

Black Diamond Capital Management Limited

Report and Financial Statements

For the year ended 31 December 2022

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COMPANIES HOUSE

Black Diamond Capital Management Limited

Directors

S Deckoff

M Ward

Secretary

S Goldfarb

Auditor

Ernst & Young LLP

25 Churchill Place

Canary Wharf

London E14 5EY

Registered Office

2 Savile Row

London W1S 3PA

Registered No. 03883749

Strategic report

The directors present their Strategic report of Black Diamond Capital Management Limited (“the company”) for the year ended 31 December 2022.

Principal activity

The company, a private limited company incorporated under the laws of the United Kingdom, is wholly owned by Black Diamond Capital Management LLC (“BDCM”). The company provides investment advisory services to BDCM, which is the company’s sole client. BDCM is controlled by Black Diamond Capital Holdings, LLC (the “LLC”), a Delaware limited liability company. The LLC provides investment management services to a range of alternative investment vehicles. The company is regulated by the Financial Conduct Authority. The directors consider that the activities of the company will remain unchanged for the foreseeable future.

Review of business

Pursuant to a consultancy agreement, as assigned to BDCM in 2021, the company provides investment advisory services to BDCM, which is the company’s sole client. BDCM is the U.S. registered investment adviser affiliate of the collateral manager to Black Diamond CLO 2015-1, DAC, Black Diamond CLO 2017-2, DAC, Black Diamond CLO 2019-1, DAC and Black Diamond CLO 2023-1, DAC (collectively, the “Euro CLOs”) and the investment manager of Black Diamond Credit Strategies Master Fund, Ltd. (the “Hedge Fund”). The Euro CLOs represent BDCM’s full complement of European based investment product offerings. The principal investment activity of the Euro CLOs is the purchase and disposition of loan securities of European companies and the principal investment activity of the Hedge Fund is the purchase and disposition of loans and securities of companies based primarily in the United States and Europe.

Overview of performance

Given the relatively straight forward nature of the company’s business activities (as described above), the directors consider revenue and profitability to be the company’s only relevant key performance indicators. As the company receives income based on a fixed mark-up relative to the company’s administrative expenses, the performance and profitability of the company are driven by changes to the cost base. There have been no other major changes in relation to the company’s expenses, which have remained relatively stable compared to the prior year.

Principal risks and uncertainties

As a result of the nature of the company’s agreement with BDCM, the company’s revenue and profit are stable and predictable. Therefore, the company’s principal risks are associated with the fact that BDCM is the company’s sole client. Given that the company’s revenue is entirely derived from the BDCM relationship, the company’s principal risks relate to the credit default and liquidity risks associated with receipt of income on a timely basis from this counterparty. These risks are managed through regular dialogue with BDCM and the LLC to ensure that the company maintains sufficient working capital to meet its liabilities as they fall due.

Another of the company’s risks is in the retention of its professional staff. From an operational perspective, the key risk relates to the potential for non-compliance with the regulations issued by the Financial Conduct Authority that could lead to the company being subject to a fine or a ban on trading activities. This is managed through regular review of the company’s compliance framework by Senior Management.

On February 24, 2022, Russia invaded Ukraine. Such event and/or future additional geopolitical conditions are highly uncertain, and its impact cannot be predicted. The members continue to monitor the market and assess this evaluation as the situation develops.

Signed on behalf of the Board by:



M Ward
Director

Directors' report

The directors present their report and the financial statements of Black Diamond Capital Management Limited ("the company") for the year ended 31 December 2022.

Results and dividends

The profit of the company for the year after taxation amounted to £301,020 (2021 – £310,482). The directors do not recommend the payment of a final dividend (2021 – £nil) and did not make a dividend payment during the year.

Going concern

While the company remains dependent on a single source of revenue from BDCM, the directors are not aware of any reason that this agreement will be terminated in the foreseeable future. The nature of the agreement with BDCM provides a high degree of certainty that the company will continue to be profitable and, historically, the company has received income in a timely manner in order to manage its obligations (which are relatively predictable in nature).

The full extent to which current events may impact company's results, operations or liquidity is uncertain. However, having performed an impact analysis management believes regulatory capital requirements continue to be met and have sufficient liquidity to meet its liabilities for the next 12 months from the date of approval of these financial statements.

As a result, the directors believe that the company is well placed to manage its business risks successfully and the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Directors continue to prepare the financial statements of the company on a going concern basis.

Note 1 outlines the company's assessment of the impacts of current events on the company and its ability to continue to operate as a going concern.

Directors

The directors who served the company during the year and up to the date of this report were as follows:

S Deckoff

M Ward

Disclosure of information to the auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditor

A resolution to reappoint Ernst & Young LLP as the company's auditor will be put to the members at the Annual General Meeting.

Signed on behalf of the Board by:



M Ward

Director

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies in accordance with Section 10 of FRS 102 and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in FRS 102 is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the company financial position and financial performance;
- state whether applicable UK Accounting Standards including FRS 102 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 company will continue in business.

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

Under applicable law and regulations, the directors are also responsible for preparing a strategic report, and directors' report that comply with that law and those regulations. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website.

Independent auditor's report

to the members of Black Diamond Capital Management Limited

Opinion

We have audited the financial statements of Black Diamond Capital Management Limited for the year ended 31 December 2022 which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity and Statement of cash flows and the related notes 1 to 18, 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 company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to

determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Black Diamond Capital Management Limited

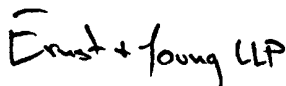
Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are those that relate to the reporting framework International Accounting Standards in conformity with the requirement of Companies Act 2006, the Companies Act 2006 and the relevant direct and indirect tax compliance regulation in the United Kingdom. In addition, the Company is required to comply with relevant Financial Conduct Authority's (FCA) rules and regulations relating to its operations.
- We understood how Black Diamond Capital Management Limited is complying with those frameworks by making enquiries of management and by seeking representation from those charged with governance. We corroborated our understanding by reviewing members' meeting minutes and relevant policy and procedures manuals. We also reviewed correspondence with relevant authorities.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the risk of management override and by designating revenue recognition as a fraud risk. We incorporated data analytics and performed journal entry testing by specific risk criteria, with a focus on manual journals and journals indicating large or unusual transactions based on our understanding of the business. We recalculated the revenue based on the transfer pricing arrangement applied by management and tested a sample of inputs in the calculation back to source documentation.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved enquiries of management and those charged with governance, review of legal and professional expenses, review of breaches and complaints register, and review of members' meeting minutes.
- The Company is a regulated investment manager under the supervision of the FCA. As such, the Senior statutory auditor reviewed the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities.

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

Use of our report

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



Ahmer Huda (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
Date: 26 April 2023

Statement of comprehensive income

for the year ended 31 December 2022

	Notes	2022 £	2021 £
Turnover	3	2,712,952	2,558,583
Administrative expenses		<u>(2,359,089)</u>	<u>(2,224,854)</u>
Operating profit	4	<u>353,863</u>	<u>333,729</u>
Profit on ordinary activities before taxation		353,863	333,729
Taxation on profit on ordinary activities	8	<u>(52,843)</u>	<u>(23,247)</u>
Profit for the financial year		<u>301,020</u>	<u>310,482</u>
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income for the year		<u>301,020</u>	<u>310,482</u>

All amounts relate to continuing activities.

The accompanying notes on pages 12-19 are an integral part of these financial statements.

Statement of financial position

As at 31 December 2022

	Notes	2022 £	2021 £
Fixed assets			
Tangible assets	9	9,982	17,445
Current assets			
Debtors	10	4,597,542	4,405,093
Cash at bank		122,090	82,723
		4,719,632	4,487,816
Creditors: amounts falling due within one year	11	(976,030)	(1,049,891)
Net current assets		3,743,602	3,437,925
Total assets less current liabilities		3,753,584	3,455,370
Creditors: amounts falling due in more than one year	12	(721,025)	(723,831)
Net assets		3,032,559	2,731,539
Capital and reserves			
Called up share capital	14	100,000	100,000
Profit and loss account		2,932,559	2,631,539
Total equity		3,032,559	2,731,539

The financial statements were approved by the board on 26 April 2023 and authorised for issue on its behalf by:



Martin Ward

Director

Registered No. 03883749

The accompanying notes on pages 12-19 are an integral part of these financial statements.

Statement of changes in equity

for the year ended 31 December 2022

	<i>Called up share capital</i>	<i>Profit and loss account</i>	<i>Total equity</i>
	£	£	£
At 1 January 2022	100,000	2,631,539	2,731,539
Total comprehensive income for the year	-	301,020	301,020
At 31 December 2022	100,000	2,932,559	3,032,559

	<i>Called up share capital</i>	<i>Profit and loss account</i>	<i>Total equity</i>
	£	£	£
At 1 January 2021	100,000	2,321,057	2,421,057
Total comprehensive income for the year	-	310,482	310,482
At 31 December 2021	100,000	2,631,539	2,731,539

The accompanying notes on pages 12-19 are an integral part of these financial statements.

Statement of cash flows

for the year ended 31 December 2022

	<i>Notes</i>	<i>2022</i> £	<i>2021</i> £
Net cash generated/(used in) from operating activities	15	<u>34,666</u>	<u>(100,878)</u>
Investing activities			
Payments to acquire tangible fixed assets		<u>4,701</u>	<u>-</u>
Net cash flow used in investing activities		<u>4,701</u>	<u>-</u>
Net increase/(decrease) in cash and cash equivalents		<u>39,367</u>	<u>(100,878)</u>
Cash and cash equivalents at 1 January		<u>82,723</u>	<u>183,601</u>
Cash and cash equivalents at 31 December		<u>122,090</u>	<u>82,723</u>

The accompanying notes on pages 12-19 are an integral part of these financial statements.

Notes to the financial statements

for the year ended 31 December 2022

1. Accounting policies

Basis of preparation

The financial statements of the company have been prepared on a going concern basis under the historical cost convention in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the Companies Act 2006.

The functional and presentational currency of the company is Great British Pounds.

On February 24, 2022, Russia invaded Ukraine. Such event and/or future additional geopolitical conditions are highly uncertain, and its impact cannot be predicted. The members continue to monitor the market and assess this evaluation as the situation develops.

The UK is less exposed to the direct trade effects of Russia's invasion of Ukraine than its European neighbours. However, the indirect and longer-term effects of the war on UK trade could still be significant. Inflationary pressure worldwide will contribute to price rises in the UK, particularly for food and energy.

The full extent to which the Russian invasion of Ukraine and the UK cost of living crisis may impact the company's results, operations or liquidity is uncertain. Management continues to monitor the impact that these current events have on the company, the asset management industry and the economies in which the company operates. Management has performed an impact analysis as part of their going concern assessment using information available to the date of issue of these financial statements. The analysis has modelled a number of adverse scenarios to assess the potential impact current events may have on company's operations, liquidity, solvency and regulatory capital position as well as including an assessment of any relevant mitigations management have within their control to implement.

All of the company's cost are recharged to the US parent plus a markup under a service agreement. The main risk is therefore that the US parent fails to be able to pay the recharged costs. The main stress testing therefore concerns the failure of the US parent and /or its funds. Cost reduction measures have been put in place, but in the event of liquidity issues, the US parent is able to obtain funding through realisation of liquid investments, available borrowing lines or redemptions from the funds which could provide sufficient liquidity to enable it to provide financial support to the company.

It is not possible to quantify the overall impact of current events as financial markets continue to react to developments and management has a number of actions that they are able to take to protect profitability and solvency.

Having performed this analysis, management believes regulatory capital requirements continue to be met and have sufficient liquidity to meet its liabilities for the next 12 months from the date of issuance of these financial statements and that the preparation of the financial statements on a going concern basis remains appropriate as the company expects to be able to meet its obligations as and when they fall due for the foreseeable future.

Turnover

Turnover, which is net of any value added tax, represents fees receivable for investment advisory services arising from continuing activities in the United Kingdom. Advisory fees are recognised on an accruals basis when the company obtains the right for consideration in exchange for its performance of services.

Tangible fixed assets

Tangible assets are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Notes to the financial statements

for the year ended 31 December 2022

1. Accounting policies (continued)

Tangible fixed assets (continued)

The company adds to the carrying amount of an item of tangible assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to Statement of comprehensive income on an accruals basis during the period in which they are incurred. Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight line method over the following depreciable periods:

Office equipment - 5-7 years on a reducing balance basis

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Any impairment is recognised in the Statement of comprehensive income.

Taxation

Current tax is the expected tax payable or receivable on the taxable income or loss for the year using tax rates enacted or substantively enacted at the Statement of financial position date and any adjustment to tax payable in respect of the previous years.

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the Statement of financial position date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less, tax in the future.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the Statement of financial position date. A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the Statement of financial position date.

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction.

Exchange gains and losses are recognised in the Statement of comprehensive income.

Cash at bank

Cash at bank comprise of cash at banks and short term deposits with an original maturity date of three months or less.

Administrative expenses

Expenses incurred have been recognised on an accruals basis.

Debtors

Short term debtors are measured at transaction price which equates to the amount expected to be received by the company on settlement, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment, which is recognised in the Statement of comprehensive income when it arises.

Creditors

Short term creditors are measured at the transaction price which equates to the amount expected to be paid by the company to settle the obligation. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Notes to the financial statements

for the year ended 31 December 2022

1. Accounting policies (continued)

Operating leases

Rent payable under operating leases are charged to the Statement of comprehensive income on a straight line basis as incurred. The value of any rent free periods is amortised over the lease term.

Holiday pay

Employees are not permitted to carry over holiday entitlements from one year to the next, nor will payments in lieu be made in respect to holiday not taken in the relevant holiday year. Therefore, the company has not accrued holiday pay.

Pensions

The company operates a defined contribution pension scheme. Contributions are charged in the Statement of comprehensive income on an accruals basis as they become payable in accordance with the rules of the scheme.

Employee deferred compensation

A portion of certain employees' annual bonus compensation is deferred at the discretion of the company. The amounts payable to employees are adjusted by the return generated from certain designated share classes (without regard to management and incentive fees) of investment vehicles managed by an affiliate of the company. This element of employee remuneration is recorded as a component of the wages and salaries expense. The annual deferred bonus amounts vest rateably over three years. The value of the deferred bonus award is recognised evenly on an accrual basis over the three year vesting period in the Statement of comprehensive income.

2. Judgements in applying accounting policies and key sources of estimation uncertainty

In the application of the accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions which affect the amounts reported for assets and liabilities as at the year-end date and the amounts reported for revenues and expenses during the year. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. However, the nature of the estimation means that actual outcomes could differ from these estimates.

The directors are not aware of any significant areas of accounting judgements or estimation uncertainty that have been required in the preparation of the company's financial statements.

3. Turnover

Turnover is attributable to one continuing activity, that of investment advisory services in the UK.

4. Operating profit

The operating profit of the company is stated after charging:

	2022	2021
	£	£
Auditor's remuneration (see note 6)	68,561	65,902
Depreciation of fixed assets	2,762	1,243
Foreign exchange gains	2,346	4,030
Operating lease rentals	<u>104,516</u>	<u>213,691</u>

Notes to the financial statements

for the year ended 31 December 2022

5. Directors' remuneration

	2022	2021
	£	£
Total remuneration	<u>1,137,998</u>	<u>566,627</u>

5. Directors' remuneration (continued)

Amounts payable to the company's highest paid director are as follows:

	2022	2021
	£	£
Remuneration (including benefits in kind)	<u>1,137,998</u>	<u>566,627</u>

6. Auditor's remuneration

	2022	2021
	£	£
Fees payable in respect of statutory audit of the financial statements	43,001	38,250
Other fees payable to the auditor:		
Taxation services	<u>25,560</u>	<u>27,652</u>
	<u>68,561</u>	<u>65,902</u>

7. Staff costs

	2022	2021
	£	£
Wages and salaries	1,797,589	1,527,260
Social security costs	230,726	207,719
Pensions	<u>8,844</u>	<u>9,919</u>
	<u>2,037,159</u>	<u>1,744,898</u>

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

	2022	2021
	No.	No.
Administration	1	1
Fund management	<u>3</u>	<u>3</u>
	<u>4</u>	<u>4</u>

Notes to the financial statements

for the year ended 31 December 2022

8. Tax

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2022 £	2021 £
Current tax:		
UK corporation tax on the profit for the year	121,855	63,185
Adjustment in respect of prior years	2,185	11
Total current tax	<u>124,040</u>	<u>63,196</u>
Deferred tax:		
Origination and reversal of timing differences	(54,593)	224
Effects of changes in tax rate	(16,604)	(40,173)
	<u>(71,197)</u>	<u>39,949</u>
Total tax charge	<u>52,843</u>	<u>23,247</u>

(b) Factors affecting current tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 19.00% (2021 – 19.00%).

The differences are explained below:

	2022 £	2021 £
Profit on ordinary activities before tax	353,863	333,729
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2021 – 19.00%)	67,234	63,409
Effects of:		
Rate change adjustments	(16,604)	(40,173)
Current tax prior year adjustment	2,185	11
Tax charge for the year	<u>52,843</u>	<u>23,247</u>

Notes to the financial statements

for the year ended 31 December 2022

9. Tangible fixed assets

	<i>Office equipment</i>
	<i>£</i>
Cost:	
At 1 January 2022	34,123
Additions	(4,701)
At 31 December 2022	<u>29,422</u>
Depreciation:	
At 1 January 2022	16,677
Depreciation	2,762
Depreciation adjustment for disposals	-
At 31 December 2022	<u>19,439</u>
Net book value:	
At 31 December 2022	<u>9,983</u>
At 1 January 2022	<u>17,445</u>

10. Debtors

	<i>2022</i>	<i>2021</i>
	<i>£</i>	<i>£</i>
Amounts due from parent undertaking (see note 17)	4,245,926	3,575,974
VAT receivable	18,868	14,689
Deferred tax asset	249,984	178,788
Other debtors	49,277	625,035
Prepayments and accrued income	33,487	10,607
	<u>4,597,542</u>	<u>4,405,093</u>

Other debtors include £39,312 in rent deposits (2021: £99,312) in relation to the company's office premises, and reduced by £449,032 from a director promissory note collected in 2022 (2021: £449,032) .

11. Creditors: amounts falling due within one year

	<i>2022</i>	<i>2021</i>
	<i>£</i>	<i>£</i>
Trade payables	4,742	58,361
Employee deferred compensation	738,527	-
UK corporation tax payable	75,893	29,038
Payroll taxes and social security payable	81,873	899,204
Accruals	74,996	63,288
	<u>976,031</u>	<u>1,049,891</u>

Notes to the financial statements

for the year ended 31 December 2022

12. Creditors: amounts falling due in more than one year

	2022	2021
	£	£
Employee deferred compensation	721,025	723,831
	<u>721,025</u>	<u>723,831</u>

13. Deferred tax asset

	2022	2021
	£	£
At 1 January	178,789	138,839
Effect of deferred employee bonuses	53,568	2
Net reversal of decelerated capital allowances	1,024	(225)
Rate change adjustments	16,604	40,173
At 31 December	<u>249,985</u>	<u>178,789</u>

Made up of:

Unpaid employee bonuses	248,609	177,359
Decelerated capital allowances	1,376	1,430
	<u>249,985</u>	<u>178,789</u>

The UK Government legislated in the Finance (No. 2) Act 2015 which received Royal Assent on 18 November 2015 to reduce the standard rate of UK Corporation Tax to 19% from 1 April 2017. In the Finance Act 2016, which received Royal Assent on 15 September 2016, the UK Government announced a further reduction in the rate of UK Corporation Tax to 17% from 1 April 2020. Further, the 17 March 2020 Finance Bill, which received Royal Assent on 22 July 2020, which has subsequently reversed the intended corporation tax reduction, with the rate remaining at 19%.

The UK Chancellor announced in the March 2021 budget that the rate will increase to 25% from April 2023.

The rate increase was substantively enacted in May 2021 and the UK deferred tax balances have been revalued accordingly.

14. Issued share capital

	2022		2021	
<i>Allotted, called up and fully paid</i>	<i>No.</i>	<i>£</i>	<i>No.</i>	<i>£</i>
Ordinary shares of £1 each	100,000	<u>100,000</u>	100,000	<u>100,000</u>

Notes to the financial statements

for the year ended 31 December 2022

15. Net cash flow from operating activities

	2022	2021
	£	£
Operating profit	353,863	333,729
Depreciation of tangible fixed assets	2,762	1,243
Increase in debtors	(121,253)	(554,832)
(Decrease)/increase in debtors	(123,521)	157,461
Tax paid	(77,185)	(38,479)
Net cash inflow from operating activities	<u>34,666</u>	<u>(100,878)</u>

16. Operating lease commitments

At 31 December 2022 the company had minimum future commitments under non-cancellable operating leases falling due for payment as set out below:

	<i>Land and buildings</i>	
	2022	2021
	£	£
Not later than 1 year	98,280	55,198
Later than 1 year and not later than 5 years	<u>92,356</u>	<u>190,636</u>
Total commitments	<u>190,636</u>	<u>245,834</u>

17. Related party transactions

During the year the company provided investment advisory services in the ordinary course of business to Black Diamond Capital Management, LLC ("BDCM"), its parent undertaking. The total amount of the fees receivable by the company for the year in respect of these services is £2,712,952 (2021 – £2,558,583), as at the year end a receivable of £4,245,926 (2021 – £3,575,974) was due from BDCM.

18. Ultimate parent undertaking and controlling party

The directors regard BDCM, a company incorporated in the United States of America, as the immediate parent undertaking of the company and Black Diamond Capital Holdings LLC, a company incorporated in the United States of America, registered in the state of Delaware on 21 September 2006, as the ultimate parent undertaking and controlling party of the company.