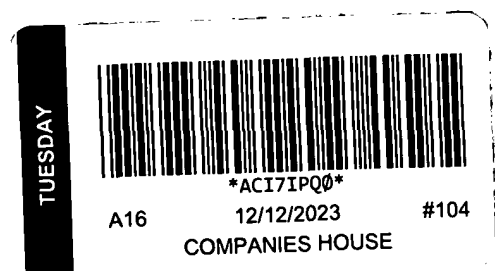


GRAPHITE CAPITAL MANAGEMENT LLP
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

Registered number: OC315612



Graphite Capital Management LLP

REPORT OF THE MEMBERS

DESIGNATED MEMBERS

MA Golser	TJ Spence
AJ Gray	MJ Tilbury
MN Hall	

OTHER MEMBERS

HP Baker	MY Khan
RL Baker	JE Markham
SK ffitc	RL Richards
M Innes	T Saade
OA Kayat	JF Western

MN Hall became a designated member on 6 June 2022. T Saade was appointed as a member on 1 July 2022. SK ffitc and MT Innes served as designated members until 30 September 2022. All other members shown above served throughout the year under review and up to the date of signing the financial statements. In addition RM Clayton served as a member until his resignation on 19 July 2022.

The members present their annual report and the audited consolidated financial statements of Graphite Capital Management LLP (the "LLP" or "Partnership") for the year ended 31 March 2023.

Principal activities

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

Results

The results for the year are shown in the Consolidated Statement of Comprehensive Income on page 6.

Going concern

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

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

Policy regarding members' allocations, drawings and capital

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

The LLP has £60,619 (2022: £69,609) of equity capital which is only repayable to members upon their retirement from the LLP subject to a requirement to maintain a minimum balance of £10,000. During the year £2,200 of equity capital was introduced (2022: £58,840) and £11,190 was repaid (2022: nil). If debt capital is necessary it is drawn down from members to the extent the LLP requires the capital and may become repayable from any surplus accumulated within the business.

REPORT OF THE MEMBERS (CONTINUED)

Independent Auditors

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

Statement of members' responsibilities

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

Company law, as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 (the "Regulations"), requires the members to prepare financial statements for each financial year. Under that law the members have prepared the group and limited liability partnership financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law, as applied to limited liability partnerships, the members must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and limited liability partnership and of the profit or loss of the group and limited liability partnership for that period. In preparing the financial statements, the members are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and limited liability partnership will continue in business.

The members are also responsible for safeguarding the assets of the group and limited liability partnership and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Disclosure of information to auditors

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

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

Signed on behalf of the members:



T Spence
Designated Member
12 June 2023

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

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
GRAPHITE CAPITAL MANAGEMENT LLP**

Opinion

We have audited the financial statements of Graphite Capital Management LLP (the 'parent LLP') and its subsidiaries (the 'Group') for the year ended 31 March 2023, which comprise the consolidated and partnership balance sheets, the consolidated statement of comprehensive income, the consolidated cash flow statement, and the consolidated and partnership reconciliations of members' interests and the 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 Financial Reporting Standard 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 Group's and of the parent LLP's affairs as at 31 March 2023 and of the Group's 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 by The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008.

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 Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council'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 Group's or the parent 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.

Other information

The other information comprises the information included in the Annual Report other than the financial statements and our auditors' report thereon. The members are responsible for the other information contained within the Annual Report. Our opinion on the financial statements does not cover the other information and 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 this gives rise to 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 this other information, we are required to report that fact.

We have nothing to report in this regard.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
GRAPHITE CAPITAL MANAGEMENT LLP (CONTINUED)**

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 by the parent LLP, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent LLP 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 2, 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 Group's and the parent 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 Group or the parent LLP 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 Group financial statements. 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. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, and non-compliance with laws and regulations, our procedures included the following: enquiring of management concerning the Group's policies with regards identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance; enquiring of management concerning the Group's policies for detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; enquiring of management concerning the Group's policies in relation to the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations; discussing among the engagement team where fraud might occur in the financial statements and any potential indicators of fraud; and obtaining an understanding of the legal and regulatory framework that the Group operates in and focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the Group.

The key laws and regulations we considered in this context included the UK Companies Act 2006 (as applied by The Limited Liability Partnerships (Accounts and Audit) (Application of the Companies Act 2006) Regulations 2008) and the Financial Services and Markets Act 2000 and the relevant rules of the Financial Conduct Authority.

One particular focus area was the risk of fraud through management override of controls. Our procedures to respond to risks identified included the following: performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud; reviewing the bank statements of the Group for evidence of any large or unusual activity which may be indicative of fraud; enquiring of management in relation to any potential litigation and claims; and testing the appropriateness of journal entries and other adjustments.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
GRAPHITE CAPITAL MANAGEMENT LLP (CONTINUED)**

Another focus area was non-compliance with the rules of the Financial Conduct Authority ('the FCA'). The parent LLP and its regulated subsidiaries were authorised and regulated by the FCA throughout the period. Our procedures to respond to risks identified included the following: reviewing correspondence between the parent LLP and its regulated subsidiaries and the FCA, performing analytical review to detect receipts of client money and remaining alert to the possibility of accidental receipt of client monies; and discussion of regulatory matters with the appointed officers of the parent LLP and its regulated subsidiaries.

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the members and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

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 Auditors' Report.

Use of our 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, as applied by Part 12 of The Limited Liability Partnerships (Accounts and Audit)(Applications of Companies Act 2006) Regulations 2008. 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 Auditors' 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 for our audit work, for this report, or for the opinions we have formed.

Simon Lewis (Senior Statutory Auditor)
for and on behalf of
Blick Rothenberg Audit LLP
Chartered Accountants, Statutory Auditor

16 Great Queen Street
London
WC2B 5AH

12 June 2023

Graphite Capital Management LLP

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 March 2023

	<u>Note</u>	<u>2023</u> <u>£'000</u>	<u>2022</u> <u>£'000</u>
Turnover		15,911	16,423
Other operating income		29	26
		<u>15,940</u>	<u>16,449</u>
Other operating expenses		(7,359)	(6,756)
Operating profit	3	<u>8,581</u>	<u>9,693</u>
Interest receivable and similar income	4	8	-
Profit on disposal of investments		-	18
Revaluation of investments	9	-	-
Profit for the financial year available for discretionary division among members		<u>8,589</u>	<u>9,711</u>
Total comprehensive income for the financial year attributable to:			
Owners of the parent		5,489	6,758
Non-controlling interest		3,100	2,953
Total comprehensive income available for discretionary division among members		<u>8,589</u>	<u>9,711</u>

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

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

Graphite Capital Management LLP

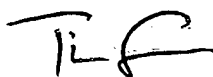
CONSOLIDATED BALANCE SHEET
as at 31 March 2023

	Note	2023		2022	
		£'000	£'000	£'000	£'000
Fixed assets					
Tangible assets	8		1,463		1,654
Investments	9		-		-
			<u>1,463</u>		<u>1,654</u>
Current assets					
Trade debtors		626		732	
Other debtors and prepayments	10	2,024		1,011	
Cash at bank and in hand		<u>4,505</u>		<u>5,620</u>	
Current assets		7,155		7,363	
Creditors: amounts falling due within one year					
Other creditors and accruals	11	<u>(2,891)</u>		<u>(2,464)</u>	
Current liabilities		(2,891)		(2,464)	
Net current assets			4,264		4,899
Total assets less current liabilities			<u>5,727</u>		<u>6,553</u>
Net assets attributable to members			<u>5,727</u>		<u>6,553</u>
Represented by:					
Members' other interests					
Members' capital classified as equity			61		70
Members' other interests - other reserves classified as equity			<u>3,247</u>		<u>4,827</u>
			3,308		4,897
Non-controlling interests	15		2,419		1,656
			<u>5,727</u>		<u>6,553</u>
Total Members' Interests					
Amounts due from members			-		-
Members' other interests			<u>3,308</u>		<u>4,897</u>
			<u>3,308</u>		<u>4,897</u>

The financial statements on pages 6 to 18 were approved by the members on 12 June 2023 and were signed on their behalf by:



M Golsér
Designated member



T Spence
Designated member

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

Graphite Capital Management LLP

CONSOLIDATED RECONCILIATION OF MEMBERS' INTERESTS
for the year ended 31 March 2023

	Equity			Debt	Total members' interests
	Members' other interests			Loans and other debts due to members less any amounts due from members in debtors	
	Members' capital (classified as equity)	Other reserves classified as equity	Total		
	£'000	£'000	£'000	£'000	£'000
Year ended 31 March 2022					
Balance as at 1 April 2021	11	5,415	5,426	-	5,426
Profit and total comprehensive income for the financial year available for discretionary division among members	-	6,758	6,758	-	6,758
Members' interests after profit and total comprehensive income for the year	11	12,173	12,184	-	12,184
Other divisions of profits	-	(7,346)	(7,346)	7,346	-
Introduced by members	59	-	59	-	59
Drawings	-	-	-	(7,346)	(7,346)
Balance as at 31 March 2022	70	4,827	4,897	-	4,897
Year ended 31 March 2023					
Balance as at 1 April 2022	70	4,827	4,897	-	4,897
Profit and total comprehensive income for the financial year available for discretionary division among members	-	5,489	5,489	-	5,489
Members' interests after profit and total comprehensive income for the year	70	10,316	10,386	-	10,386
Other divisions of profits	-	(7,069)	(7,069)	7,069	-
Introduced by members	2	-	2	-	2
Repaid to members	(11)	-	(11)	-	(11)
Drawings	-	-	-	(7,069)	(7,069)
Balance as at 31 March 2023	61	3,247	3,308	-	3,308

There are no existing restrictions or limitations which impact the ability of the members of the LLP to reduce the amount of Members' other interests, except FCA capital resources requirements.

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

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

Graphite Capital Management LLP

CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31 March 2023

	Note	2023		2022	
		£'000	£'000	£'000	£'000
Net cash inflow from operating activities			1,294		3,723
Cash flows from investing activities					
Purchase of tangible assets		(71)		(32)	
Sale of investments		-		25	
Net cash outflow from investing activities			(71)		(7)
Cash flows from financing activities					
Interest received		8		-	
Capital introduced		2		59	
Capital repaid to members		(11)		-	
Net cash inflow/(outflow) from financing activities			(1)		59
Transactions with non-controlling interests			(2,337)		(3,812)
Decrease in net cash			<u>(1,115)</u>		<u>(37)</u>
Reconciliation to net cash					
Net cash at 1 April			5,620		5,657
Cash flows			<u>(1,115)</u>		<u>(37)</u>
Net cash at 31 March			<u>4,505</u>		<u>5,620</u>

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

	2023	2022
	£'000	£'000
Operating profit for the financial year	8,581	9,693
Depreciation and amortisation of fixed assets	262	260
(Increase)/decrease in debtors	(907)	650
Increase in creditors	427	466
Drawings	(7,069)	(7,346)
Net cash inflow from operating activities	<u>1,294</u>	<u>3,723</u>

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

Graphite Capital Management LLP

PARTNERSHIP BALANCE SHEET
as at 31 March 2023

	Note	2023		2022	
		£'000	£'000	£'000	£'000
Fixed assets					
Tangible assets	8		1,463		1,654
Investments	9		60		60
			<u>1,523</u>		<u>1,714</u>
Current assets					
Trade debtors		626		725	
Other debtors and prepayments	10	2,005		855	
Cash at bank and in hand		<u>671</u>		<u>2,767</u>	
Current assets		<u>3,302</u>		<u>4,347</u>	
Creditors: amounts falling due within one year					
Other creditors and accruals	11	<u>(1,547)</u>		<u>(1,182)</u>	
Current liabilities		<u>(1,547)</u>		<u>(1,182)</u>	
Net current assets			1,755		3,165
Total assets less current liabilities			<u>3,278</u>		<u>4,879</u>
Net assets attributable to members			<u>3,278</u>		<u>4,879</u>

Represented by:

Members' other interests			
Members' capital classified as equity	61		70
Members' other interests - other reserves classified as equity	3,217		4,809
	<u>3,278</u>		<u>4,879</u>

Total Members' Interests

Amounts due from members	-		-
Members' other interests	3,278		4,879
	<u>3,278</u>		<u>4,879</u>

The LLP has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements. The profit of the parent LLP for the year was £5,477,000 (2022: £6,759,000).

The financial statements on pages 6 to 18 were approved by the members on 12 June 2023 and were signed on their behalf by:



M Golser
Designated member



T Spence
Designated member

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

Graphite Capital Management LLP

PARTNERSHIP RECONCILIATION OF MEMBERS' INTERESTS
as at 31 March 2023

	Equity			Debt	Total
	Members' other interests			Loans and other debts due to members less any amounts due from members in debtors	members' interests
	Members' capital (classified as equity)	Other reserves classified as equity	Total		
	£'000	£'000	£'000	£'000	£'000
<u>Year ended 31 March 2022</u>					
Members' Interests as at 1 April 2021	11	5,396	5,407	-	5,407
Profit for the financial year available for discretionary division among members	-	6,759	6,759	-	6,759
Members' interests after profit for the year	11	12,155	12,166	-	12,166
Other divisions of profits	-	(7,346)	(7,346)	7,346	-
Introduced by members	59	-	59	-	59
Drawings	-	-	-	(7,346)	(7,346)
Balance as at 31 March 2022	70	4,809	4,879	-	4,879
<u>Year ended 31 March 2023</u>					
Balance as at 1 April 2022	70	4,809	4,879	-	4,879
Profit for the financial year available for discretionary division among members	-	5,477	5,477	-	5,477
Members' interests after profit for the year	70	10,286	10,356	-	10,356
Other divisions of profits	-	(7,069)	(7,069)	7,069	-
Repaid to members	(9)	-	(9)	-	(9)
Drawings	-	-	-	(7,069)	(7,069)
Balance as at 31 March 2023	61	3,217	3,278	-	3,278

There are no existing restrictions or limitations which impact the ability of the members of the LLP to reduce the amount of Members' other interests, except FCA capital resources requirements.

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

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

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2023

1) **General information**

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

2) **Summary of significant accounting policies**

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

a) **Basis of preparation**

The financial statements have been prepared on the going concern basis, under the historical cost convention and comply with the Statement of Recommended Practice on Accounting by Limited Liability Partnerships, as issued in December 2021 and applicable from 1 January 2022, and are in accordance with the Companies Act 2006 as applied to limited liability partnerships. The financial statements have been prepared in accordance with Financial Reporting Standard 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland ('FRS102').

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

b) **Basis of consolidation**

The Group financial statements include the financial statements of the LLP and its relevant subsidiary undertakings, as listed in Note 9, all of which are made up to 31 March 2023. Intra-group sales and profits are eliminated fully on consolidation.

The Partnership has taken advantage of the exemption contained within section 408 of the Companies Act 2006 not to present its own Statement of Comprehensive income.

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

c) **Turnover and expenditure**

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

d) **Basic financial instruments**

Cash and cash equivalents

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

Trade debtors, other debtors, prepayments and creditors

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

The LLP holds no other basic financial instruments.

e) **Functional and presentational currency**

The functional and presentational currency is sterling.

f) **Foreign currencies**

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

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2023 (continued)

2) **Summary of significant accounting policies (continued)**

g) **Tangible fixed assets and depreciation**

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

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

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

h) **Operating leases**

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

i) **Taxation**

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

j) **Investments**

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

k) **Allocation of Profits**

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

l) **Distribution of Profits**

The distribution of profits to members is included as an operating cash flow in the cash flow statement. This treatment has been applied consistently over the periods included in this report.

m) **Critical accounting judgements and estimation uncertainty**

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

n) **Limited partnership funds**

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

o) **Non-Controlling Interests**

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

p) **Related Party Transactions**

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

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2023 (continued)

3) <u>Operating profit</u>	Group	Group
Operating profit is stated after charging:	2023	2022
	£'000	£'000
Depreciation - owned assets	262	260
Operating leases - property	712	655

Services provided by the LLP's auditors:

Fees payable for the audit of the LLP and Group financial statements	33	30
Fees payable to the LLP's auditors for other services:		
The audit of the LLP's subsidiaries and associated companies	18	17
Audit related assurance services	1	(3)
Tax compliance	(13)	70
Total amount payable to the LLP's auditors	39	114

4) <u>Interest receivable and similar income</u>	Group	Group
	2023	2022
	£'000	£'000
Bank interest	8	-

- 5) Staff costs
All employees of the Group had contracts of employment with a subsidiary, Graphite Capital Services Limited.

Employees

The monthly average number of staff employed by Graphite Capital Services Limited was 23 (2022: 21). All staff support the provision of investment services.

	Group	Group
	2023	2022
	£'000	£'000
Staff costs (for the above persons)		
Wages and salaries	3,024	2,879
Social security costs	404	370
Company pension contributions to defined contribution schemes	178	153
	3,606	3,402

The Group operates a defined contribution pension scheme for its employees. The amount recognised in the balance sheet is nil (2022: nil).

6) <u>Information relating to members</u>	Group	Group
	2023	2022
	No.	No.
a) Average number of members	15	15
b) Profit for the financial year before members' remuneration and profit shares available for discretionary division amongst members, divided by the statutory average number of members during the year	£'000	£'000
	366	450
	£'000	£'000
c) Profit attributable to the member with the largest entitlement	837	837

A total of £1,728,000 was paid in respect of compensation to key management personnel (2022: £4,181,000).

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2023 (continued)

7) Tax on profit on ordinary activities

Tax rate changes

No changes were made to the UK corporation tax rates as part of the Finance Bill 2022 (on 4 November 2021). From April 2022 the main rate is 25% and the standard small profits rate is 19%. As the Group expects profits to remain under the lower limit of £50,000 deferred taxes at the balance sheet date are measured at the standard small profits rate of 19% (2022:19%).

Tax assessed for the year is lower (2022: lower) than the standard rate of corporation tax in the UK in the year ended 31 March 2023.

As at the end of March 2023 the Group has a potential deferred tax asset of £6,196,000 (2022: £5,364,000) arising from excess management expenses. The deferred tax on these losses has not been recognised in these financial statements as it is uncertain whether it will be utilised. These losses will only be utilised if there are taxable profits in the future. As the unrecognised deferred tax asset is not expected to crystallise in the near future this has been revalued using the enacted rate of 19% (2022: 19%).

Factors affecting tax charge for the year:

	2023	2022
	£'000	£'000
Profit on ordinary activities before tax	8,589	9,710
Profit on ordinary activities multiplied by standard rate in the UK of 19% (2022: 19%)	1,632	1,845
Effect of income attributable to the LLP and taxable on members directly	(1,632)	(1,845)
	-	-

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

8) Tangible Assets
Group & Partnership

	Office Equipment £'000	Office Furniture & Fittings £'000	Computers £'000	Leasehold Improvements £'000	Total £'000
<u>Cost</u>					
At 1 April 2022	70	474	309	1,764	2,617
Additions	-	7	28	36	71
At 31 March 2023	70	481	337	1,800	2,688
<u>Accumulated depreciation</u>					
At 1 April 2022	47	123	304	489	963
Charge for the year	9	51	13	189	262
At 31 March 2023	56	174	317	678	1,225
Net book value at 31 March 2022	23	351	5	1,275	1,654
Net book value at 31 March 2023	14	307	20	1,122	1,463

Graphite Capital Management LLP

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2023 (continued)

9) Investments

Investments comprise the following:

Year ended:	Group 31 March 2023 £'000	Partnership 31 March 2023 £'000	Group 31 March 2022 £'000	Partnership 31 March 2022 £'000
At 1 April	-	60	7	14
Purchases in the year	-	-	-	53
Sales proceeds in the year	-	-	(25)	(25)
Realised gain on investments	-	-	18	18
Revaluation of investments	-	-	-	-
At 31 March	-	60	-	60

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

Consolidated subsidiary undertakings comprise the following:

<u>Name/Nature of business</u>	<u>Country of registration/ registration number</u>	<u>Direct/ indirect holding</u>	<u>Class of shares</u>	<u>% nominal value/voting rights held by Parent</u>	<u>% nominal value/voting rights held by Group</u>
Graphite Capital Services Limited *	England	Direct	£1 Ords	100%/100%	100%/100%
- Supplier of staff	05623766				
Graphite Private Equity LLP	England	Direct	Capital	71%/71%	76%/76%
(formerly Graphite Capital General Partner VII LLP)					
- General partner of limited partnerships	OC327780				
Graphite Capital General Partner VIII LLP	England	Direct	Capital	71%/71%	76%/76%
- General partner of limited partnerships	OC382408				
Graphite Capital General Partner IX LLP	England	Direct	Capital	50%/50%	100%/100%
- General partner of limited partnerships	OC421454				
Graphite Capital General Partner X LLP #	England	Direct	Capital	51%/51%	100%/100%
- General partner of limited partnerships	OC446079				
Graphite Capital Advisors LLP	England	Direct	Capital	78%/78%	78%/78%
- Private equity advisor	OC390274				
Graphite Capital GP LLP *	England	Direct	Capital	75%/75%	100%/100%
- General partner of limited partnerships	OC395337				
Graphite Capital Investment Management Limited *	England	Indirect	£1 Ords	0%/0%	100%/100%
- Procurement of investment advisory and fund administration services	05650699				
Graphite Capital Private Equity Limited *	England	Indirect	£1 Ords	0%/0%	100%/100%
- Corporate member of LLPs	08717937				

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

incorporated on 2 March 2023, first accounts will be produced to 31 March 2024.

In the opinion of the members, the value of the subsidiary undertakings is not less than the amount at which they are stated in these financial statements. The registered address of all subsidiary undertakings is the same as the LLP's.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2023 (continued)

10) Other debtors and prepayments

	Group As at 31 March 2023	Partnership As at 31 March 2023	Group As at 31 March 2022	Partnership As at 31 March 2022
	£'000	£'000	£'000	£'000
Amounts owed by associated companies	-	3	-	38
Prepayments and accrued income	671	657	476	389
Other debtors	1,353	1,346	534	428
	<u>2,024</u>	<u>2,005</u>	<u>1,011</u>	<u>855</u>

There were no group or partnership prepayments and accrued income falling due after more than one year (2022: £nil).

11) Other creditors and accruals

	Group As at 31 March 2023	Partnership As at 31 March 2023	Group As at 31 March 2022	Partnership As at 31 March 2022
	£'000	£'000	£'000	£'000
Trade creditors	252	252	37	37
Amounts owed to associated companies	-	134	-	-
Taxation and social security	69	-	60	-
Accruals and deferred income	2,049	641	1,737	618
Other creditors	520	520	630	527
	<u>2,891</u>	<u>1,547</u>	<u>2,464</u>	<u>1,182</u>

Amounts owed to group undertakings are unsecured, interest-free and repayable on demand.

12) Analysis of changes in net debt

	Balance at beginning of period	Arising from new cashflows	Balance at end of period
<u>Year ended 31 March 2023</u>			
Cash at bank	5,620	(1,115)	4,506
Net debt (before members' debt)	<u>5,620</u>	<u>(1,115)</u>	<u>4,506</u>
Loans and other debts due to members:			
Other amounts due to members	-	-	-
Net debt	<u>5,620</u>	<u>(1,115)</u>	<u>4,506</u>

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2023 (continued)

13) Transactions with related parties

Graphite Capital Investment Management Limited, a subsidiary of the LLP, is a member of Graphite Capital General Partner VIII LLP, also a subsidiary of the LLP. Members' drawings of £1,996,794 (2022: £2,108,056) were received by Graphite Capital Investment Management Limited from Graphite Capital General Partner VIII LLP in the period. A balance of £47,719 (2022: £20,662) was owed by Graphite Capital Investment Management Limited to Graphite Capital General Partner VIII LLP at the year end.

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

14) Operating lease commitments

Commitments under non-cancellable operating leases are as follows:

	Group As at 31 March 2023	Partnership As at 31 March 2023	Group As at 31 March 2022	Partnership As at 31 March 2022
	£'000	£'000	£'000	£'000
<u>Land and buildings</u>				
Not later than one year	761	761	761	761
Later than one year and not later than five years	-	-	761	761
Payable in over five years	-	-	-	-
	<u>761</u>	<u>761</u>	<u>1,522</u>	<u>1,522</u>

15) Non-controlling interests

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

	Group As at 31 March 2023	Group As at 31 March 2022
	£'000	£'000
Non-controlling interests at the beginning of the year	1,656	2,515
Profit for the financial year attributable to minority interests	3,100	2,953
Non-controlling interests after profit for the year	4,756	5,468
Distributions	(2,337)	(3,812)
Non-controlling interests at the end of the year	<u>2,419</u>	<u>1,656</u>

16) Major Subsequent Events

There have been no significant events affecting the Group since 31 March 2023.