

1. INTRODUCTION

1.1 Purpose

Terra Firma Capital Partners Limited (FRN 208680) (the "**Firm**") is authorised and regulated by the Financial Conduct Authority (the "**FCA**"). The Firm is part of the Terra Firma group (the "**Group**"), which is an investment advisor to the Hands Family Office ("**HFO**"). HFO is the Group's cornerstone investor, but the Firm does advise other co-investors alongside HFO. The Firm is responsible for sourcing, executing, operating and ultimately exiting the assets managed on behalf of HFO and other investors. The Firm's investment strategies capture investments in private equity, operational real estate and infrastructure.

This document (the "**Disclosure Statement**") sets out the information the Firm is required to disclose annually under chapter 8 of the MIFIDPRU Sourcebook in the FCA Handbook of Rules and Guidance. All information is as at the date on page 1 unless otherwise indicated.

1.2 Scope

The information in this Disclosure Statement relates to the Firm on an individual basis, i.e. it does not concern any other entities in the Group.

Unless otherwise noted, the information contained in this Disclosure Statement has not been audited by the Firm's external auditors and does not constitute any form of financial statement and should not be relied upon in making any judgment on the Firm.

2. GOVERNANCE ARRANGEMENTS

2.1 Role of the board of directors (the "**Board**")

The Firm is governed by its Board. The Firm is required to ensure that the Board defines, oversees and is accountable for the implementation of governance arrangements that ensure effective and prudent management of the Firm, including the segregation of duties in the Firm and the prevention of conflicts of interest, and in a manner that promotes the integrity of the market and the interests of clients.

The Firm seeks to achieve this through several means, including¹:

- through adopting an appropriate process for appointments to the Board;
- processes for the functioning of the Board, including reporting of management information on risks the Firm is or might be exposed to, or the Firm poses or might pose to others;
- obligations under the FCA Senior Managers and Certification Regime, as part of which certain senior members of staff ("**Senior Management Function-holders**") are required to be approved by the FCA and a number of other members of staff are required to be certified by the Firm as fit and proper to perform their roles;
- legal obligations applicable to members of the Board under the Companies Act 2006 and fiduciary and agency law;
- policies and procedures, including in particular the Firm's compliance manual, conflicts of interest policy, remuneration policy, and its policies on personal account dealing and market conduct;
- regulatory obligations, supported by regulatory guidelines, to ensure that:

¹ MIFIDPRU 8.3.1R (1).

- individually, the members of the Board are of sufficiently good repute, possess sufficient knowledge and experience to perform their duties, commit sufficient time to the role and demonstrate honesty, integrity and independence of mind; and
- the Board as a whole possesses adequate collective knowledge, skills and experience to understand the Firm's activities, including the main risks and reflect an adequately broad range of experiences; and
- the appointment of legal and accounting advisers and compliance consultants and other advisers as required from time to time; and
- the appointment of non-executive directors to the Board.

2.2 Composition of the Board

The members of the Firm's Board are set out in the following table, together with the number of additional directorships held by each member, excluding directorships: (i) held in organisations which do not pursue predominantly commercial objectives; or (ii) in entities within the Group or in entities in which the Firm holds a qualifying holding.

Name	Number of additional directorships (executive and non-executive)
Vivek Gopaldas Ahuja	Terra Firma Capital Partners Limited; NatWest Markets PLC Independent Member of Council at Kings College London Annington Limited Food Folk Group Holdings AS Tilia BidCo Limited
Deborah Janet Pluck	Terra Firma Capital Partners Limited; Wenn Townsend Accountants Limited; Wychwood School (Oxford) Limited; Pant y Maen Wind Limited; Amegni Renewables Limited; Neckinger Holdings Limited; Wychwood School Charity Limited; and Wenn Townsend Consultants Limited.

2.3 Diversity of the Board

The Firm is committed to promoting diversity and equal opportunities for its staff, including on its Board. The Firm believes that diverse and inclusive teams make better decisions, and this informs the Firm's recruitment and retention strategies, both across the organisation as a whole and at the level of its Board.

All appointments are made on merit against objective criteria, and with regard to the individual's knowledge, skills and experience and the combined knowledge, skills, experience and diversity of the Board as a whole.

2.4 Risk governance

The Firm has well-established risk management policies in relation to the operational risks facing the business as well as those associated with the Firm's activities. The Board is ultimately responsible for the Firm's overall risk management and for maintaining an appropriate internal control framework.

The Firm is not required to maintain a Risk Committee as it does not meet the test in MIFIDPRU 7.1.4R.

3. RISK MANAGEMENT OBJECTIVES AND POLICIES

3.1 Potential for harm associated with the Firm's business strategy

The Firm considers that the potential for harm associated with its business strategy is low. Notably, the Firm does not engage in proprietary trading, underwriting, placing, clearing or settlement activities, hold significant on balance sheet exposures, have tied agents or provide custody services or services to retail clients.

The Firm's business strategy reflects its low-risk appetite towards conduct risk; prudential risk; reputational risk; legal, compliance and regulatory risk; financial crime risk; data and cyber security risk; and sustainability risk.

The Firm is remunerated by its affiliates, predominantly Terra Firma Investments Limited (a Guernsey registered company with entity registration number 60635 and Terra Firma Investments (Special Opportunities Fund I) Limited (a Guernsey registered company with entity registration number 54513) on a cost-plus basis. Furthermore, the investment strategies pursued by the Group on behalf of clients do not employ the use of leverage on a substantial basis.

The level of detail of information in this Disclosure Statement is consistent with this proportionality assessment.

3.2 Strategies and processes used to manage risks addressed by own funds and liquid assets requirements

Basic Own Funds Requirement and Basic Liquid Assets Requirement

The Firm is subject to a Basic Own Funds Requirement and a Basic Liquid Assets Requirement.

The Firm's Basic Own Funds Requirement is the higher of (i) a permanent minimum own funds requirement, (ii) one quarter of its preceding year's fixed overheads (its fixed overheads requirement, or "**FOR**") and (iii) a 'K-factor' requirement ("**KFR**") (a percentage scalar applied to its assets under ongoing advice.

The Firm's Basic Liquid Assets Requirement is the sum of one third of its FOR-

Details of the Firm's own funds, i.e., broadly, its long-term subordinated capital, are set out at Schedule 1.

Details of the Firm's Basic Own Funds Requirement are set out at Schedule 2.

Overall Financial Adequacy Rule

The Firm must at all times comply with the overall financial adequacy rule (the "**OFAR**"). This requirement, which supplements the Firm's Basic Own Funds Requirement and Basic Liquid Assets Requirement, requires the Firm to hold sufficient own funds and liquid assets to:

- ensure it can remain viable throughout the economic cycle, with the ability to address any potential harm the Firm's ongoing activities might cause to its clients and counterparties, the markets in which it operates and the Firm itself; and
- allow its business to wind-down in an orderly way, minimising harm to clients and counterparties and to other market participants.

The Internal Capital Adequacy and Risk Assessment

The Firm uses an internal capital adequacy and risk assessment ("**ICARA**") process to identify whether it is complying with its OFAR and, if it is not, to identify what steps it should take to remedy this.

The focus of the ICARA process is on identifying and managing risks that may result in material harms to clients and counterparties, the markets in which the Firm operates and the Firm itself, measuring the effectiveness of the Firm's strategies to monitor and mitigate those harms, and determining whether additional own funds and/or liquid assets are required to mitigate any residual risks.

The FCA recognises that the risk of some material harms can be reduced through proportionate measures other than holding additional financial resources, for example implementing additional internal systems and controls, strengthening governance and oversight processes or changing the manner in which the Firm conducts certain business.

However, for other harms identified, it may be that the only realistic option to manage them and to comply with the OFAR is for the Firm to hold additional own funds and/or additional liquid assets above its Basic Own Funds Requirement and Basic Liquid Assets Requirement.

The Firm has therefore formed a judgment about what is appropriate and proportionate in its particular circumstances, informed by its risk appetite, which is set by the Board.

The Firm's ICARA document is updated annually (or more frequently, as required) by the Firm's Finance, Legal and Compliance teams, with input from external advisers as required. The document and the key assumptions underlying it are then reviewed and approved by the Board.

Responsibilities of Senior Management Function-holders

The Firm has a Senior Management Function-holder responsible for own funds and liquid assets compliance.

All Senior Management Function-holders recognise that the ICARA process is a key requirement of the regulatory system for the Firm and is an essential part of the Firm's internal systems and procedures for ensuring that the Firm's business is run prudently.

3.3 Concentration risk

Concentration risk refers to the risks arising from the strength or extent of the Firm's relationships with, or direct exposure to, a single client or group of connected clients. The Firm has identified the following concentration risks and has put in place the following control strategies:

Earnings

This is the risk that the Firm has a significant amount of its revenue concentrated in a small number of clients, leaving it exposed if it loses one or more of those clients.

The Firm's revenue is derived entirely from affiliated undertakings. Whilst this technically creates a concentration risk, the Firm considers that any downside of this is more than offset by the stability of revenue that the arrangement creates.

Cash deposits

This is the risk that the Firm's cash deposits are held with a narrow range of credit institutions, leaving it exposed if one or more of them becomes insolvent.

The Firm maintains instant-access cash accounts with UK credit institutions which have satisfactory credit ratings according to industry standards, which it considers reduces its cash deposit risk to an acceptable level. The Firm keeps this under review.

SCHEDULE 1 OWN FUNDS SUMMARY

Composition of regulatory own funds			
	Item	Amount (GBP thousands)	Source based on reference numbers/letters of the balance sheet in the audited financial statements
1	OWN FUNDS	14,264,393	
2	TIER 1 CAPITAL	n/a	
3	COMMON EQUITY TIER 1 CAPITAL	n/a	
4	Fully paid up capital instruments	5,402	
5	Share premium	5,749,999	
6	Retained earnings	8,508,992	
7	Accumulated other comprehensive income	N/A	N/A
8	Other reserves	N/A	N/A
9	Adjustments to CET1 due to prudential filters	N/A	N/A
10	Other funds	N/A	N/A
11	(-)TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	N/A	N/A
19	CET1: Other capital elements, deductions and adjustments	N/A	N/A
20	ADDITIONAL TIER 1 CAPITAL	N/A	N/A
21	Fully paid up, directly issued capital instruments	N/A	N/A
22	Share premium	N/A	N/A
23	(-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1	N/A	N/A
24	Additional Tier 1: Other capital elements, deductions and adjustments	N/A	N/A
25	TIER 2 CAPITAL	N/A	N/A
26	Fully paid up, directly issued capital instruments	N/A	N/A
27	Share premium	N/A	N/A
28	(-) TOTAL DEDUCTIONS FROM TIER 2	N/A	N/A
29	Tier 2: Other capital elements, deductions and adjustments	N/A	N/A

Own funds: reconciliation of regulatory own funds to balance sheet in the audited financial statements				
		a	b	c
		Balance sheet as in published/audited financial statements	Under regulatory scope of consolidation	Cross-reference to Template OF1
		As at period end	As at period end	
Assets - Breakdown by asset classes according to the balance sheet in the audited financial statements				
1	Investment in TF GmbH	152,153	N/A	
2	Plant, Property and Equipment	392,925	N/A	
3	Bank and cash	10,998,540	N/A	
4	Sundry debtors (recharges)	185,959	N/A	
5	Sundry debtors	4,601,125	N/A	
6	Prepayments	521,503	N/A	
7	Accrued income	249,351	N/A	
8	Trade debtors	(1,464)	N/A	
9	VAT debtor	117,842	N/A	
	Total Assets	17,217,935	N/A	
Liabilities - Breakdown by liability classes according to the balance sheet in the audited financial statements				
1	Trade creditors	132,528	N/A	
2	Intercompany creditor	692,403	N/A	
3	Taxation creditor	152,130	N/A	
4	Payroll control account	249,607	N/A	
5	Accrued expenditure	1,726,873	N/A	
	Total Liabilities	2,953,542	N/A	
Shareholders' Equity				
1	Ordinary share capital	5,402	N/A	
2	Share premium account	5,749,999	N/A	
3	Retained earnings	7,262,075	N/A	
4	Profit/(loss) for the period	1,246,918	N/A	
	Total Shareholders' equity	14,264,393	N/A	

Own funds: main features of own instruments issued by the firm

The Firm's own funds comprise (i) fully paid-up share capital, (ii) share premium, and (iii) audited retained earnings. The Firm has a single class of Ordinary Shares.

SCHEDULE 2 BASIC OWN FUNDS REQUIREMENTS

	Category of requirement	Amount (GBP thousands)
1	PERMANENT MINIMUM REQUIREMENT	75,000
2	FIXED OVERHEADS REQUIREMENT	2,655,226
3	K-FACTOR REQUIREMENT	882,466
	BASIC OWN FUNDS REQUIREMENT (HIGHEST OF ROWS 1-3)	2,655,226