

EQUISTONE

EQUISTONE (UK) LLP

Annual Report and Audited Financial Statements
For the year ended 31 December 2018

REGISTERED NUMBER: OC364133



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Designated Members' Report

The Designated Members present their annual report and the audited financial statements of Equistone (UK) LLP ("the Partnership") for the year ended 31 December 2018.

Principal activities

The principal activity of the Partnership is to act as the UK service entity to Equistone LLP and its subsidiaries ("the Equistone Group" or "Equistone"). Equistone is a manager of mid-market European private equity funds.

Review of the business and future outlook

The Partnership's income derives primarily from the fees received for the supply of services to the Equistone Group. For the year ended 31 December 2018 total revenue amounted to £13,441,000 (2017: £11,085,000). The Partnership's main overheads are in relation to employment costs.

The Designated Members are satisfied with the Partnership's performance and foresee no changes to the Partnership's principal activities in the coming year.

Results

The profit of the Partnership available for distribution among Members amounted to £3,351,000 for the year ended 31 December 2018 (2017: £1,309,000) and is set out on page 6.

Designated Members

The Designated Members, who acted during the year and up to the date of signing the financial statements, unless otherwise stated, are set out below:

S O'Hare (from 11 March 2019)
S Whitaker (from 11 March 2019)
R Myers (until 13 March 2019)
Equistone Private Equity Limited

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 requires the Members to prepare financial statements for each financial year. Under that law the Members have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law 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 limited liability partnership and of the profit or loss of the 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 101, 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 limited liability partnership will continue in business.

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

Designated Members' Report (continued)

Statement of Members' Responsibilities (continued)

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

Members' drawings

Members receive drawings monthly and, from time to time, additional profit distributions.

Disclosure of information to auditors

So far as the Designated Members are aware, there is no relevant audit information of which the Partnership's auditors are unaware. The Designated Members have taken all the steps that they ought to have taken in order to make themselves aware of any relevant audit information and to establish that the Partnership's auditors are aware of that information.

Principal risks and uncertainties

The quality of the services provided to the Equistone Group depends largely on attracting and retaining well qualified staff and maintaining effective systems and infrastructure to meet the needs of an international private equity business. The risks of failing to provide the required level of service are mitigated through the Partnership's rigorous recruitment processes and commitment to staff development. Operational risks are mitigated through robust systems and controls and appropriate compliance procedures.

Independent Auditors

PricewaterhouseCoopers LLP will continue to hold office in accordance with section 489 of the Companies Act 2006.

The financial statements on pages 6 to 13 were approved by the Board on 23 April 2019 and signed on its behalf by:



Steven Whitaker
On behalf of Equistone Private Equity Limited
Designated Member
23 April 2019

Independent auditors' report to the members of Equistone (UK) LLP

Report on the audit of the financial statements

Opinion

In our opinion, Equistone (UK) LLP's financial statements:

- give a true and fair view of the state of the limited liability partnership's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", 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 Audited Financial Statements (the "Annual Report"), which comprise: the Statement of Financial Position as at 31 December 2018; the Income Statement and Statement of Changes in Members' Equity 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 limited liability partnership 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

ISAs (UK) require us to report to you when:

- 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 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.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the limited liability partnership's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

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 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 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.

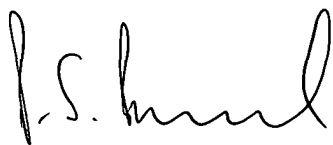
Other required reporting

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 financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Parwinder Purewal (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
23 April 2019

Income Statement

For the year ended 31 December 2018

	NOTES	2018 £'000	2017 £'000
Revenue	3	13,441	11,085
Staff costs	4	(4,921)	(4,194)
Operating expenses	5	(1,728)	(1,997)
Profit or loss for the financial year before Members' remuneration and profit shares		6,792	4,894
Members' remuneration charged as an expense		(3,441)	(3,585)
Profit for the year available for division among Members	8	3,351	1,309

The Partnership has no other comprehensive income apart from the profit for the year available for division among Members and hence total comprehensive income for the year is £3,351,000 (2017: £1,309,000).

The accompanying notes on pages 9 to 13 form an integral part of the financial statements.

Statement of Financial Position

As at 31 December 2018

	NOTES	2018 £'000	2017 £'000
ASSETS			
Current assets			
Cash and cash equivalents		165	485
Trade and other receivables	6	5,812	3,794
Total current assets		5,977	4,279
Non-current assets			
Trade and other receivables	6	227	-
Total non-current assets		227	-
LIABILITIES			
Current liabilities			
Trade and other payables	7	(2,130)	(2,151)
Total current liabilities		(2,130)	(2,151)
Net assets attributable to Members		4,074	2,128
MEMBERS' INTERESTS			
Members' capital classified as equity	8	723	819
Amounts due to Members classified as equity	8	3,351	1,309
Total Members' interests		4,074	2,128

The accompanying notes on pages 9 to 13 form an integral part of the financial statements.

The financial statements were approved by the Designated Members on 23 April 2019 and signed on behalf of the Partnership by:



Steven Whitaker
On behalf of Equistone Private Equity Limited
Designated Member
23 April 2019

Statement of Changes in Members' Equity

For the year ended 31 December 2018

	MEMBERS' CAPITAL £'000	OTHER RESERVES £'000	TOTAL MEMBERS' EQUITY £'000
2018			
Balance at 1 January 2018	819	1,309	2,128
Profit for the year available for division among Members	-	3,351	3,351
Total comprehensive income for the year	-	3,351	3,351
Profit distributed to Members	-	(1,309)	(1,309)
Members' contributions repaid	(96)	-	(96)
At 31 December 2018	723	3,351	4,074

	MEMBERS' CAPITAL £'000	OTHER RESERVES £'000	TOTAL MEMBERS' EQUITY £'000
2017			
Balance at 1 January 2017	916	7,230	8,146
Profit for the year available for division among Members	-	1,309	1,309
Total comprehensive income for the year	-	1,309	1,309
Profit distributed to Members	-	(7,230)	(7,230)
Members' contributions repaid	(97)	-	(97)
At 31 December 2017	819	1,309	2,128

The accompanying notes on pages 9 to 13 form an integral part of the financial statements.

Notes to the financial statements

1. Reporting entity

These financial statements are prepared for Equistone (UK) LLP which is a partnership domiciled and incorporated in the United Kingdom. The address of the registered office of the Partnership is One New Ludgate, 60 Ludgate Hill, London, United Kingdom, EC4M 7AW.

2. Significant accounting policies

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

2.1 Basis of preparation

The financial statements have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared under the historical cost convention as modified to include the revaluation of certain financial assets and liabilities, and in accordance with the Companies Act 2006 (as applied by The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008).

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Partnership's accounting policies. The Directors have not applied critical accounting estimates or significant judgements in the preparation of these financial statements.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- IFRS 7, 'Financial Instruments: Disclosures'
- The following paragraphs of IAS 1, 'Presentation of financial statements':
 - 10(d), (statement of cash flows)
 - 16 (statement of compliance with all IFRS),
 - 38A (requirement for minimum of two primary statements, including cash flow statements),
 - 38B-D (additional comparative information),
 - 111 (cash flow statement information), and
 - 134-136 (capital management disclosures)
 - IAS 7, 'Statement of cash flows'
 - Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation)
 - The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group

2.2 Revenue

Revenue is recognised on an accruals basis.

Revenue primarily comprises advisory fees paid to the Partnership from Equistone Partners Europe Limited, a fellow subsidiary company, in return for services supplied to the Equistone Group. During the year, loans were made to certain employees of Equistone (UK) LLP on an arms-length basis. Arrangement fee income and interest income on these loans are classified as revenue.

2.3 Operating expenses

Operating expenses are recognised on an accruals basis and include costs in relation to running a UK office network.

Notes to the financial statements (continued)

2.4 Financial assets and liabilities

The Partnership recognises financial instruments from the trade date, and continues to recognise them until, in the case of assets, the rights to receive cash flows have expired or the Partnership has transferred substantially all the risks and rewards of ownership, or in the case of liabilities, until the liability has been settled, extinguished or has expired.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and which are not classified as available for sale. They are included in current assets, except for maturities greater than twelve months after the balance sheet date, which are classified as non-current assets. Loans and receivables are initially recognised at fair value including direct and incremental transaction costs. They are subsequently measured at amortised cost less any amounts that have been provided for to reflect impairment in the value of the asset, where there is objective evidence of impairment.

Financial liabilities are measured at amortised cost, except for trading liabilities and liabilities designated at fair value which are held at fair value through profit or loss. Financial liabilities are derecognised when extinguished. The Partnership's financial liabilities comprise trade and other payables in the Statement of Financial Position.

2.5 Cash and cash equivalents

Cash comprises cash on hand, demand deposits, and cash equivalents.

2.6 Defined contribution scheme

The Partnership operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Partnership in an independently administered fund. The pension cost charge disclosed in note 4 represents contributions payable by the Partnership to the pension fund.

2.7 Members' allocation of profits and drawings and Members' capital

Profits shall be allocated and distributed in line with Equistone (UK) LLP Deed dated 10 November 2011 ("the Deed"). All losses shall be allocated amongst the Members pro rata to their respective points.

Members have contributed to the capital of the Partnership certain sums as capital contributions. Capital contributed is of an equity nature. In the event of a Member ceasing to be a Member of the Partnership, any amounts due in accordance with the terms of the Deed shall be paid to the Member as soon as reasonably practicable following the date they cease to be a Member of the Partnership.

2.8 Taxation

Equistone (UK) LLP is a Limited Liability Partnership and so is not subject to taxation since the Members are individually responsible for taxation of their share of the profits of the Partnership.

3. Revenue

	2018 £'000	2017 £'000
Advisory fees	13,429	11,085
Arrangement fee income	10	-
Interest income	2	-
Total revenue	13,441	11,085

Notes to the financial statements (continued)

4. Staff costs

	2018 £'000	2017 £'000
Wages and salaries	3,617	2,908
Social security costs	485	385
Other pension costs	206	131
Other staff costs	613	770
Total staff costs	4,921	4,194

The average number of full-time equivalent Members and staff during the year was 31 (2017: 29).

	2018	2017
Members	11	12
Staff	20	17
Total number of Members and staff	31	29

5. Operating expenses

	2018 £'000	2017 £'000
Premises and equipment	743	819
Administration costs	985	1,178
Other operating costs	1,728	1,997

Auditors' remuneration of £8,890 was borne by the Partnership (2017: £8,673).

6. Trade and other receivables

	2018 £'000	2017 £'000
Current Assets		
Trade receivables and prepayments	519	540
Amounts due from fellow subsidiaries	5,293	3,254
Total trade and other receivables	5,812	3,794

	2018 £'000	2017 £'000
Non-Current Assets		
Other receivables	227	-
Total trade and other receivables	227	-

Non-current assets of £227,000 (2017: £nil) represents outstanding loans extended to certain employees of Equistone (UK) LLP on an arms-length basis. These loans are unsecured and bear interest at the higher of the official HMRC beneficial loan rate and the Deutsche Bundesbank Sonstige Kredite rate, plus a margin of 0.25%.

The Members consider the carrying amount of trade and other receivables to approximate to their fair value.

Notes to the financial statements (continued)

7. Trade and other payables

	2018 £'000	2017 £'000
Trade payables	122	145
Accruals	2,008	2,006
Total trade and other payables	2,130	2,151

The Members consider the carrying amount of trade and other payables to approximate to their fair value.

8. Members' interests

	MEMBERS' CAPITAL (CLASSIFIED AS EQUITY) £'000	OTHER RESERVES (CLASSIFIED AS EQUITY) £'000	AMOUNTS DUE TO MEMBERS (CLASSIFIED AS A LIABILITY) £'000	TOTAL £'000
2018				
At 1 January 2018	819	1,309	-	2,128
Members' remuneration charged as an expense	-	-	3,441	3,441
Profit for the year available for division among Members	-	3,351	-	3,351
Members interest after profit for the year	819	4,660	3,441	8,920
Members' contributions repaid	(96)	-	-	(96)
Profit distributed to Members	-	(1,309)	-	(1,309)
Members' drawings	-	-	(3,441)	(3,441)
At 31 December 2018	723	3,351	-	4,074

	MEMBERS' CAPITAL (CLASSIFIED AS EQUITY) £'000	OTHER RESERVES (CLASSIFIED AS EQUITY) £'000	AMOUNTS DUE TO MEMBERS (CLASSIFIED AS A LIABILITY) £'000	TOTAL £'000
2017				
At 1 January 2017	916	7,230	-	8,146
Members' remuneration charged as an expense	-	-	4,894	4,894
Profit for the year available for division among Members	-	1,309	-	1,309
Members interest after profit for the year	916	8,539	4,894	14,349
Members' contributions repaid	(97)	-	-	(97)
Profit distributed to Members	-	(7,230)	-	(7,230)
Members' drawings	-	-	(4,894)	(4,894)
At 31 December 2017	819	1,309	-	2,128

Amounts due to Members are subordinated in relation to other trade payables. In the event of the dissolution of the Partnership amounts due to Members shall be funded by the assets of the Partnership remaining after the payment or due provision for all debts, liabilities and obligations of the Partnership.

9. Parent undertaking and ultimate holding company

The corporate member of the Partnership is Equistone Private Equity Limited and the ultimate parent entity which prepares consolidated financial statements, is Equistone LLP. Both the corporate member and ultimate parent entities are incorporated in Great Britain with registered offices at One New Ludgate, 60 Ludgate Hill, London, England, EC4M 7AW.