

GRAPHITE CAPITAL MANAGEMENT LLP
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020



Registered number: OC315612

REPORT OF THE MEMBERS

DESIGNATED MEMBERS

RL Richards	AJ Gray
MA Golser	MT Innes
SK ffitich	MJ Tilbury
TJ Spence	

OTHER MEMBERS

HP Baker	OA Kayat
R Baker	MY Khan
RM Crayton	JE Markham
MN Hall	SJ May

All members above served throughout the year under review and up to the date of signing the financial statements. In addition Mr Cavell was a member until his resignation on 31 January 2020. Mr Crayton served as a designated member until 27 May 2020.

The members present their annual report and the audited consolidated financial statements of Graphite Capital Management LLP (the "LLP" or "Partnership") for the year ended 31 March 2020.

Principal activities

Graphite Capital Management LLP provides management and advisory services to private equity investment funds. This is the principal activity of the LLP and the Group. The LLP and its subsidiaries together form the Group. The LLP also monitors certain investee companies. The LLP is authorised and regulated by the Financial Conduct Authority ("FCA").

Results

The results for the year are shown in the Consolidated Statement of Comprehensive Income on page 5.

Going concern

The spread of Covid-19 coronavirus will have a material impact on many economies globally, including the UK, both through the effects of the virus itself and the measures taken by governments to restrict its spread. The LLP has operated without significant issue or interruption throughout the lockdown with all personnel able to work from home effectively. There has been no significant adverse impact on either the costs or revenues of the firm. The members consider that the impact of Covid-19 will not have a material impact on the Partnership's business.

The LLP has a steady income stream from its management and advisory activities and it is envisaged that the LLP will be able to meet its liabilities during the next twelve months.

The members have assessed the future development of the LLP and concluded that there are no material uncertainties that may cast significant doubt about the LLP's ability to continue as a going concern. The going concern basis of accounting continues to be applied.

The members are considering the nature and extent of the risks and uncertainties arising from the end of the transitional period following the UK's departure from the European Union on 31 January 2020. The impact on the performance and position of the LLP is not expected to be significant in the short term, although the terms of the agreement between the UK and the EU may affect the LLP's fund raising from EU domiciled investors in future.

Policy regarding members' allocations, drawings and capital

The members participate in the LLP's profit, share the risks and subscribe the capital. Members only receive drawings to the extent that there are sufficient profits available. Some drawings are typically made during the year with the remaining profits being allocated and divided between members after the finalisation of the financial statements. Unallocated profits are included within members' other interests. All payments are made subject to the cash requirements of the business.

The LLP has £10,836 (2019: £11,737) of equity capital which is only repayable to members upon their retirement from the LLP subject to a requirement to maintain a minimum balance of £10,000. During the year no equity capital was introduced (2019: nil) and £901 was repaid (2019: £150). If debt capital is necessary it is drawn down from members to the extent the LLP requires the capital and may become repayable from any surplus accumulated within the business.

REPORT OF THE MEMBERS (CONTINUED)

Independent Auditors

PricewaterhouseCoopers LLP were the auditors throughout the year. PricewaterhouseCoopers LLP have indicated their willingness to continue in office and a resolution to re-appoint them will be proposed at the members' meeting convened to approve the financial statements.

Statement of members' responsibilities

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 limited liability partnership 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, the 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 limited liability partnership and of the profit or loss of the group and limited liability partnership 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 and limited liability partnership will continue in business.

The members are also responsible for safeguarding the assets of the group and limited liability partnership 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 and limited liability partnership's transactions and disclose with reasonable accuracy at any time the financial position of the group and limited liability partnership and enable them to ensure that the financial statements comply with the Companies Act 2006 as applied to limited liability partnerships by the Regulations.

Disclosure of information to auditors

So far as each member is aware, there is no relevant audit information of which the Partnership's auditors are unaware. Relevant information is defined as "information needed by the Partnership's auditors in connection with the report".

Each member has taken all the steps that he/she ought to have taken as a member in order to make himself/herself aware of any relevant audit information and to establish that the Partnership's auditors are aware of that information.

Signed on behalf of the members:



T Spence
Designated Member
3 July 2020

Registered office
4th Floor
7 Air Street
London
W1B 5AD

Independent auditors' report to the members of Graphite Capital Management LLP

Report on the audit of the financial statements

Opinion

In our opinion, Graphite Capital Management LLP's group financial statements and limited liability partnership financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the limited liability partnership's affairs as at 31 March 2020 and of the group's and the limited liability partnership'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 Annual Report and Financial Statements (the "Annual Report"), which comprise: the consolidated and partnership balance sheets as at 31 March 2020; the consolidated and partnership statements of comprehensive income, the consolidated cash flow statement, and the consolidated and partnership reconciliations of members' interests 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

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the members' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the members have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's and limited liability partnership's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

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 set out on page 2, 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 limited liability partnership'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 limited liability partnership 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.

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 opinion, 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 this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come 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 received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the limited liability partnership, or returns adequate for our audit have not been received from branches not visited by us; or
- the limited liability partnership financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Peter Jourdier (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
3 July 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 March 2020

	<u>Note</u>	<u>2020</u> <u>£'000</u>	<u>2019</u> <u>£'000</u>
Turnover		19,140	15,130
Other operating income		71	326
		<u>19,211</u>	<u>15,456</u>
Other operating expenses		(6,589)	(5,970)
Operating profit	3	<u>12,622</u>	<u>9,486</u>
Interest receivable and similar income	4	5	1
Profit on disposal of investments		3	15
Revaluation of investments	9	(1)	(17)
Profit for the financial year available for discretionary division among members		<u><u>12,629</u></u>	<u><u>9,485</u></u>
Total comprehensive income for the financial year attributable to:			
Owners of the parent		7,602	4,594
Non-controlling interest		5,027	4,891
Total comprehensive income available for discretionary division among members		<u><u>12,629</u></u>	<u><u>9,485</u></u>

Members do not receive salaried remuneration. All of the activities of the LLP are classed as continuing.

The notes on pages 12 to 18 form an integral part of these financial statements.

CONSOLIDATED BALANCE SHEET
as at 31 March 2020

	Note	2020		2019	
		£'000	£'000	£'000	£'000
Fixed assets					
Tangible assets	8		1,833		244
Investments	9		7		8
			<u>1,840</u>		<u>252</u>
Current assets					
Trade debtors		849		585	
Other debtors and prepayments	10	1,374		1,693	
Cash at bank and in hand		<u>5,707</u>		<u>6,405</u>	
Current assets		<u>7,930</u>		<u>8,683</u>	
Creditors: amounts falling due within one year					
Other creditors and accruals	11	<u>(2,022)</u>		<u>(2,077)</u>	
Current liabilities		<u>(2,022)</u>		<u>(2,077)</u>	
Net current assets			5,908		6,606
Total assets less current liabilities			<u>7,748</u>		<u>6,858</u>
Net assets attributable to members			<u>7,748</u>		<u>6,858</u>
Represented by:					
Members' other interests					
Members' capital classified as equity			11		12
Members' other interests - other reserves classified as equity			<u>5,385</u>		<u>5,273</u>
			5,396		5,285
Non-controlling interests	15		2,352		1,573
			<u>7,748</u>		<u>6,858</u>
Total Members' Interests					
Amounts due from members			-		-
Members' other interests			<u>5,396</u>		<u>5,285</u>
			<u>5,396</u>		<u>5,285</u>

The financial statements on pages 5 to 18 were approved by the members on 3 July 2020 and were signed on their behalf by:



M Golser
Designated member



T Spence
Designated member

The notes on pages 12 to 18 form an integral part of these financial statements.
Registered number: OC315612

CONSOLIDATED RECONCILIATION OF MEMBERS' INTERESTS
for the year ended 31 March 2020

	Equity			Debt	Total members' interests
	Members' other interests			Loans and other debts due to members less any amounts due from members in debtors	
	Members' capital (classified as equity)	Other reserves classified as equity	Total		
	£'000	£'000	£'000	£'000	£'000
Year ended 31 March 2019					
Amounts due to members	12	3,221	3,233	-	3,233
Amounts due from members	-	-	-	(2)	(2)
Balance as at 1 April 2018	12	3,221	3,233	(2)	3,231
Profit and total comprehensive income for the financial year available for discretionary division among members	-	4,594	4,594	-	4,594
Members' interests after profit and total comprehensive income for the year	12	7,815	7,827	(2)	7,825
Other divisions of profits	-	(2,542)	(2,542)	2,542	-
Drawings	-	-	-	(2,540)	(2,540)
Balance as at 31 March 2019	12	5,273	5,285	-	5,285
Year ended 31 March 2020					
Balance as at 1 April 2019	12	5,273	5,285	-	5,285
Profit and total comprehensive income for the financial year available for discretionary division among members	-	7,602	7,602	-	7,602
Members' interests after profit and total comprehensive income for the year	12	12,875	12,887	-	12,887
Other divisions of profits	-	(7,490)	(7,490)	7,490	-
Drawings	(1)	-	(1)	(7,490)	(7,491)
Balance as at 31 March 2020	11	5,385	5,396	-	5,396

Loans from members are subordinate to amounts owed to other unsecured creditors. All amounts are owed within one year.

The notes on pages 12 to 18 form an integral part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31 March 2020

	Note	2020		2019	
		£'000	£'000	£'000	£'000
Net cash inflow from operating activities	12		5,283		8,409
Cash flows from investing activities					
Purchase of tangible assets		(1,757)		(240)	
Sale of tangible assets		15		-	
Purchase of investments		-		(6)	
Sale of investments		3		18	
Net cash outflow from investing activities			(1,739)		(228)
Cash flows from financing activities					
Interest received		5		1	
Distribution of capital proceeds		-		(73)	
Capital repaid to former members		(1)		-	
Net cash inflow/(outflow) from financing activities			4		(72)
Transactions with non-controlling interests			(4,246)		(5,093)
(Decrease)/increase in net cash			<u>(698)</u>		<u>3,016</u>
Reconciliation to net cash					
Net cash at 1 April			6,405		3,389
Cash flows			<u>(698)</u>		<u>3,016</u>
Net cash at 31 March			<u>5,707</u>		<u>6,405</u>

The notes on pages 12 to 18 form an integral part of these financial statements.

PARTNERSHIP STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 March 2020


	<u>2020</u> £'000	<u>2019</u> £'000
Turnover	12,720	8,430
Other operating income	247	543
	<u>12,967</u>	<u>8,973</u>
Other operating expenses	(5,390)	(4,349)
Operating profit	<u>7,577</u>	<u>4,624</u>
Interest receivable and similar income	5	-
Profit on disposal of investments	2	-
Profit for the financial year before members' remuneration and profit shares available for discretionary division amongst members	<u>7,584</u>	<u>4,624</u>
Total comprehensive income available for discretionary division among members	<u><u>7,584</u></u>	<u><u>4,624</u></u>

The notes on pages 12 to 18 form an integral part of these financial statements.

PARTNERSHIP BALANCE SHEET
as at 31 March 2020

	Note	2020		2019	
		£'000	£'000	£'000	£'000
Fixed assets					
Tangible assets	8		1,833		244
Investments	9		14		15
			<u>1,847</u>		<u>259</u>
Current assets					
Trade debtors		637		477	
Other debtors and prepayments	10	1,741		1,627	
Cash at bank and in hand		<u>2,463</u>		<u>4,427</u>	
Current assets		<u>4,841</u>		<u>6,531</u>	
Creditors: amounts falling due within one year					
Other creditors and accruals	11	<u>(1,316)</u>		<u>(1,511)</u>	
Current liabilities		<u>(1,316)</u>		<u>(1,511)</u>	
Net current assets			3,525		5,020
Total assets less current liabilities			<u>5,372</u>		<u>5,279</u>
Net assets attributable to members			<u><u>5,372</u></u>		<u><u>5,279</u></u>
Represented by:					
Members' other interests					
Members' capital classified as equity			11		12
Members' other interests - other reserves classified as equity			5,361		5,267
			<u>5,372</u>		<u>5,279</u>
Total Members' Interests					
Amounts due from members			-		-
Members' other interests			<u>5,372</u>		<u>5,279</u>
			<u><u>5,372</u></u>		<u><u>5,279</u></u>

The financial statements on pages 5 to 18 were approved by the members on 3 July 2020 and were signed on their behalf by:



M Golser
Designated member



T Spence
Designated member

The notes on pages 12 to 18 form an integral part of these financial statements.

PARTNERSHIP RECONCILIATION OF MEMBERS' INTERESTS
for the year ended 31 March 2020

	Equity			Debt	Total
	Members' other interests			Loans and other debts due to members less any amounts due from members in debtors	members' interests
	Members' capital (classified as equity)	Other reserves (classified as equity)	Total		
	£'000	£'000	£'000	£'000	£'000
<u>Year ended 31 March 2019</u>					
Amounts due to members	12	3,185	3,197	-	3,197
Amounts due from members	-	-	-	(2)	(2)
Members' Interests as at 1 April 2018	12	3,185	3,197	(2)	3,195
Profit for the financial year available for discretionary division among members	-	4,624	4,624	-	4,624
Members' interests after profit for the year	12	7,809	7,821	(2)	7,819
Other divisions of profits	-	(2,542)	(2,542)	2,542	-
Drawings	-	-	-	(2,540)	(2,540)
Balance as at 31 March 2019	12	5,267	5,279	-	5,279
<u>Year ended 31 March 2020</u>					
Balance as at 1 April 2019	12	5,267	5,279	-	5,279
Profit for the financial year available for discretionary division among members	-	7,584	7,584	-	7,584
Members' interests after profit for the year	12	12,851	12,863	-	12,863
Other divisions of profits	-	(7,490)	(7,490)	7,490	-
Drawings	(1)	-	(1)	(7,490)	(7,491)
Balance as at 31 March 2020	11	5,361	5,372	-	5,372

Loans from members are subordinate to amounts owed to other unsecured creditors. All amounts are owed within one year.

The notes on pages 12 to 18 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2020

1) **General information**

Graphite Capital Management LLP is a limited liability partnership, incorporated in England and Wales and was formed under the Limited Liability Partnerships Act 2000, as amended. The LLP is registered in England and the registered office is: 4th Floor, 7 Air Street, London W1B 5AD.

2) **Summary of significant accounting policies**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented.

a) **Basis of preparation**

The financial statements have been prepared on the going concern basis, under the historical cost convention and comply with the Statement of Recommended Practice on Accounting by Limited Liability Partnerships, as issued in December 2018 and applicable from 1 January 2019, and are in accordance with the Companies Act 2006 as applied to limited liability partnerships. The financial statements have been prepared in accordance with Financial Reporting Standard 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland ('FRS102').

The members of the LLP have reviewed relevant financial forecasts for a period of not less than twelve months from the date of approving these financial statements and are satisfied that the LLP and Group will have sufficient resources available to meet liabilities as they fall due. The members of the LLP therefore consider that it remains appropriate to prepare the financial statements on a going concern basis.

b) **Basis of consolidation**

The Group financial statements include the financial statements of the LLP and its relevant subsidiary undertakings, as listed in Note 9, all of which are made up to 31 March 2020. Intra-group sales and profits are eliminated fully on consolidation.

As permitted by FRS 102, the Partnership has taken advantage of the disclosure exemptions available under the standard in relation to the presentation of the Partnership standalone cash-flow statement. Where required, equivalent disclosures are available and given here in the consolidated statements.

c) **Turnover and expenditure**

Turnover, which excludes value added tax, represents the value of services provided to private equity investment funds managed or advised by the Partnership. All turnover and expenditure is recognised on an accruals basis. All turnover is derived from Europe.

d) **Basic financial instruments**

Cash and cash equivalents

Cash includes cash in hand and deposits held at call with banks with original maturities of three months or less.

The LLP holds no other basic financial instruments.

Trade debtors, other debtors, prepayments and creditors

Trade and other debtors and creditors are recognised initially at transaction price plus attributable transactions costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors.

e) **Functional and presentational currency**

The functional and presentational currency is sterling.

f) **Foreign currencies**

Foreign currency transactions are translated into the functional currency using the spot rates at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Resulting exchange gains or losses are taken to the profit and loss account.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2020 (continued)

2) Summary of significant accounting policies (continued)

g) Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less provision for impairment in value. Impairment reviews are undertaken whenever there is an indication of potential impairment.

Tangible assets are depreciated or amortised so as to write off the cost over the balance of their remaining useful economic lives as follows:

Office equipment	20% per annum straight line basis
Office furniture & fittings	12.5% per annum straight line basis
Computers	50% per annum straight line basis
Leasehold improvements	Over the term of the lease

h) Operating leases

Costs in respect of operating leases are charged to the profit and loss account on a straight line basis over the term of the lease. Incentives received to enter into an operating lease are credited to the profit and loss account, to reduce the lease expense, on a straight-line basis over the period of the lease.

i) Taxation

No provision has been made for taxation in the financial statements. Each member is liable for any tax liabilities arising from their interest in the LLP.

j) Investments

Investments are initially recognised at fair value, being the transaction price. Investments in subsidiaries are subsequently held at cost less impairment. Other investments are subsequently carried at fair value. Any changes are recognised in the Statement of Comprehensive Income.

k) Allocation of Profits

Members only receive drawings to the extent that there are sufficient profits available. Some drawings are typically made during the year with the remaining profits being allocated and divided between members after the finalisation of the financial statements. All payments are made subject to the cash requirements of the business.

l) Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The cost less impairment valuation of subsidiaries is based on the financial statements of the entities in which the Group has an interest. The fair value of investments is based on the valuation of investments prepared by the manager of the limited partnership funds in which the Group has an interest. There are no other balances including a high degree of judgement or estimation uncertainty that are significant to the audited financial statements.

m) Limited partnership funds

Certain entities in the Group act as general partners to a number of limited partnerships formed to make private equity investments.

n) Non-Controlling Interests

Non-Controlling Interests represent the interests of members of Graphite Capital Advisors LLP, Graphite Capital General Partner VII LLP and Graphite Capital General Partner VIII LLP who are not part of the Group.

o) Related Party Transactions

The Partnership discloses transactions with related parties which are not wholly owned within the same group. In accordance with FRS102 para 1.12 (e) it does not disclose transactions with members of the same group that are wholly owned.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2020 (continued)

3) Operating profit

Operating profit is stated after charging:

Depreciation - owned assets

Operating leases - property

Services provided by the LLP's auditors:

Fees payable for the audit of the LLP and Group financial statements

Fees payable to the LLP's auditors for other services:

The audit of the LLP's subsidiaries and associated companies

Audit related assurance services

Tax compliance

Total amount payable to the LLP's auditors

Group 2020	Group 2019
£'000	£'000
168	25
882	596
29	30
27	25
7	15
58	67
121	137

4) Interest receivable and similar income

Bank interest

Group 2020	Group 2019
£'000	£'000
5	1

5) Staff costs

All employees of the Group had contracts of employment with a subsidiary, Graphite Capital Services Limited.

Employees

The monthly average number of staff employed by Graphite Capital Services Limited was 21 (2019: 22). All staff support the provision of investment services.

Staff costs (for the above persons)

Wages and salaries

Social security costs

Company pension contributions to defined contribution schemes

Group 2020	Group 2019
£'000	£'000
2,484	2,159
302	259
208	236
2,994	2,654

The Group operates a defined contribution pension scheme for its employees. The amount recognised in the balance sheet is nil (2019: nil).

6) Information relating to members

a) Average number of members

b) Profit for the financial year before members' remuneration and profit shares available for discretionary division amongst members, divided by the statutory average number of members during the year

c) Profit attributable to the member with the largest entitlement

Group 2020	Group 2019
No.	No.
16	16
£'000	£'000
474	287
£'000	£'000
825	253

A total of £3,090,000 was paid in respect of compensation to key management personnel (2019: £1,346,000).

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2020 (continued)

7) Tax on profit on ordinary activities

Tax rate changes

Changes to the UK corporation tax rates were substantively enacted as part of the Finance Bill 2016 (on 6 September 2016). These include reductions to the main rate to reduce the rate to 17% from April 2020. Deferred taxes at the balance sheet date have been measured using this enacted tax rate and reflected in these financial statements.

In November 2019, the Prime Minister announced that he intended to cancel the further reduction in the corporation tax rate from 19% to 17%. This announcement does not constitute substantive enactment and therefore deferred taxes at the balance sheet date continue to be measured at the enacted rate of 17%. However, it is possible that the corporation tax rate remains at 19% after 1 April 2020.

Tax assessed for the year is lower (2019: lower) than the standard rate of corporation tax in the UK in the year ended 31 March 2020.

As at the end of March 2020 the Group has a potential deferred tax asset of £5,122,000 (2019: £4,623,000) arising from excess management expenses. The deferred tax on these losses has not been recognised in these financial statements as it is uncertain whether it will be utilised. These losses will only be utilised if there are taxable profits in the future. As the unrecognised deferred tax asset is not expected to crystallise in the near future this has been revalued using the 1 April 2020 expected tax rate of 17%.

Factors affecting tax charge for the year:

	2020	2019
	£'000	£'000
Profit on ordinary activities before tax	12,629	9,485
Profit on ordinary activities multiplied by standard rate in the UK of 19% (2019: 19%)	2,399	1,802
Effect of:		
- income attributable to the LLP and taxable on members directly	(2,399)	(1,802)
	-	-

Income tax payable on the LLP's profits is solely the personal liability of the individual members and consequently is not dealt with in these financial statements.

8) Tangible Assets

Group & Partnership

	Office Equipment	Office Furniture & Fittings	Computers	Leasehold Improvements	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 April 2019	50	283	268	1,944	2,545
Additions	4	317	28	1,408	1,757
Disposals	1	283	-	1,729	2,013
At 31 March 2020	53	317	296	1,623	2,289
Accumulated depreciation					
At 1 April 2019	28	281	264	1,728	2,301
Charge for the year	6	31	8	123	168
Disposals	1	283	-	1,729	2,013
At 31 March 2020	33	29	272	122	456
Net book value at 31 March 2019	22	2	4	216	244
Net book value at 31 March 2020	20	288	24	1,501	1,833

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2020 (continued)

9) Investments

Investments comprise the following:

Year ended:	Group 31 March 2020	Partnership 31 March 2020	Group 31 March 2019	Partnership 31 March 2019
	£'000	£'000	£'000	£'000
At 1 April	8	15	22	12
Purchases in the year	-	-	6	6
Sales proceeds in the year	(3)	(3)	(18)	(2)
Realised gain/(loss) on investments	3	2	15	(1)
Revaluation of investments	(1)	-	(17)	-
At 31 March	7	14	8	15

Investments include interests in various funds managed by Graphite Capital Management LLP or its subsidiaries.

Consolidated subsidiary undertakings comprise the following:

<u>Name/Nature of business</u>	<u>Country of registration/ registration number</u>	<u>Direct/ indirect holding</u>	<u>Class of shares</u>	<u>% nominal value/voting rights held by Parent</u>	<u>% nominal value/voting rights held by Group</u>
Graphite Capital Services Limited * - Supplier of staff	England 05623766	Direct	£1 Ords	100%/100%	100%/100%
Graphite Capital General Partner VII LLP - General partner of limited partnerships	England OC327780	Direct	Capital	75%/75%	80%/80%
Graphite Capital General Partner VIII LLP - General partner of limited partnerships	England OC382408	Direct	Capital	75%/75%	80%/80%
Graphite Capital General Partner IX LLP - General partner of limited partnerships	England OC421454	Direct	Capital	33.3%/33.3%	100%/100%
Graphite Capital GP LLP * - General partner of limited partnerships	England OC395337	Direct	Capital	75%/75%	100%/100%
Graphite Capital Investment Management Limited - Procurement of investment advisory and fund administration services	England 05650699	Indirect	£1 Ords	0%/0%	100%/100%
Graphite Capital Private Equity Limited * (formerly Graphite Capital Equity Co. Limited) - Corporate member of LLPs	England 08717937	Indirect	£1 Ords	0%/0%	100%/100%
Graphite Capital Advisors LLP - Private equity advisor	England OC390274	Indirect	Capital	0%/0%	75%/78%
Graphite Capital (Guernsey) Limited - Corporate member of LLP	Guernsey 64846	Indirect	Capital	0%/0%	100%/100%

* unaudited, exempt from audit under Section 479A of the Companies Act 2006.

In the opinion of the members, the value of the subsidiary undertakings is not less than the amount at which they are stated in these financial statements. The registered address of all subsidiary undertakings with the exception of Graphite Capital (Guernsey) Limited is the same as the LLP's. The registered address of Graphite Capital (Guernsey) Limited is Third Floor, La Plaiderie Chambers, La Plaiderie, St Peter Port, Guernsey GY1 1WG.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2020 (continued)

10) Other debtors and prepayments

	Group As at 31 March 2020	Partnership As at 31 March 2020	Group As at 31 March 2019	Partnership As at 31 March 2019
	£'000	£'000	£'000	£'000
Amounts owed by associated companies	-	449	14	53
Prepayments and accrued income	769	694	1,056	956
Other debtors	605	598	623	618
	<u>1,374</u>	<u>1,741</u>	<u>1,693</u>	<u>1,627</u>

Group and partnership prepayments and accrued income includes a group and partnership prepayment of £131,000 (2019: £394,000) falling due after more than one year.

11) Other creditors and accruals

	Group As at 31 March 2020	Partnership As at 31 March 2020	Group As at 31 March 2019	Partnership As at 31 March 2019
	£'000	£'000	£'000	£'000
Trade creditors	85	85	99	99
Amounts owed to associated companies	-	151	-	-
Taxation and social security	48	-	50	-
Accruals and deferred income	1,177	367	1,762	1,189
Other creditors	712	713	166	224
	<u>2,022</u>	<u>1,316</u>	<u>2,077</u>	<u>1,512</u>

12) Notes to the statement of cash flows

Reconciliation of profit for the financial year to net cash inflow from operating activities:

	Group 2020	Group 2019
	£'000	£'000
Operating profit for the financial year	12,622	9,486
Depreciation and amortisation of fixed assets	168	24
Profit on sale of fixed assets	(15)	-
Profit on sale of investments	(3)	-
Decrease in debtors	55	400
(Decrease)/increase in creditors	(53)	967
Drawings	(7,491)	(2,468)
Net cash inflow from operating activities	<u>5,283</u>	<u>8,409</u>

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2020 (continued)

13) Transactions with related parties

Graphite Capital Investment Management Limited, a subsidiary of the LLP, is a member of Graphite Capital General Partner VII LLP, also a subsidiary of the LLP. Members' drawings of £41,226 (2019: £334,878) were received by Graphite Capital Investment Management Limited from Graphite Capital General Partner VII LLP in the period. A balance of £4,795 (2019: £10,156) was owed by Graphite Capital Investment Management Limited to Graphite Capital General Partner VII LLP at the year end.

Graphite Capital Investment Management Limited, a subsidiary of the LLP, is a member of Graphite Capital General Partner VIII LLP, also a subsidiary of the LLP. Members' drawings of £2,493,861 (2019: £3,306,346) were received by Graphite Capital Investment Management Limited from Graphite Capital General Partner VIII LLP in the period. A balance of £89,898 (2019: £70,170) was owed by Graphite Capital Investment Management Limited to Graphite Capital General Partner VIII LLP at the year end.

Graphite Capital General Partner VIII LLP, a subsidiary of the LLP, was the general partner of Graphite Capital General Partner VIII (Guernsey) LP during the year, which is owned by the individuals who are members of the LLP. Members' drawings of £7,050,116 (2019: £7,565,509) were received by Graphite Capital General Partner VIII LLP from Graphite Capital General Partner VIII (Guernsey) LP during the year. A balance of £nil (2019: £14,072) was owed by Graphite Capital General Partner VIII (Guernsey) LP to Graphite Capital General Partner VIII LLP at the year end.

Advantage has been taken of the exemption available under FRS 102 not to disclose transactions between entities, 100% of whose voting rights are controlled within the Group.

14) Operating lease commitments

Commitments under non-cancellable operating leases are as follows:

	Group As at 31 March 2020	Partnership As at 31 March 2020	Group As at 31 March 2019	Partnership As at 31 March 2019
Land and buildings	£'000	£'000	£'000	£'000
Not later than one year	699	699	684	684
Later than one year and not later than five years	2,798	2,798	2,798	2,798
Payable in over five years	3,478	3,478	3,672	3,672
	6,975	6,975	7,154	7,154

15) Non-controlling interests

Non-controlling interests represent the interests of the members of Graphite Capital General Partner VII LLP, Graphite Capital General Partner VIII LLP and Graphite Capital Advisors LLP who are not part of the Graphite Capital Management LLP corporate group.

	Group As at 31 March 2020	Group As at 31 March 2019
	£'000	£'000
Non-controlling interests at the beginning of the year	1,573	1,775
Profit for the financial year attributable to minority interests	5,027	4,891
Non-controlling interests after profit for the year	6,600	6,666
Capital repaid	(1)	-
Distributions	(4,247)	(5,093)
Non-controlling interests at the end of the year	2,352	1,573

16) Major Subsequent Events

The spread of Covid-19 coronavirus continues to have a material impact on many economies globally, including the UK, both through the effects of the virus itself and the measures taken by governments to restrict its spread. The members continue to monitor the risks and uncertainties arising from this situation. At the time of signing the members estimate that there is no financial impact on the Group.

There have been no other significant events affecting the Group since 31 March 2020.