

TOSCAFUND ASSET MANAGEMENT LLP

Annual Report and Financial Statements

For the year ended 31 December 2020



TOSCAFUND ASSET MANAGEMENT LLP

Report and financial statements 2020

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TOSCAFUND ASSET MANAGEMENT LLP

Report and financial statements 2020

OFFICERS AND PROFESSIONAL ADVISERS

Designated Members

M B Hughes
Toscafund Limited

Registered office

Ferguson House
15 Marylebone Road
London
NW1 5JD

Bankers

Royal Bank of Scotland
280 Bishopsgate
London
EC2M 4RB

Solicitors

Addleshaw Goddard
Milton Gate
60 Chiswell Street
London
EC1Y 4AG

Auditor

Mazars LLP
Chartered Accountants and Statutory Auditor
The Pinnacle
160 Midsummer Boulevard
Milton Keynes MK9 1FF

TOSCAFUND ASSET MANAGEMENT LLP

Members' report

The members present their report with the financial statements for Toscafund Asset Management LLP ("the LLP") for the year ended 31 December 2020.

Principal activity

The principal activity of the LLP in the period under review was that of investment fund management in respect of the Tosca Funds. The LLP has been authorised by the Financial Conduct Authority ("FCA") to act in this capacity.

The LLP also provides services to affiliated entities in the Old Oak Holdings Limited group.

Review of business

The results for the LLP for the year under review and its financial position are as shown in the attached financial statements on pages 9 to 11.

The members are satisfied with the LLP's performance during the year. The growth in the financial markets aided this performance but was not responsible for it; the growth in the funds under management being the result of the investment teams' ability and diligence. The members are confident that strong results will continue to be produced in subsequent years.

Designated members

The designated members during the period under review were:

M B Hughes
Toscafund Limited

Results for the year

The profit for the year before members' remuneration and profit shares was £14,403,404 (2019: £16,562,988).

Members' interests

All partners share in the profits and have subscribed for the entire equity of the LLP. The repayment of equity contributed is dependent upon the members' approval. The rate of equity subscription is determined from time to time depending upon the financing requirements of the business.

Partners receive monthly drawings on account of their profit share. Once the statutory accounts for the relevant financial year have been approved, each member's profit share is credited to their respective drawings accounts with the intention of discharging their liability to the LLP.

The LLP monitors any conflicts between the partnership's cash flow requirements and the drawings policy for members.

Charitable contributions

During the period the LLP made charitable donations totalling £59,301 (2019: £167,009). These donations covered a broad spectrum of needs and included charities for the benefit of children and medical research.

It is the intention of the members to continue to support such charitable causes.

TOSCAFUND ASSET MANAGEMENT LLP

Members' report (continued)

Going concern

After making enquiries and based on their knowledge of the economic environment and the financial industry in particular, the designated members have formed a judgement, at the time of approving the financial statements, that the LLP has adequate resources to continue in operational existence for the foreseeable future. The LLP derives its fees from the Tosca Funds under its management and projections made in respect of this income show that it is more than adequate to sustain the LLP business well into the future even when possible further market fluctuations are considered. For this reason the designated members continue to adopt the going concern basis in preparing the financial statements.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The partnership's activities expose it to a number of financial risks including credit risk and liquidity risk. The partnership regard the monitoring and controlling of risk as a fundamental part of the management process. A more detailed explanation of the risks to which the partnership is exposed, and its strategy for managing these risks, is provided in notes 14 and 17.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO THE AUDITOR

Each of the persons who is a member at the date of approval of this report confirms that:

- so far as the member is aware, there is no relevant audit information of which the LLP's auditor is unaware; and
- the member has taken all the steps that he ought to have taken as a member in order to make himself aware of any relevant audit information and to establish that the LLP's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of S485 of the Companies Act 2006.

Auditor

The designated members will propose that the LLP re-appoints Mazars LLP as auditor for the forthcoming year.

Approved by the Members
and signed on their behalf

martin hughes
martin hughes (Apr 22, 2021 11:43 GMT+1)

M B Hughes - Designated Member

22 April 2021

TOSCAFUND ASSET MANAGEMENT LLP

Statement of members' responsibilities

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

The Limited Liability Partnerships (Accounts & Audit) (Application of Companies Act 2006) Regulations 2008 require the members to prepare financial statements for each financial year. Under that law the members have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". The financial statements are required by law to give a true and fair view of the state of affairs of the firm and of the LLP and of its profit or loss for that period. In preparing these financial statements, the members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the firm will continue in business.

The members are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the firm and enable them to ensure that the financial statements comply with the Companies Act 2006, as applicable to limited liability partnerships. They are also responsible for safeguarding the assets of the firm and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report to the members of Toscafund Asset Management LLP

Opinion

We have audited the financial statements of Toscafund Asset Management LLP (the 'LLP') for the year ended 31 December 2020 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Changes in Members' 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 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the LLP's affairs as at 31 December 2020 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 as applied to limited liability partnerships.

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 LLP 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 members' 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 LLP's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

Independent auditor's report to the members of Toscafund Asset Management LLP (continued)

Other information

The members are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion 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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 as applied to limited liability partnerships 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
- we have not received all the information and explanations we require for our audit.

Responsibilities of Members

As explained more fully in the Members' Responsibilities Statement set out on page 4, the members 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 members 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 LLP's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the members either intend to liquidate the LLP 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.

Independent auditor's report to the members of Toscafund Asset Management LLP (continued)

Auditor's responsibilities for the audit of the financial statements (continued)

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 LLP, we identified that the principal risks of non-compliance with laws and regulations related to the non-compliance with anti-bribery, employment regulation, general data protection regulation, fraud and money laundering, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements, such as the Companies Act 2006 as applied to as applied to limited liability partnerships.

We evaluated the members' and management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to loss reserves, and significant one-off or unusual transactions.

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements. Our audit procedures included but were not limited to:

- Discussing with the members and management their policies and procedures regarding compliance with laws and regulations;
- Communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the LLP which were contrary to applicable laws and regulations, including fraud.

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

- Making enquiries of the members 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.

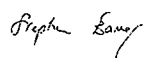
There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion,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

Independent auditor's report to the members of Toscafund Asset Management LLP (continued)

Use of the audit report

This report is made solely to the LLP'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 LLP'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 LLP and the LLP's members as a body for our audit work, for this report, or for the opinions we have formed.



Stephen Eames (Senior Statutory Auditor) for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
The Pinnacle
160 Midsummer Boulevard
Milton Keynes
MK9 1FF

Date: 22 April 2021

TOSCAFUND ASSET MANAGEMENT LLP

Profit and loss account

For the year ended 31 December 2020

	Notes	2020 £	2019 £
Turnover	1,2	26,786,833	29,015,857
Fee rebates		(320,351)	(965,921)
Administrative expenses		(12,468,377)	(12,238,601)
Gain in value of investments	9	19,476	34,510
Other operating income		376,886	697,672
Operating profit	4	14,394,467	16,543,517
Interest receivable and similar income	5	8,937	19,471
Profit for the financial year before members' remuneration and profit shares available for discretionary division among the members		<u>14,403,404</u>	<u>16,562,988</u>

All activities relate to continuing operations.

Statement of comprehensive income

The LLP has no other comprehensive income other than the results stated above, hence a statement of comprehensive income is not presented.

The notes on pages 12 to 23 form part of these financial statements

TOSCAFUND ASSET MANAGEMENT LLP

(company registration number OC320318)

Balance sheet

As at 31 December 2020

	Notes	2020 £	2019 £
FIXED ASSETS			
Tangible assets	6	3,125,334	65,411
Investments	7	274	284
		<u>3,125,608</u>	<u>65,695</u>
CURRENT ASSETS			
Debtors receivable within one year	8	14,115,209	19,727,109
Investments	9	437,163	417,687
Cash at bank and in hand		<u>2,567,515</u>	<u>3,895,288</u>
		17,119,887	24,040,084
CREDITORS - amounts falling due within one year	10	<u>(4,983,418)</u>	<u>(4,811,959)</u>
NET CURRENT ASSETS		<u>12,136,469</u>	<u>19,228,125</u>
NET ASSETS ATTRIBUTABLE TO MEMBERS		<u>15,262,077</u>	<u>19,293,820</u>
REPRESENTED BY:			
TOTAL MEMBERS' INTERESTS			
Equity			
Members' capital classified as equity		23,105,000	23,105,000
Members' other interests – other reserves classified as equity	11	<u>(7,842,923)</u>	<u>(3,811,180)</u>
		<u>15,262,077</u>	<u>19,293,820</u>

These financial statements were approved and authorised for issue by the Members on 22 April 2021.

Signed on behalf of the Members

martin hughes

martin hughes (Apr 22, 2021 11:43 GMT+1)

M B Hughes – Designated Member

The notes on pages 12 to 23 form part of these financial statements

TOSCAFUND ASSET MANAGEMENT LLP

Statement of changes in members' equity For the year ended 31 December 2020

	Members' other interests				
	Members' capital (classified as equity) £	Reserves £	Total £	Other allocated reserves £	Total £
Balance at 31 December 2018	23,110,000	-	23,110,000	(2,768,640)	20,341,360
Profit for the financial year available for discretionary division among members	-	16,562,988	16,562,988	-	16,562,988
Total profit for the year	23,110,000	16,562,988	39,672,988	(2,768,640)	36,904,348
Division of profit	-	(16,562,988)	(16,562,988)	16,562,988	-
Introduced by members	5,000	-	5,000	-	5,000
Withdrawn by members	(10,000)	-	(10,000)	(17,605,528)	(17,615,528)
Balance at 31 December 2019	23,105,000	-	23,105,000	(3,811,180)	19,293,820
Profit for the financial year available for discretionary division among members	-	14,403,404	14,403,404	-	14,403,404
Total profit for the year	23,105,000	14,403,404	37,508,404	(3,811,180)	33,697,224
Division of profit	-	(14,403,404)	(14,403,404)	14,403,404	-
Introduced by members	-	-	-	-	-
Withdrawn by members	-	-	-	(18,435,147)	(18,435,147)
Balance at 31 December 2020	23,105,000	-	23,105,000	(7,842,923)	15,262,077

TOSCAFUND ASSET MANAGEMENT LLP

Notes to the accounts

For the year ended 31 December 2020

1 ACCOUNTING POLICIES

The LLP is incorporated in England and Wales under the Limited Liability Partnership Act 2000. Its registered office and registered business address is 90 Long Acre, London, WC2E 9RA. Its principal activities are set out in the Members' Report.

The detailed accounting requirements relating to Limited Liability Partnerships are set out in the Limited Partnership Regulations 2001 (SI 2001/1090), as amended by The Limited Liability Partnerships (Amendment) Regulations 2005 (SI 2005/1989).

Accounting convention

The financial statements have been prepared under the historical cost convention, modified for the revaluation of financial assets and liabilities and in accordance with Financial Reporting Standard 102 (FRS 102), "The Financial Reporting Standard applicable in the UK and Republic of Ireland" issued by the Financial Reporting Council and the requirements of the Statement of Recommended Practice Accounting by Limited Liability Partnerships (issued December 2018).

Toscafund Asset Management LLP meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it. Exemptions have been taken in relation to financial instruments, presentation of a cashflow, intra-group transactions and remuneration of key management personnel.

Going concern

The business activities of the LLP, together with the factors likely to affect their future development, are set out in the Members' Report.

After making enquiries and based on their knowledge of the economic environment and the financial industry in particular, the designated members have formed a judgement, at the time of approving the financial statements, that the LLP has adequate resources to continue in operational existence for the foreseeable future. The LLP derives its fees from the Tosca Funds under its management and projections made in respect of this income show that it is more than adequate to sustain the LLP's business well into the future even when possible further market fluctuations are considered. For this reason the designated members continue to adopt the going concern basis in preparing the financial statements.

Consolidation

The LLP is exempt from preparing group financial statement under s401 of the Companies Act 2006. Accordingly, these financial statement presents information about the LLP as an individual undertaking and not about its group. Group financial statements are prepared by the LLP's ultimate parent company, Old Oak Holdings Limited (see note 14).

Tangible fixed assets

Office equipment and fixtures and fittings are stated at cost less accumulated depreciation and any recognised impairment. Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life:

Office equipment	-	25% on reducing balance
Fixtures and fittings	-	25% on reducing balance

TOSCAFUND ASSET MANAGEMENT LLP

Notes to the accounts

For the year ended 31 December 2020

1. ACCOUNTING POLICIES (CONTINUED)

Foreign currencies

The LLPs functional currency is Sterling. Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken to the profit and loss account.

Taxation

The taxation payable on profits of the Limited Liability Partnership is the personal liability of the partners and is not dealt with in these financial statements.

Turnover

Turnover represents all fees earned as a result of the partnership's investment management activities as calculated in accordance with the investment prospectuses of the funds. Management and performance fees are recognised when earned and where all performance conditions have been met and are charged to the funds in arrears.

Revenue is measured at the fair value of the consideration received or receivable and represents all fees and commissions earned as a result of the LLP's investment management activities, recorded on a transaction date basis.

Interest income is accrued on a time basis, by reference to the principal outstanding and the effective interest rate applicable.

Pension costs

The LLP operates a defined contribution scheme where the amount charged to the profit and loss account in respect of pension costs is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Financial instruments

The LLP classifies its financial instruments as "Loans and receivables", "Financial liabilities at amortised cost", "Available-for-sale financial asset investments" and "Financial assets at fair value through profit and loss". The classification depends on the purpose of the financial instruments. Management determines the classification of these financial instruments at initial recognition and re-evaluates this designation at each reporting date.

(i) Loans and receivables

These amounts include short-term loans and sundry receivables, classified as debtors due in less than one year or more than one year according to the maturity date of the transactions as shown on the balance sheet. They are non-derivative financial assets with fixed or determinable payment dates that are not quoted in an active market. They are measured at amortised cost using the effective interest rate method less any impairment.

(ii) Financial liabilities at amortised cost

These amounts include short-term payables and sundry creditors, classified as creditors due in less than one year or more than one year according to the maturity date of the transactions as shown on the balance sheet. They are non-derivative financial liabilities with fixed or determinable payments that are not quoted in an active market. They are measured at amortised cost using the effective interest rate method.

TOSCAFUND ASSET MANAGEMENT LLP

Notes to the accounts

For the year ended 31 December 2020

1. ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

(ii) Financial liabilities at amortised cost (continued)

- Amounts owed by and owed to group undertakings and participating interests include non-trading balances. Non-trading balances are disclosed net, where appropriate.

(iii) Financial assets at fair value through profit or loss

- Financial assets are initially recognised at fair value, and are subsequently re-measured at fair value based on the fair valued assets less fair valued liabilities in the funds. Changes in the fair value are recorded in the profit and loss account. Current asset investments are included in this category.

(iv) Available-for-sale financial asset investments

- The LLP's fixed asset investments are classified as available for sale financial assets. As these are not quoted in an active market they are held at cost as their value cannot be reliably determined. These investments are subject to regular impairment reviews.

Members' remuneration

The division of profits between the members is on a discretionary basis and is recognised as an appropriation of equity when the division occurs.

Netting of balances

Amounts due to and from counterparties are shown net where there is a currently enforceable legal right to set off the recognised amounts and the LLP intends to settle on a net basis.

Members' capital policy

The members ensure that the LLP has sufficient capital at all times. Should the members wish to increase reserves at any time they will withhold profit distributions until the required level of capital has been achieved.

Critical judgements and key sources of estimation uncertainty

No areas of significant importance to the accounts are subject to critical judgement. Accordingly, there are no key sources of estimation uncertainty.

2. TURNOVER

Turnover and profit before taxation are attributable to the principal activity of the LLP of asset management which, for the purposes of segmental analysis, the members regard as one single activity taking place in the United Kingdom.

TOSCAFUND ASSET MANAGEMENT LLP

Notes to the accounts

For the year ended 31 December 2020

3. EMPLOYEE INFORMATION

	Year ended 31 December 2020 £	Year ended 31 December 2019 £
Wages and salaries	2,515,006	2,312,640
Social security costs	331,240	313,914
Pension costs	165,187	151,550
	<u>3,011,433</u>	<u>2,778,104</u>

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

	Year ended 31 December 2020	Year ended 31 December 2019
Asset management	4	4
Administration	12	11
	<u>16</u>	<u>15</u>

The average monthly number of members during the year was as follows:

	Year ended 31 December 2020	Year ended 31 December 2019
Asset management	13	13
Administration	10	10
	<u>23</u>	<u>23</u>

In 2019, the member with the largest profit entitlement received £5,690,452. In 2020, the member with the largest profit entitlement received £3,694,882.

TOSCAFUND ASSET MANAGEMENT LLP

Notes to the accounts

For the year ended 31 December 2020

4. OPERATING PROFIT

	Year ended 31 December 2020 £	Year ended 31 December 2019 £
The operating profit is stated after charging/(crediting):		
(Gain) in the value of investments	(19,476)	(34,510)
Depreciation	394,228	40,854
Auditor's remuneration: - Fees for the audit of the LLP's accounts	27,000	27,300
- Limited Assurance CASS Review	1,520	1,520
Foreign exchange differences	(76,034)	54,597

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	Year ended 31 December 2020 £	Year ended 31 December 2019 £
Interest receivable on bank balances	8,937	19,471

6. TANGIBLE FIXED ASSETS

	Leasehold property	Office equipment £	Furniture and fittings £	Total £
Cost				
At 1 January 2020	96,014	175,411	109,444	380,869
Additions in the year	3,293,454	40,561	120,136	3,454,151
At 31 December 2020	3,389,468	215,972	229,580	3,835,020
Depreciation				
At 1 January 2020	95,543	122,719	97,196	315,458
Charge for the year	329,817	28,077	36,334	394,228
At 31 December 2020	425,360	150,796	133,530	709,686
Net book value				
At 31 December 2020	2,964,108	65,176	96,050	3,125,334
At 31 December 2019	471	52,692	12,248	65,411

TOSCAFUND ASSET MANAGEMENT LLP

Notes to the accounts

For the year ended 31 December 2020

7. FIXED ASSET INVESTMENTS

	Subsidiary undertakings £	Total £
1 January 2020	284	284
Disposal	(10)	(10)
31 December 2020	<u>274</u>	<u>274</u>

<u>Subsidiaries</u>	Country of Incorporation	Principal Activity	Holding	%
Toscafund GP Limited	United Kingdom	Investment Fund Management	Voting interest	100
Toscafund GP (7) Limited	United Kingdom	Investment vehicle	Voting interest	100
Toscafund Carry GP Limited	Cayman Islands	Investment vehicle	Voting interest	100
Tosca Debt Capital GP II LLP	United Kingdom	Investment vehicle	Voting interest	100
Tosca Debt Capital GP III LLP	United Kingdom	Investment vehicle	Voting interest	100
Tosca Debt Capital LLP	United Kingdom	Investment vehicle	Voting interest	100
Tosca Debt Limited	United Kingdom	Investment vehicle	Voting interest	100
TDC Carry LP	United Kingdom	Investment vehicle	Voting interest	100
Tosca Carry GP LLP	United Kingdom	Investment vehicle	Voting interest	100
Toscafund Carry LP	United Kingdom	Investment vehicle	Voting interest	100
Toscafund US Limited	United States of America	Marketing	Voting interest	100
Toscafund PTY Ltd	Australia	Marketing	Voting interest	100
TPIF GP Carry SARL	Luxembourg	Investment Fund Management	Voting interest	100

Registered office

United Kingdom entities	5th Floor, Ferguson House, 15 Marylebone Road, London, NW1 5JD
Cayman Island entities	PO Box 309 GT, Uglan House, George Town, Grand Cayman, KY1-1104, Cayman Islands
United States of America Company	Suite 108/109, 34 East Putnam Avenue, Greenwich, Connecticut, 06830, USA
Australian company	Level One, 500 Collins Street, Melbourne, Victoria 3000, Australia
Luxembourg entity	20 rue de la Poste, L-2346 Luxembourg

TOSCAFUND ASSET MANAGEMENT LLP

Notes to the accounts

For the year ended 31 December 2020

8. DEBTORS RECEIVABLE WITHIN ONE YEAR

	2020	2019
	£	£
Due in one year		
Trade debtors	10,918,158	10,874,810
Other debtors	1,319,634	7,691,505
VAT	544,639	33,251
Prepayments and accrued income	390,398	355,934
Amounts due from subsidiary companies	918,271	750,635
Amounts due from associated entities	24,109	54,225
	<u>14,115,209</u>	<u>19,727,109</u>

The carrying amounts for debtors approximate their fair values and there are no balances that are impaired or past due. All debtors indicated above have arisen within the year under review.

9. CURRENT ASSET INVESTMENTS

	2020	2019
	£	£
Value as at 1 January	417,687	383,177
Gain/(loss) in value of investments retained	19,476	34,510
Value at 31 December	<u>437,163</u>	<u>417,687</u>

The investment referred to above represent shares purchased in one of the funds managed by the LLP. All of the shares are unquoted and held at fair value based on the net asset value of the fund per share.

Part of this investment is linked to amounts payable to staff members under the LLP's deferred profit distribution scheme. When the related payments become due and amounts are payable the appropriate number of shares can be sold and the payments made from the sales proceeds or, alternatively, the shares can be distributed in specie. The payment is linked to the performance of the investment so that movements in the market value of this proportion of the investment is of no direct benefit (or cost should the value fall below cost) to the partnership.

TOSCAFUND ASSET MANAGEMENT LLP

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For the year ended 31 December 2020

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2020 £	2019 £
Trade creditors	203,190	295,551
Social security and other taxes	256,866	224,850
Due to subsidiary entities	888,525	1,019,062
Accruals and deferred income	3,634,837	3,272,496
	<u>4,983,418</u>	<u>4,811,959</u>

The carrying amounts for creditors approximate their fair values. All creditors indicated above have arisen within the year under review.

11. OTHER RESERVES

	2020 £	2019 £
Amounts owed by members in respect of profits	<u>(7,842,923)</u>	<u>(3,811,180)</u>

12. OPERATING LEASE COMMITMENTS

The following non-cancellable operating lease payments are committed to be paid:

	Land and buildings	
	2020 £	2019 £
Within one year	-	-
Within two to five years	3,076,919	-
In more than five years	3,550,291	-
Total	<u>6,627,210</u>	<u>-</u>

TOSCAFUND ASSET MANAGEMENT LLP

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For the year ended 31 December 2020

13. RELATED PARTY DISCLOSURES

During the year, Old Oak Holdings Limited, a company 100% owned by Mr M B Hughes who is one of the designated partners of the LLP, levied management charges of £197,864 (2019: £228,226) for the services of its directors. The amount still owing at the year-end was £197,864 (2019: £228,266).

During the year Toscafund Limited recharged rent, property and insurance service costs of £947,085 (2019: £654,767) to the LLP.

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT POLICIES

The LLP's activities expose it to a number of financial risks including credit risk and liquidity risk. The LLP regards the monitoring and controlling of risk as a fundamental part of the management process. A more detailed explanation of the risks to which the LLP is exposed, and its strategy for managing these risks, is provided below.

Market risk

The LLP has market risk exposure in respect of equity shareholdings held in Tosca funds. While some of the equity shareholdings are held to provide staff bonus entitlements, a proportion of the shareholdings are maintained for the benefit of the partnership. The market risk associated with these positions is monitored on a regular basis.

Assets and liabilities held at fair value

The LLP utilises market data or assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable. The LLP primarily applies the market approach for recurring fair value measurements and endeavours to utilise the best available information. Accordingly, the LLP utilises valuation techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. The LLP is able to classify fair value balances based on the observability of those inputs. The determination of the classification gives the highest priority to unadjusted quoted prices in active exchange markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement).

The three levels of the fair value hierarchy are as follows:

Level 1 — Quoted prices are available in active exchange markets for identical assets or liabilities as of the reporting date. Active exchange markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis. Level 1 primarily consists of financial instruments such as exchange traded derivatives and listed equities.

Level 2 — Quoted prices in active and inactive markets are not available; however, pricing inputs are either directly or indirectly observable as of the reporting date. Level 2 includes those financial instruments that are valued using models or other valuation methodologies. These models are primarily industry standard models that consider various assumptions, including quoted forward prices for commodities, time value, volatility factors, and current market and contractual prices for the underlying instruments, as well as other relevant economic data. Substantially all of these assumptions are observable in the marketplace throughout the full term of the instrument, can be derived from observable data or are supported by observable levels at which transactions are executed in the marketplace. Instruments in this category include non-exchange traded derivatives such as, forwards, swaps and options and certain exchange traded/cleared derivatives.

TOSCAFUND ASSET MANAGEMENT LLP

Notes to the accounts

For the year ended 31 December 2020

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT POLICIES (CONTINUED)

Assets and liabilities held at fair value (continued)

Level 3 — Pricing inputs include significant inputs that are generally less observable from objective sources. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value. Level 3 instruments include those that may be more structured or otherwise tailored to customers' needs. At each balance sheet date, the LLP performs an analysis of all assets and liabilities at fair value and includes in Level 3 all of those whose fair value is based on significant unobservable inputs.

All investments are classified as level 2.

Credit risk

The LLP's principal financial assets are bank balances and cash and trade and other receivables. The LLP's credit risk is primarily attributable to its trade receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The credit risk related to liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. The LLP has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

The maximum exposure to credit risk is as shown in the balance sheet.

Liquidity risk

Liquidity risk is the risk that the LLP will not be able to meet its financial obligations as they fall due.

The LLP is equity funded and has no reliance on debt financing.

No analysis of the contractual future cash outflows has been disclosed because all the creditors as shown on the balance sheet are due to be settled within three months from the balance sheet date.

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. It is inherent in every business operation and covers a wide spectrum of potential issues. The LLP manages this risk by operating an environment in which processes are documented, authorisation is independent and transactions are reconciled and monitored.

15. CONTROLLING PARTY

The ultimate controlling party of Toscafund Asset Management LLP is Mr M B Hughes.

The largest and smallest group into which Toscafund Asset Management LLP is consolidated in that of its ultimate parent company, Old Oak Holdings Limited whose registered office is at Ferguson House, 15 Marylebone Road, London, NW1 5JD.

TOSCAFUND ASSET MANAGEMENT LLP

Notes to the accounts

For the year ended 31 December 2020

16. MEMBERS' DISTRIBUTIONS ON WINDING UP

In the event of any winding up or dissolution of the LLP (other than in circumstances or insolvency) the non-controlling members will be repaid the amount standing to credit of their current account and capital account. The remaining net assets of the LLP (or proceeds of the sale of such assets) shall be distributed to the controlling member.

Loans and other debts due to members are unsecured and would rank *pari passu* with other secured creditors in the event of a winding up.

17. PILLAR 3 DISCLOSURES (UNAUDITED)

Capital risk

The LLP's primary objective to managing its capital is to ensure that it has capital which is permanent and which is able to absorb any losses arising from an extreme event. The LLP is subject to the capital requirements of the FCA Handbook which sets capital requirements based on the risks assumed by the LLP. The LLP manages its capital by continuous monitoring of the capital requirements ensuring that its capital exceeds these requirements.

Capital adequacy and ICAAP

The FCA's regulatory capital requirements apply to the LLP rather than the LLP and its subsidiaries (the LLP's subsidiaries being immaterial).

The LLP's overall approach to assessing the adequacy of capital is documented in the Internal Capital Adequacy Assessment Process ("ICAAP") documentation. The ICAAP process includes an assessment of all material risks faced by the LLP and the controls in place to identify, manage and mitigate those risks. The risks identified are stress tested against various scenarios to determine the level of capital required.

Where risks can be mitigated by capital the LLP has adopted a "Pillar 1 plus" approach whereby the Pillar 1 capital calculations are assessed. Where the Designated Members consider that the Pillar 1 calculations do not adequately reflect the risks inherent in the business, additional capital has been added at the Pillar 2 level. The most recent ICAAP prepared was as at 31 October 2020 and, as at that date, the LLP's capital requirement as set out in that report was £2.35 million (2019: £2.66 million). The available capital derived from the partnership's balance sheet as at 31 December 2019 was £18.8 million (2018: £20.5 million).

Whilst the ICAAP is formerly reviewed by the Management Board once a year, Senior Management review the risks and the required capital more frequently and will particularly do so when there is a planned change impacting risks and capital or when changes are expected in the business environment potentially impacting the ability to generate income.

Remuneration policy

The firm has been subject to the FCA's Remuneration Code since 1 January 2011. However, a new code applying to Alternative Investment Fund Managers has been issued by the FCA which includes guidance on the proportional application of these new rules. Toscafund's Senior Management has considered the content of this new code and has obtained independent professional advice and has decided that the rules do not need to be applied. The reasons behind this decision are many but include the fact that the way in which Toscafund collects its fees and the internal investment policy which encourages its staff and partners to invest in its managed funds already aligns its interests with those of its investors. Toscafund is constantly seeking ways to increase this alignment although legislative issues make it increasingly difficult to impose such a policy.

TOSCAFUND ASSET MANAGEMENT LLP

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For the year ended 31 December 2020

17. PILLAR 3 DISCLOSURES (UNAUDITED) (CONTINUED)

Remuneration policy (continued)

The Management Board of the LLP (the "Board") is responsible for the allocation of profit which is done on a discretionary basis (within certain guidelines). In deciding on the profit to be allocated to a partner the Board will take into account a number of performance measures including the responsibilities of that individual, their contribution towards the performance of the fund on which they work (in the case of a front office partner) and their contribution towards the overall profitability of the LLP.

For the year ended 31 December 2020 the profit was allocated between those eleven (2019: eleven) members materially affecting the LLP's risk profile as follows:

	2020	2019
	£	£
Front office	8,839,036	10,654,759
Back office	<u>2,149,312</u>	<u>2,385,032</u>
	<u>10,988,348</u>	<u>13,039,791</u>

Of the total amount noted above, £6,346,141 (2019: £9,148,988) was allocated to Senior Management.

No severance payments or sign-out bonuses were awarded in the year.

TOSCAFUND ASSET MANAGEMENT LLP

Unaudited Profit and loss account For the year ended 31 December 2020

	2020	2019
	£	£
Turnover		
Fee – management	18,957,934	20,942,013
Fee – performance	7,828,899	8,073,844
	<u>26,786,833</u>	<u>29,015,857</u>
Other income		
Deposit account interest	8,937	19,471
Gain/(loss) on investments	19,476	34,510
Recharge of expenses and sundry income	376,886	697,672
	<u>27,192,132</u>	<u>29,767,510</u>
Expenditure		
Fee rebates	350,351	965,921
Insurance	68,197	42,403
Light and heat	47,443	45,564
Property service charge	221,772	153,359
Cleaning	57,966	59,873
Salaries	2,515,006	2,312,640
Casual	47,596	78,332
Social security	331,240	313,914
Pension costs	165,187	151,550
Health and medical insurance and recruitment	255,985	257,970
Rent	1,158,955	702,300
Rates	479,082	315,910
Telephone	73,218	57,286
Post and stationery	19,375	26,064
Travelling	35,432	825,364
Office equipment maintenance	336,455	268,594
Professional publications	16,582	11,451
Repairs and renewals	35,939	32,263
Staff welfare	24,980	40,060
Computer expenses	15,759	11,074
Sundry expenses	15,459	16,159
Marketing	1,243,910	910,693
Accountancy	34,267	42,477
Consultants fees	3,482,722	3,513,735
Trading software charges	767,112	806,928
Subscriptions	19,593	17,569
Legal fees	195,225	349,123
Auditors' remuneration	27,300	27,300
Depreciation	394,228	40,854
Management charges	197,864	228,266
Foreign exchange losses	(76,034)	54,597
Entertainment	63,025	204,810
Donations	59,301	167,009
Irrecoverable VAT	117,840	136,083
Bank charges and interest	20,396	17,027
	<u>(12,788,728)</u>	<u>(13,204,522)</u>
Net profit	<u>14,403,404</u>	<u>16,562,988</u>