	€
At 1 January 2020	**86,434,040**	**3,679,924**	**1,192,523**	**17,417,883**	**108,724,368**
Comprehensive income for the year					
Profit for the year	-	-	-	6,682,623	6,682,623
Share option charge	-	-	241,437		241,437
Total comprehensive income for the year	-	-	1,433,960	6,682,623	6,924,060
Shares issued during the year	8,000,000	-	-	-	8,000,000
Total transactions with owners	8,000,000	-	-	-	8,000,000
At 1 January 2021	**94,434,040**	**3,679,924**	**1,433,960**	**24,100,506**	**123,648,428**
Comprehensive income for the year					
Profit for the year	-	-	-	16,140,451	16,140,451
Share option charge	-	-	172,400		172,400
Total comprehensive income for the year	-	-	1,606,360	16,140,451	16,312,851
Shares issued during the year	-	-	-	-	-
Total transactions with owners	-	-	-	-	-
At 31 December 2021	**94,434,040**	**3,679,924**	**1,606,360**	**40,240,957**	**139,961,281**

The notes on pages 14 to 30 form part of these financial statements.

1. General information

Tikehau Capital Europe Limited (the "Company") is a United Kingdom private company limited by shares. It is both incorporated and domiciled in England and Wales. The address of its registered office is 30 St Mary Axe, London, EC3A 8BF. The company registration number is 09154248.

The continuing activities of the company is that of investment management of Tikehau CLO D.A.C., Tikehau CLO II D.A.C., Tikehau CLO III D.A.C., Tikehau CLO IV D:A.C., Tikehau CLO V D.A.C., Tikehau CLO VI D.A.C. and Tikehau CLO VII D.A.C., which are euro denominated funds.

These financial statements are presented in Euros, as that is the currency in which the majority of the Company's transactions are denominated. Except where otherwise indicated, all financial information is presented in Euros and rounded to the nearest Euro.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Financial reporting standard 101 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based payment
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member

2.3 Going concern

As part of the ICAAP requirement, stress tests were conducted to anticipate all material risks and it was concluded that no additional capital was required, and the current capital resources were sufficient.

The impact of Covid-19 was monitored closely in relation to Tikehau CLO D.A.C., Tikehau CLO II D.A.C., Tikehau CLO III D.A.C., Tikehau CLO IV D.A.C., Tikehau CLO V D.A.C., Tikehau CLO VI D.A.C. and Tikehau CLO VII D.A.C.

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis in preparing the financial statements.

2. Accounting policies (continued)

2.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

(i) Income from management fees to Tikehau CLO D.A.C., Tikehau CLO II D.A.C., Tikehau CLO III D.A.C., Tikehau CLO IV D.A.C., Tikehau CLO V D.A.C. and Tikehau CLO VI D.A.C. is recognised on an accrual basis.

(ii) Income from fixed asset investments (subordinated notes or First Loss Equity) is recognised when the right to receive payment is established.

(iii) All other Income is recognised on an accrual basis.

(iv) No income is recognized for the year 2021, on respect on Tikehau CLO VII D.A.C. Warehousing phase.

2.5 Impact of new international reporting standards, amendments and interpretations

The following new standards and amendments to existing IFRS standards, and are mandatory for the Company's accounting periods beginning after 1 January 2020 or later periods:
- Amendments to References to the Conceptual Framework in IFRS Standards and Revised Conceptual Framework (effective 1 January 2020)
- Definition of Material (Amendments to IAS 1 and IAS 8) (effective 1 January 2020)
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7) (effective 1 January 2020)

The directors do not expect that the adoption of the new accounting standards issued but not yet effective to have a significant impact on its financial statements.

2.6 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is Euros.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of comprehensive income except when deferred in other comprehensive income as qualifying cash flow hedges.

2. Accounting policies (continued)

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of comprehensive income within 'operating profits'.

2.7 Financial instruments

The Company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The Company's accounting policies in respect of financial instruments transactions are explained below:

Financial assets and financial liabilities are initially measured at fair value.

Financial assets

All recognised financial assets are subsequently measured in their entirety at either fair value or amortised cost, depending on the classification of the financial assets

Debt instruments at amortised cost

Debt instruments are subsequently measured at amortised cost where they are financial assets held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and selling the financial assets, and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Amortised cost is calculated using the effective interest method and represents the amount measured at initial recognition less repayments of principal plus the cumulative amortisation using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance. CLOs are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method. At the end of each reporting period, financial assets measured at amortised cost are assessed for objective of impairment. An annual impairment test is performed based on the mark to model. A mark to model approach is used because of the absence of active markets on the notes and the obligation to hold these notes to maturity.

Impairment of financial assets

The Company recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The valuation takes into account credit losses (gain) and therefore any impairment (reversal) required will reflect this.

2. Accounting policies (continued)

2.7 Financial instruments (continued)

Financial liabilities

At amortised cost

Financial liabilities which are neither contingent consideration of an acquirer in a business combination, held for trading, nor designated as at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. This is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate a shorter period, to the amortised cost of a financial liability.

2.8 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.9 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivables are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.10 Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.11 Finance costs

Finance costs are charged to the Statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.12 Intangible Fixed Assets

Intangible assets including computer software, when acquired are carried at cost less accumulated amortisation and impairment losses. Cost comprises the purchase price from third parties.

2. Accounting policies (continued)

2.13 Share based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the Statement of comprehensive income over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each Statement of financial position date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the Company keeping the scheme open or the employee maintaining any contributions required by the scheme).

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to Statement of comprehensive income over the remaining vesting period. The share options are held within other reserves.

2.14 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of financial position. The assets of the plan are held separately from the Company in independently administered funds.

2.15 Taxation

Tax is recognised in the Statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.
Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met. Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax.

3. Judgments in applying accounting policies and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events management believes to be reasonable under the circumstances. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Critical judgements

The Company makes assessments which require judgement in preparing the accounts and can have a significant effect upon the financial statements. Management have carried out an assessment on the carrying value of the CLO investments held by the Company, detailed in Note 9.

4. Revenue

An analysis of turnover by class of business is as follows:

	2021	2020
	€	€
CLO Management fees	10,647,496	10,088,457
CLO Interest Income	12,510,980	11,339,850
Other income	497,043	620,039
	23,655,519	22,048,346

Analysis of turnover by country of destination:

	2021	2020
	€	€
UK	497,043	620,039
Rest of Europe	23,158,476	21,428,307
	23,655,519	22,048,346

5. Operating profit

The operating profit is stated after charging:

	2021	2020
	€	€
Gross Profit	**23,655,519**	22,048,346
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	**(30,327)**	(25,561)
Exchange differences	**26,660**	(40,912)
Staff costs (see note 6 and 17)	**(3,300,888)**	(2,605,166)
Other costs	**(2,261,233)**	(2,747,152)
	18,089,731	16,629,555

6. Employees

Staff costs were as follows:

	2021	2020
	€	€
Wages and salaries	**2,637,310**	1,951,233
Social security costs	**316,042**	272,638
Share Plan Costs (including tax)	**196,196**	274,754
Cost of defined contribution scheme	**151,340**	106,541
	3,300,888	2,605,166

During the year, Directors' remuneration was €161,553 (2020: €83,727).

The average monthly number of employees, including the directors, during the year was as follows:

6. Employees (Continued)

	2021	2020
Employees	16	16
Directors	5	3
	21	19

7. Interest payable and similar expenses

	2021 €	2020 €
Bank interest payable	7,616	39,858

8. Taxation

	2021 €	2020 €
Corporation tax		
Current tax on profits for the year	3,812,457	1,639,823
Miscellaneous non taxable expense	-	(8,836)
Prior year adjustment	-	(21,166)
Total current tax	3,812,457	1,609,821
Deferred tax		
Origination and reversal of timing differences	-	-
Total deferred tax	0	0
Taxation on profit	3,812,457	1,609,821

8. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than *(2020 – higher than)* the standard rate of corporation tax in the UK of 19% *(2020: 19%)*. The differences are explained below:

	2021	2020
	€	€
Profit before tax	**19,952,905**	8,292,445
Profit multiplied by standard rate of corporation tax in the UK of 19% (2019 : 19%)	**3,791,052**	1,575,565
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	**-**	55
Adjustments to tax charge in respect of prior periods	**26,663**	(21,166)
Deferred tax not recognised	**-**	16,109
Difference in tax rates	**-**	-
Other differences leading to an increase in the tax charge	**(5,258)**	39,258
Total tax charge for the year	**3,812,457**	1,609,821

9. Investments

	Tikehau CLO D.A.C	Tikehau CLO II D.A.C	Tikehau CLO III D.A.C.	Tikehau CLO IV D.A.C	Tikehau CLO V D.A.C	Tikehau CLO VI D.A.C	Total
COST							
At 1 January 2021	18,802,800	19,422,000	20,565,000	19,422,000	20,988,000	6,500,000	105,699,800
Additions	3,643,600	3,170,000	-	-	-	13,651,000	20,464,600
At 31 December 2021	22,446,400	22,592,000	20,565,000	19,422,000	20,988,000	20,151,000	126,164,400
AMORTISATION							
At 1 January 2021	(3,251,820)	(689,852)	(1,914,902)	(1,117,422)	409,973	-	(6,564,023)
Charge for the year	(448,376)	(433,500)	(729,777)	(958,163)	(416,481)	-	(2,986,296)
At 31 December 2021	(3,700,196)	(1,123,352)	(2,644,679)	(2,075,585)	(6,508)	-	(9,550,320)
IMPAIRMENT							
At 1 January 2021	(5,476,858)	(6,220,065)	(1,469,183)	-	(1,403,405)	-	(14,569,511)
Charge for the year	1,194,178	2,001,891	(949,310)	-	332,110	-	2,578,869
At 31 December 2021	(4,282,680)	(4,218,174)	(2,418,493)	-	(1,071,295)	-	(11,990,642)
Net book value at 31 December 2021	14,463,525	17,250,474	15,501,828	17,346,415	19,910,197	20,151,000	104,623,440
Net book value at 31 December 2020	10,074,122	12,512,083	17,180,915	18,304,578	19,994,568.00	6,500,000.00	84,566,266

Tikehau CLO D.A.C. is a CLO fund which closed on 15 July 2015 with an aggregate collateral balance of €339.6m. On 15 July 2015, the Company made an investment into Tikehau CLO D.A.C. at a cost of €18,802,800. Tikehau CLO D.A.C. is measured at amortised cost with an annual impairment test based on the mark-to-model analysis. A mark-to-model approach is used because of the absence of active markets on the notes and the obligation to hold these notes to maturity. As a result of this impairment test, the impairment was subsequently reversed by €1,194,178 as the marked-to-model valuation indicated a higher fair value than the carrying value in the financial statements. As market practice, the yield used to amortize is the expected yield at the closing date, 12.00%.

Tikehau CLO II D.A.C. is a CLO fund which closed on 30 November 2016 with an aggregate collateral balance of €399.9m. On 30 November 2016 the Company made an investment into Tikehau CLO II D.A.C. at a cost of €19,422,000. Tikehau CLO II D.A.C. is measured at amortised cost with an annual impairment test based on the mark-to-model analysis. A mark-to-model approach is used because of the absence of active markets on the notes and the obligation to hold these notes to maturity. As a result of this impairment test, the impairment was subsequently reversed by €2,001,891 as the marked-to-model valuation indicated a higher fair value than the carrying value in the financial statements. As market practice, the yield used to amortize is the expected yield at the closing date, 12.00%.

9. Investments (continued)

Tikehau CLO III D.A.C. is a CLO fund which closed on 9 November 2017 with an aggregate collateral balance of €420.5m. On 9 November 2017, the Company made an investment into Tikehau CLO III D.A.C. at a cost of €20,565,000. Tikehau CLO III D.A.C. is measured at amortised cost with an annual impairment test based on the mark-to-model analysis. A mark-to-model approach is used because of the absence of active markets on the notes and the obligation to hold these notes to maturity. As a result of this impairment test, the asset was subsequently impaired by €949,310 as the marked-to-model valuation indicated a lower fair value than the carrying value in the financial statements. As market practice, the yield used to amortize is the expected yield at the closing date, 12.00%.

Tikehau CLO IV D.A.C. is a CLO fund which closed on 4th September 2018 with an aggregate collateral balance of €400.0m. On 4 September 2018, the Company made an investment into Tikehau CLO IV D.A.C. at a cost of €19,422,000. Tikehau CLO IV D.A.C. is measured at amortised cost with an annual impairment test based on the mark-to-model analysis. A mark-to-model approach is used because of the absence of active markets on the notes and the obligation to hold these notes to maturity. As a result of this impairment test, no impairment was required as the marked-to-model valuation indicated a higher fair value of €19,422,000 than the carrying value in the financial statements. As market practice, the yield used to amortize is the expected yield at the closing date, 12.00%.

Tikehau CLO V D.A.C. is a CLO fund which closed on 5th September 2019 with a target par amount of €440.0m. On 5 September 2019, the Company made an investment into Tikehau CLO V D.A.C. at a cost of €20,988,000. Tikehau CLO V D.A.C. is measured at amortised cost with an annual impairment test based on the mark-to-model analysis. A mark-to-model approach is used because of the absence of active markets on the notes and the obligation to hold these notes to maturity. As a result of this impairment test, the impairment was subsequently reversed by €332,110 as the marked-to-model valuation indicated a higher fair value than the carrying value in the financial statements. As market practice, the yield used to amortize is the expected yield at the closing date, 12.00%.

Tikehau CLO VI D.A.C. is a CLO fund which closed on 8th December 2021 with a target par amount of €408.0m. On 8 December 2021, the Company made an investment into Tikehau CLO VI D.A.C. at a cost of €21,151,000.

10. Debtors

	2021	*2020*
	€	€
Amount owed by group undertakings	-	1
Other debtors and accrued income	**2,370,716**	2,018,380
Prepayments	**149,935**	117,662
	2,520,651	2,136,043

11. Cash and cash equivalents

	2021	2020
	€	€
Cash at bank and in hand	**34,853,548**	38,586,022
	34,853,548	38,586,022

12. Creditors: Amounts falling due within one year

	2021	2020
	€	€
Trade creditors	**164,570**	4,070
Amount owed to group undertakings	**(79)**	64,055
Corporation tax	**1,480,762**	388,030
Other creditors	**168,409**	383,891
Accruals and deffered income	**993,746**	1,099,245
	2,807,408	1,939,291

13. Creditors: Amounts falling due after more than one year

	2021	2020
	€	€
Other creditors	**101,077**	82,363
	101,077	82,363

Other Creditors relate to taxes payable on Share Based Plans once vested.

14. Financial instruments

	2021	2020
	€	€
Financial assets		
Financial assets that are debt instruments measured at amortised cost	**106,994,156**	86,293,643
Financial liabilities		
Financial liabilities measured at amortised cost	**1,158,237**	1,167,370

Financial assets that are debt instruments measured at amortised cost comprise investments in CLOs, trade debtors, amounts owed by group undertakings, other debtors and accrued income.

Financial liabilities measured at amortised cost comprise trade creditors, amounts owed to group undertakings, other creditors and accruals.

15. Share capital

	2021	2020
	€	€
Alloted, called up and fully paid		
Ordinary Shares of €1.00 each	**94,434,040**	89,240,964
Preference Shares of €1.00 each	-	5,193,076
	94,434,040	94,434,040

On incorporation, one ordinary share with a nominal value of €1 was issued at par.

During the year, the preference shares were re-designated as Ordinary shares. This decision was approved and signed by the board members on the meeting held on December 9, 2021.

Other Reserves of €1,606,359 (2020: €1,433,954) are in relation to the individual Share based plan liabilities held on the Balance Sheet.

16. Share-based payments

A free share plan was adopted by the Company's ultimate parent, Tikehau Capital SCA, and under this share plan, on 1 December 2017 and 30 March 2020 certain employees of the Company were granted the following

2019 FSA Plan

Number of shares granted:	3,468
Date shares granted:	18 February 2019
Granting price:	€18.90

The vesting of the shares granted under the 2019 FSA Plan is conditional upon working in the Company or related companies or corporate groups at the definitive vesting date but is not subject to any conditions of performance. The free shares will be definitively vested to the beneficiaries of the 2019 FSA Plan after a period of two years for 50% of the shares awarded and three years for the remaining 50% and will not be subject to any retention period.

50% of the share plan vested during the period

2019 Performance Share Plan

Number of shares granted:	2,775
Date shares granted:	18 February 2019
Granting price:	€18.90

The vesting of shares granted under the 2019 Performance Share Plan will take place as follows:

After a period of 2 years for 50% of the granted shares, subject to:
- the sole condition of presence within the Group for 25% of the granted shares,
- a condition of presence and a performance condition relating to the Group's cumulated net new money in 2019 and 2020, for 12.5% of the granted shares,
- a condition of presence and a performance condition relating to the arithmetic average of the operating margins achieved on the Group's Asset Management activity as set out in the consolidated financial statements at 31 December 2019 and 31 December 2020, for 12.5% of the granted shares;

After a period of three years for 50% of the shares awarded, subject to:
- the sole condition of presence within the Group for 25% of the granted shares,
- a condition of presence and a performance condition relating to the Group's cumulated net new money in 2021, for 12.5% of the granted shares,
- a condition of presence and a performance condition relating to the operating margin on the Group's Asset Management Activity as set out in the consolidated financial statements at 31 December 2021, for 12.5% of the granted shares.

50% of the share plan vested during the period.

16. Share-based payments (continued)

2020 FSA Plan

Number of shares granted:	4,337
Date shares granted:	10 March 2020
Granting price:	€18.81

The vesting of the shares granted under the 2020 FSA Plan is conditional upon working in the Company or related companies or corporate groups at the definitive vesting date but is not subject to any conditions of performance. The free shares will be definitively vested to the beneficiaries of the 2020 FSA Plan after a period of two years for 50% of the shares awarded and three years for the remaining 50%, and will not be subject to any retention period

2020 Performance Share Plan

Number of shares granted:	1,598
Date shares granted:	10 March 2020
Granting price:	€18.81

The vesting of shares granted under the 2020 Performance Share Plan will take place as follows:

After a period of 2 years for 50% of the granted shares, subject to:

- the sole condition of presence within the Group for 25% of the granted shares,
- a condition of presence and a performance condition relating to the Group's cumulated net new money in 2019 and 2020, for 12.5% of the granted shares,
- a condition of presence and a performance condition relating to the arithmetic average of the operating margins achieved on the Group's Asset Management activity as set out in the consolidated financial statements at 31 December 2020 and 31 December 2021, for 12.5% of the granted shares;

After a period of three years for 50% of the shares awarded, subject to:

- the sole condition of presence within the Group for 25% of the granted shares,
- a condition of presence and a performance condition relating to the Group's cumulated net new money in 2022, for 12.5% of the granted shares,
- a condition of presence and a performance condition relating to the operating margin on the Group's Asset Management Activity as set out in the consolidated financial statements at 31 December 2022, for 12.5% of the granted shares.

The granted shares under the 2020 Performance Share Plan are not subject to any retention period

16. Share-based payments (continued)

2021 FSA Plan

Number of shares granted:	12,547
Date shares granted:	24 March 2021
Granting price:	€22.14

The vesting of the shares granted under the 2021 FSA Plan is conditional upon working in the Company or related companies or corporate groups at the definitive vesting date but is not subject to any conditions of performance. The free shares will be definitively vested to the beneficiaries of the 2021 FSA Plan after a period of two years for 50% of the shares awarded and three years for the remaining 50%, and will not be subject to any retention period

2021 Performance Share Plan

Number of shares granted:	14,666
Date shares granted:	24 March 2021
Granting price:	€21.16

The vesting of shares granted under the 2021 Performance Share Plan will take place as follows:

- for 25% of the granted shares, after a period of 2 years, i.e. on 24 March 2023
- for 25% of the granted shares, after a period of 3 years, i.e. on 24 March 2024
- for 25% of the granted shares, after a period of 4 years, i.e. on 24 March 2025
- for the remaining granted shares, after a period of 5 years, i.e. on 24 March 2026

The vesting of the shares granted under the 2021 TIM Performance Share, as well as the number of vested shares granted definitively to each beneficiary at the end of the vesting period, will be subject to a performance condition determined using an index representing the performance of the four business lines of the asset management company Tikehau IM.
The vesting of the shares under these tranches will be conditional upon the beneficiary's presence within the Group and the absence of fraudulent behaviour or serious error in relation to applicable procedures relating to compliance, appropriate risk management and environmental, social and governance ("ESG") criteria during the relevant vesting period.
The shares granted under the 2021 TIM Performance Share are not subject to any retention period.

17. Pension commitments

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to €151,340 (2020: €106,541). Contributions totalling €112,342 (2020: €92,886 receivable) were payable to the fund at the reporting date and are included in other creditors.

18. Intangible Fixed Assets

Intangible fixed assets including computer software, when acquired are carried at cost less accumulated amortisation and impairment losses. Cost comprises the purchase price from third parties.
Software intangibles assets in progress amounts to €872,127 (2020: €381,750).

19. Related party transactions

The Company has taken advantage of the exemption available under FRS 101 not to disclose transactions with entities which are part of the same group on the grounds that it is a wholly owned subsidiary.

During the year the Company entered into transactions with related parties, in the ordinary course of business.

Outstanding balances with entities are unsecured and repayable on demand.

Interest on balances with group undertakings is charged at an annual rate of 0% (2020: 0%).

20. Controlling party

The ultimate parent and controlling party is Tikehau Capital SCA, incorporated in France, registered address: 32, rue de Monceau 75008, Paris, whose accounts are available on its website and included in its *2021 Registration Document*.

The following section is unaudited

Pillar 3 disclosures

1. Background

This Pillar 3 disclosure covers the entity Tikehau Capital Europe Limited ("TCE" or the "Firm").

TCE was incorporated on 30 July 2014 (Company No. 9154248). The registered office and principal place of business of the Firm is 30 St. Mary Axe, London EC3A 8BF. The Firm is authorised and regulated by the Financial Conduct Authority and, as of 31 December 2021, is classified as a "BIPRU Firm".

Basis of disclosure:

This document sets out the Pillar 3 disclosures of the Firm in accordance with the requirements under BIPRU 11.

A firm must regard information as material in disclosures if its omission or misstatement could change or influence the assessment or decision of a user relying on that information for the purpose of making economic decisions

All figures contained in this disclosure are in respect of the year 31 December 2021.

Frequency of disclosure, media and location:

These Pillar 3 Disclosures will be reviewed on an annual basis as a minimum and are included within the publication of the Firm's Annual Report and Accounts. The Firm pays particular attention to the need to publish some or all of these disclosures more frequently than annually if the scale, nature or involvement in financial activities of the business changes significantly.

2. Risk Management

TCE's board of directors (the "Board") determine the Firm's business strategy and risk appetite. They are also responsible for establishing and maintaining the Firm's governance arrangements along with designing and implementing a risk management framework that recognises the risks that the business faces.

TCE's Board also determine how the risks the business faces may be mitigated and assess on an ongoing basis the arrangements to manage those risks. Senior management meet on a regular basis to discuss the current projections for profitability, cash flow, regulatory capital management, and business planning and risk management, reporting and escalating matters to the board as necessary. The TCE Board manages the Firm's risks though a framework of policy and procedures having regard to relevant laws, standards, principles and rules (including FCA principles and rules) with the aim to operate a defined and transparent risk management framework. Risks and mitigating controls are reassessed on a regular basis, taking into account the Firm's risk appetite. Where risks are identified which fall outside of the Firm's risk tolerance levels, or where the need for remedial action is identified in respect of identified weaknesses in the Firm's mitigating controls, then actions are taken to improve the control framework.

The Board have identified that business, operational, market and credit risks are the main areas of risk to which the Firm is exposed. Annually the Board formally reviews the risks, controls and other risk mitigation arrangements relevant to the Firm and assesses their effectiveness. The Board considers the financial impact of the material risks identified, as part of the Firm's business planning and capital management, and conclude whether the amount of regulatory capital is adequate.

Business risk

This risk is managed by using forecasts and maintaining adequate capital to mitigate.

Operational risk

This risk is managed by maintaining adequate internal processes and systems.

Market risk

Market risk is managed by reducing FX balances to minimise exposure.

Credit risk

TCE is exposed to credit risk via corporates (intercompany debtors), institutions (in relation to cash at bank) and Article 202 of the Capital Requirements Regulation ("CRR") –securitisation, its holding in the CLO. TCE is required to hold an amount of subordinated notes equal to at least 5 per cent of the target par amount of the CLO investment portfolio. This retention must be held by TCE for the entire duration of the CLO and TCE is not entitled to sell or hedge on any part of the Retention which exposes the firm to credit risk. This risk is somewhat managed as a result of there being diversification in the underlying portfolios of loans in which the CLO invests, the experience of the investment team at TCE which is responsible for managing the CLO, the due diligence carried out on potential investments for the CLO, the 'sticky' nature of the CLO's investor base, and various early risk indicators in place at TCE. The credit risk exposure for TCE is calculated in accordance with the standardised approach. The total Risk Weighted Exposure amounts are detailed in the table below:

in Euros	Risk Weighted Exposure	Capital requirement 8%
Institutions	6,970,710	557,657
Corporates	2,527,173	202,174
Investments (exposure to securitisation)	1,307,793,013	104,623,441
Credit Risk Capital Requirement	1,317,290,895	105,383,272

Under the standardised approach, ratings published by External Credit Assessment Institutions are mapped to Credit Quality Steps, according to mapping tables laid down by the European Banking Authority, as follows:

	Credit Rating Agency		Risk Weights		
Credit Quality Step	Fitch	Moody's	Corporate	Institutions (maturity 3 months or less)	Securitisations
1	AAA to AA-	Aaa to Aa3	20%	20%	20%
2	A+ to A-	A1 to A3	50%	20%	50%
3	BBB+ to BBB-	Baa1 to Baa3	100%	20%	100%
4	BB+ to BB-	Ba1 to Ba3	100%	50%	350%
5	B+ to B-	B1 to B3	150%	50%	1250%
6	CCC+ and below	Caa1 and below	150%	150%	1250%

Discretionary elements of remuneration, including bonuses and any other aspects of variable remuneration, as well as increases in base salary, will be awarded based on the quantitative and qualitative performance of each employee, based on the realisation of the objectives of the year at individual and Company levels.
Applicability

The deliberations of the Firm's Remuneration Committee will cover all staff who are identified as 'Code Staff' in accordance with the FCA's Remuneration Code and any other staff who are included among the 20 highest remunerated TCE employees.

Procedures

The Remuneration Committee at least annually reviews all aspects of remuneration including:

- base salary, pension and benefits of employees;
- annual performance related bonuses, both for the bonus pool definition (for recommendation to the Board) and for the individual allocations; and
- any other elements of remuneration packages that the Committee considers appropriate.

To support its deliberations, the Remuneration Committee receives up to date guidance from Compliance on regulatory requirements to be taken into account.

Quantitative Disclosure

TCE Remuneration 2021 (€m)	
Number of beneficiaries*	15
Fixed remuneration	3.1
Variable remuneration	
Cash Bonuses	1.9
Restricted Stock Units	6.3
Sign on bonuses (3 people)	0.1
Total remuneration (€m)	11.4

**Material risk takers only*

The Severance pay amount is being withheld because it cannot be anonymised, although it was made in compliance with the policy.