HAYFIN

Hayfin Capital Management LLP

Annual Report and Financial Statements

For the year ended 31 December 2015

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Administrative Information

Designated members

Hayfin Capital Management (UK) Limited
T Flynn
D Rushford
N Syers
M Tognolini

Members

M Bickerstaffe
N Birnie
G Clarke
G Du Parc Braham
G Germano
K Hussain
S Loreti
A McCullagh
P Moravek
H Rowe
N Thomson
X Wong

Independent auditors

PricewaterhouseCoopers LLP
7 More London Riverside
London
SE1 2RT

Bankers

HSBC Bank plc
8 Canada Square
London
E14 5HQ

Registered office

1 Eagle Place
London
SW1Y 6AF

Legal counsel

Macfarlanes LLP
20 Cursitor Street
London
EC4A 1LT

Members' Report

The members present their report and the audited financial statements for Hayfin Capital Management LLP ('the Partnership') for the year ended 31 December 2015.

Principal activities

The principal activity of the Partnership in the year was to act as a financial advisory company providing advisory services to speciality lending institutions. The Partnership was authorised by the Financial Conduct Authority (previously Financial Services Authority) on 23 June 2010 to conduct investment activity.

Review of business

The results for the year and the financial position at the year end were considered satisfactory by the members. The members do not anticipate any change in the nature of these activities going forward.

Given the nature of the business, the Partnership's members are of the opinion that analysis using key performance indicators is not necessary for understanding the development, performance and position of the business.

Results for the year and allocations to members

The profit for the year was £12,057,326 (2014: £13,837,990). Profit allocations of £12,057,326 (2014: £13,837,990) were made to members during the year. The Partnership's statement of financial position shows total members' interests of £31,973,968 (2014: £29,397,061), which is in line with the members' expectations.

Members

The members who held office during the year and up to the date of this report were:

T Flynn - Designated member
D Rushford - Designated member
N Syers - Designated member
M Tognolini - Designated member
Hayfin Capital Management (UK) Limited - Designated member
M Bickerstaffe – appointed 1 January 2015
N Birnie
G Clarke
G Du Parc Braham
G Germano – appointed 28 September 2015
M Field – resigned 29 May 2015
K Hussain
P Levy – resigned 8 June 2015
S Loreti
A McCullagh
P Moravek – appointed 26 June 2015
R Olivari – resigned 5 June 2015
C Pla – resigned 21 December 2015
H Rowe
J Sockwell – resigned 30 June 2015
N Thomson – appointed 1 April 2016
X Wong

Members' Report (continued)

Pillar 3

Details of the Partnership's unaudited Pillar 3 disclosures, required under Chapter 11 of the Financial Conduct Authority's Prudential Sourcebook for Banks, Building Societies and Investment Firms ("BIPRU") are posted on www.hayfin.com/legal/.

UK Stewardship Code

Details of the Partnership's commitment to the UK Stewardship code, required under Rule 2.2.3R of the Financial Conduct Authority's Conduct of Business Sourcebook are posted on www.hayfin.com/legal/.

Statement of members' responsibilities in respect of financial statements

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

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 Partnership's financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 Partnership and of the profit or loss of the Partnership for that period. In preparing these financial statements, the members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union 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 partnership will continue in business.

The members are responsible for keeping adequate accounting records that are sufficient to show and explain the partnership's transactions and disclose with reasonable accuracy at any time the financial position of the Partnership and enable them to ensure that the financial statements comply with the Companies Act 2006 as applied to limited liability partnerships by the Regulations. They are also responsible for safeguarding the assets of the Partnership and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Members' profit allocation

Any profits are shared among the members as decided by the members and governed by the Partnership Agreement dated 8 July 2009 as amended and restated on 1 December 2009. The LLP deed has subsequently been amended and restated on 3 June 2015.

Policy for members' drawings, subscriptions and repayment of members' capital

Policies for members' drawings, subscriptions and repayment of members' capital are governed by the Partnership Agreement dated 8 July 2009 as amended and restated on 1 December 2009. The LLP deed has subsequently been amended and restated on 3 June 2015

Financial risk management

The financial risk management of the Partnership is detailed in note 3 of these financial statements.

Members' Report (continued)

Disclosure of information to the auditors

The members who were members of the partnership at the time of approving the members' report are listed on page 3. Each of these members confirms that:

- to the best of each member's knowledge and belief, there is no relevant audit information of which the partnership's auditors are unaware; and
- each member has taken all the steps a member ought to have taken to make the member aware of relevant audit information and to establish that the partnership's auditors are aware of that information.

Independent auditors

PricewaterhouseCoopers LLP have indicated their willingness to continue in office. A resolution concerning their re-appointment will be proposed at the board of members' meeting held to approve these financial statements.

On behalf of the members

N Syers
Designated member
For and on behalf of Hayfin Capital Management LLP

18 April 2016

Independent auditors' report to the members of Hayfin Capital Management LLP

Report on the financial statements

Our opinion

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the limited liability partnership's affairs as at 31 December 2015 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; 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.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The financial statements, which are prepared by Hayfin Capital Management LLP, comprise:

- the statement of financial position as at 31 December 2015;
- statement of comprehensive income for the year then ended;
- the statement of cash flows for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

In applying the financial reporting framework, the members have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the limited liability partnership's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the designated members; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Independent auditors' report to the members of Hayfin Capital Management LLP (continued)

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 as applicable to limited liability partnerships we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the members

As explained more fully in the Statement of Members' Responsibilities set out on page 4, the members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinion, has been prepared for and only for the members of the partnership as a body in accordance with the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Michael Newman (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

18 April 2016

Statement of Financial Position

As at 31 December 2015

		2015	2014
Assets	Note	£	£
Non-current assets			
Property, plant and equipment	5	1,200,590	1,423,685
Investment in fellow group undertakings	7	10,000	10,000
Held-to-maturity investment	8	17,178,244	16,981,409
Restricted cash and deposits	6	41,000	41,000
Total non-current assets		**18,429,834**	**18,456,094**
Current assets			
Trade and other receivables	9	15,723,042	12,795,485
Amounts due from members	11	80,000	95,000
Cash at bank	6	1,034,887	2,341,435
Total current assets		**16,837,929**	**15,231,920**
Total assets		**35,267,763**	**33,688,014**
Liabilities			
Current liabilities			
Trade and other payables	10	3,213,795	4,195,953
Amounts due to members	11	5,013,968	2,472,061
Total current liabilities		**8,227,763**	**6,668,014**
Capital and reserves			
Members' capital	11	27,040,000	27,020,000
Total members' equity		**27,040,000**	**27,020,000**
Total equity and liabilities		**35,267,763**	**33,688,014**

Total members' interests			
Members' capital	11	27,040,000	27,020,000
Amounts due to members	11	5,013,968	2,472,061
Amounts due from members	11	(80,000)	(95,000)
		31,973,968	**29,397,061**

The financial statements on pages 8 to 31 were approved by the Designated members on 18 April 2016.

N Syers
Designated member

M Tognolini
Designated member

The notes on pages 12 to 30 are an integral part of these financial statements.

Statement of Comprehensive Income

For the year ended 31 December 2015

	Note	2015 £	2014 £
Revenue	12	25,840,855	28,065,951
Other income	13	(262,243)	(349,036)
Expenses			
Personnel expenses	14	(3,404,132)	(3,775,672)
General and administrative expenses	15	(9,783,687)	(9,775,553)
Depreciation	5	(333,467)	(327,701)
Total operating expenses		**(13,521,286)**	**(13,878,926)**
Operating profit		**12,057,326**	**13,837,989**
Interest income	17	-	1
Profit for the year available for discretionary division among members		**12,057,326**	**13,837,990**

The profit for the current and previous year is derived from continuing activities.

There is no other comprehensive income for the current and previous year.

The notes on pages 12 to 31 are an integral part of these financial statements.

Statement of Changes in Equity

For the year ended 31 December 2015

	Note	Members' equity £	Retained earnings £	Total members' equity £
Balance at 1 January 2014		27,010,000	-	27,010,000
Members capital repaid	11	-	-	-
Members capital introduced	11	10,000	-	10,000
Profit for the year		-	13,837,990	13,837,990
Allocated profit		-	(13,837,990)	(13,837,990)
Balance as at 31 December 2014		27,020,000	-	27,020,000
Members capital repaid	11	(30,000)	-	(30,000)
Members capital introduced	11	50,000	-	50,000
Profit for the year		-	12,057,326	12,057,326
Allocated profit		-	(12,057,326)	(12,057,326)
Balance as at 31 December 2015		27,040,000	-	27,040,000

The notes on pages 12 to 31 are an integral part of these financial statements.

Statement of Cash Flows

For the year ended 31 December 2015

	Note	2015 £	2014 £
Cash flow from operating activities			
Profit for the year		12,057,326	13,837,990
Interest income on held-to-maturity investments		(3,072,592)	(3,482,134)
Adjustments for non-cash income and expenses			
Depreciation of property, plant and equipment	5	333,467	327,701
Interest income	17	-	(1)
Amortisation of investments	8	(196,835)	(216,849)
Changes in operating assets and liabilities			
Increase in trade and other receivables	9	(2,891,981)	(6,023,188)
(Decrease)/Increase in trade and other payables	10	(982,158)	1,603,759
Net cash generated from operating activities		**5,247,227**	**6,047,278**
Cash flow from investing activities			
Purchase of fixed assets	5	(110,372)	(190,007)
Disposal of fixed assets	5	-	29,729
Interest income	17	-	1
Interest income on held-to-maturity investments		3,037,016	2,883,484
Net cash used in investing activities		**2,926,644**	**2,723,207**
Cash flows from financing activities			
Capital contributions received from members	11	50,000	10,000
Capital repaid to members	11	(30,000)	-
Other movements	11	(712,520)	(376,732)
Payments to members	11	(8,787,899)	(10,139,007)
Net cash (used)/generated in financing activities		**(9,480,419)**	**(10,505,739)**
Net (decrease)/increase in cash and cash equivalents		**(1,306,548)**	**(1,735,254)**
Cash and cash equivalents at beginning of the year		2,382,435	4,117,689
Cash and cash equivalents at the end of the year	6	**1,075,887**	**2,382,435**

The notes on pages 12 to 31 are an integral part of these financial statements.

Notes to the Financial Statements

1. Reporting entity

Hayfin Capital Management LLP (the Partnership) is a limited liability partnership formed in England and Wales.

The address of its registered office and prinicipal place of business is 1 Eagle Place, London, SWY1 6AF. The Partnership's principal activities are that of providing financial advisory services to speciality lending institutions. The Partnership was authorised by the Financial Conduct Authority (previously Financial Services Authority) on 23 June 2010 to conduct investment activity.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

2.1 Basis of presentation

The Partnership's financial statements for the year ended 31 December 2015 have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and as adopted by the European Union. They have been prepared on going concern basis under the historical cost convention and are presented in Pound Sterling.

The Partnership classifies its expenses by the nature of expense method.

The statement of cash flow shows the changes in cash and cash equivalents arising during the year from operating activities, investing activities and financing activities. Note 6 shows in which item of the statement of financial position cash and cash equivalents are included.

The cash flows from operating activities are determined by using the indirect method, which classifies major classes of gross cash receipts and gross cash payments.

The cash flows from investing and financing activities are determined by using the indirect method. The Partnership's assignment of cash flows to operating, investing and financing categories is determined by the Partnership's operating model (see note 1).

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Partnership's accounting policies. Any changes to assumptions may have a significant impact on the financial statements for the year over which the assumptions changed. Management believes that the underlying assumptions are appropriate and that the Partnership's financial statements, therefore, present the financial position and results fairly. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

Standards, amendments and interpretations effective on or after 1 January 2015

IFRS 13, 'Fair Value Measurement'

IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclose requirements for use across IFRS. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS.

Notes to the Financial Statements

2.2 Basis of presentation (continued)

Standards and interpretations issued but not yet effective

The following standards and interpretations have been issued and are mandatory for the Partnership's accounting periods beginning on or after 1 January 2015 and for later periods and are expected to be relevant to the Partnership:

Standard/Interpretation	Content	Applicable for financial years beginning on/after
IFRS 7(2014)	Financial Instruments disclosures	1 Janaury 2016
IFRS 9 (2014)	Financial Instruments	1 January 2018
IFRS 10	Consolidated Financial Statements	1 January 2016
IFRS 15	Revenue from Contracts with Customers	1 January 2018

Amendment to IFRS 7, 'Financial instruments: Disclosures' on assets and liability offsetting

This amendment includes new disclosures to facilitate comparison between those entities that prepare IFRS financial statements to those that prepare financial statements in accordance with US GAAP. This is effective for annual periods beginning on or after January 2016.

Investment Entities: Applying the Consultation Exception (Amendments to IFRS10, IFRS12 & IAS 28)

The amendments clarify which subsidiaries of an investment entity should be consolidated instead of being measured at fair value through profit or loss. The amendments also clarify that the exemption from preparing consolodated financial statements continues to apply to subsidiaries of an investment company that are themselves parent entities. The amendments are effective for annual periods beginning on or after January 2016.

IFRS 9, 'Financial Instruments'

IFRS 9 was issued in November 2009 and replaces those parts of IAS 39 relating to the classification and measurement of financial assets. Key features are as follows:

- Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification in the financial statements depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

- An instrument is subsequently measured at amortised cost only if it is a debt instrument and (i) both the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and (ii) the asset's contractual cash flows represent only payments of principal and interest (that is, it has only 'basic loan features'). All other debt instruments are to be measured at fair value through profit or loss.

- All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognize unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.

The Partnership does not consider there to be any material impact arising from the adoption of IFRS 9.

Amendments to IFRS 10, "Consolidated financial statements", IFRS 12, "Disclosures of interests in other entities" and IAS 27, "Separate financial statements" regarding investment entities

These amendments define an investment entity and require that an investment entity should not consolidate investments in entities that it controls, but to measure those investments at fair value with changes in fair value recognised in profit or loss. Additional disclosures are required about the entities it controls when it measures investments in those entities at fair value.

Notes to the Financial Statements

2.3 Basis of presentation (continued)

Amendments to IAS 36, "impairment of assets" on the recoverable amount disclosures for non-financial assets

These amendments modify the disclosure requirements in IAS 36 with regard to the measurement of the recoverable amount of impaired assets that were made as a consequence of issuing IFRS 13, particularly if that recoverable amount is based on fair value less costs of disposal.

IFRS 15, 'Revenue from Contracts with Customers'

The core principle of IFRS 15 is for companies to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the company expects to be entitled in exchange for those goods or services. IFRS 15 will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements. IFRS 15 is effective for annual periods starting on or after 1 January 2018.

The Group is considering the implications of these new standards and amendments to standards, the impact on the Group and the timing of their adoption by the Group.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

Early adoption of standards

The Partnership did not adopt new or amended standards in 2015 that have yet to become effective.

Notes to the Financial Statements

2.4 Foreign currency translation

Functional and presentation currency

Items included in the financial statements of the Partnership are measured in Pound Sterling (GBP), being the currency of the primary economic environment in which the Partnership operates (the functional currency).

Transactions and balances

Foreign currency transactions are transactions denominated, or that require settlement, in a foreign currency are translated into the functional currency using the exchange rates prevailing at the dates of the relevant transactions.

Monetary items denominated in foreign currency are translated using the closing rate as at the reporting date. Non-monetary items measured at historical cost denominated in a foreign currency are translated using the exchange rate as at the date of initial recognition; non-monetary items in a foreign currency that are measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation, at year-end exchange rates, of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income, except when deferred in equity as gains or losses from qualifying cash flow hedging instruments or qualifying net investment hedging instruments.

2.5 Financial assets and liabilities

2.5.1 Financial assets

The Partnership allocates financial assets to the following IAS 39 category: Held-to-maturity investments.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities and that the Partnership has the positive intention and ability to hold, other than:

(a) those that the Partnership upon initial recognition designates as at fair value through profit or loss;

(b) those that the Partnership designates as available for sale

(c) those that meet the definition of loans and receivables

These are initially recognised at fair value including direct and incremental transaction costs and measured subsequently at amortised cost, using the effective interest method.

Interest on held-to-maturity investments is included within revenue in the statement of comprehensive income. In the case of an impairment, the impairment loss is reported as a deduction from the carrying value of the investment and recognised in the statement of comprehensive income.

2.5.2 Financial liabilities

The Partnership's holding of financial liabilities is in non-derivative financial instruments. Financial liabilities are ceased to be recognised for accounting purposes when extinguished or settled.

Notes to the Financial Statements

2.5.2 Financial liabilities (continued)

Other liabilities measured at amortised cost

Financial liabilities that are not classified at fair value through profit or loss fall into this category and are measured at amortised cost. Financial liabilities measured at amortised cost are amounts due to members, trade and other payables.

Determination of fair value

For financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations, where this represents an executable price. This includes broker quotes from Bloomberg and Reuters.

A financial instrument is regarded as being quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and where those prices represent actual and regularly occurring market transactions on an arm's-length basis. If the above criteria are not met, the market is regarded as being inactive. Indications that a market is inactive are when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions.

For all other financial instruments, fair value is determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, using inputs (e.g. LIBOR yield curve, FX rates, volatilities and counterparty spreads) existing at the date of the consolidated statement of financial position.

Derecognition

Financial assets cease to be recognised for accounting purposes when the contractual rights to receive the cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred (that is, if substantially all the risks and rewards have not been transferred, the Partnership tests control to ensure that continuing involvement on the basis of any retained powers of control does not prevent derecognition). Financial liabilities cease to be recognised when they have been redeemed or otherwise extinguished.

2.6 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.7 Interest income and expense

Interest income and expense for all interest-bearing financial instruments are recognised within revenue as 'interest and similar income' in the statement of comprehensive income using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Partnership estimates cash flows considering all contractual terms of the financial instrument (e.g., prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Notes to the Financial Statements

2.8 Impairment of financial assets carried at amortised cost

The Partnership assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Partnership uses to determine that there is objective evidence of an impairment loss include:

(a) significant financial difficulty of the issuer or obligor;

(b) a breach of contract, such as a default or delinquency in interest or principal payments;

(c) the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;

(d) it becomes probable that the borrower will enter bankruptcy or other financial reorganisation;

(e) the disappearance of an active market for that financial asset because of financial difficulties; or

(f) observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

   (i) adverse changes in the payment status of borrowers in the portfolio; and

   (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Partnership first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Partnership determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in any collective assessment of impairment.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the consolidated income statement. If a loan or has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Partnership may measure impairment on the basis of an instrument's fair value using an observable market price.

Such assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Impairment charges relating to a financial asset are classified in loan impairment charges. When a financial asset is uncollectible, it is written off against the related allowance for loan impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the statement of comprehensive income.

Notes to the Financial Statements

2.9 Impairment of non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash-generating units).

The impairment test also can be performed on a single asset when the fair value less cost to sell or the value in use can be determined reliably. Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date. No non-financial assets held by the Partnership were impaired in 2015 or 2014.

2.10 Revenue recognition

Revenue, which is stated net of value added tax, represents fees received for investment advisory services, and income received from investments.

2.11 Interest and similar income

Interest and similar income received is recognised on an accruals basis.

2.12 Cash and cash equivalents

For the purpose of the statement of cash flow, cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less, and restricted cash held for deposits.

2.13 Trade and other receivables

Trade and other receivables are recognised at cost less any provision made for impairment of these receivables. A provision for impairment of receivables is established when there is objective evidence that the Partnership will not be able to collect all amounts due according to the original terms of the receivable. The amount of the provision is the difference between the original carrying amount and the recoverable amount and this difference is recognised in the statement of comprehensive income.

2.14 Trade and other payables

Trade and other payables are obligations on the basis of normal credit terms and do not bear interest and are recognised on an accruals basis.

2.15 Leases

Leases are accounted for in accordance with IAS 17 and IFRIC 4. The leases entered into are operating leases. The total payments made under operating leases are charged to other operating expenses in the statement of comprehensive income on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place (See note 21).

Notes to the Financial Statements

2.16 Property, plant and equipment

All property, plant and equipment used by the Partnership are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent expenditures are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Partnership and the cost of the item can be measured reliably.

Depreciation of assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

- Leasehold improvements: 10 years
- Computer equipment: 3 years
- Office equipment: 4 years
- Furniture and fixtures: 4 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each date of the statement of financial position. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in other operating expenses in the statement of comprehensive income.

Artwork is not depreciated.

2.17 Taxation

No taxation is reflected in the accounts as tax is borne by the individual members in a personal capacity on their attributable profit shares and not the Partnership.

2.18 Members' remuneration

The policy to allocate profits is governed by the LLP agreement dated 8th July 2009 (as amended and restated). Firstly each member is allocated a fixed allocation based upon time in the partnership for the accounting period. Secondly any excess profit may be allocated to members by way of variable allocations as determined in accordance with the compensation policy in effect from time to time.

2.19 Members' capital

Members' capital is classified as equity as it is not automatically repayable on retirement and is not interest bearing.

Notes to the Financial Statements

3. Financial risk management

The Partnership's activities expose it to a variety of financial risks, such as foreign exchange, credit, liquidity, market and interest rate risk.

3.1 Foreign exchange risk

The Partnership's functional currency is GBP and therefore takes on exposure to the effect of fluctuations in currencies other than GBP which it transacts in. The Partnership incurs expenses in currencies other than GBP but the exposures are immaterial. The Partnership's investment in Hayfin Ruby II Luxembourg SCA is in GBP.

3.2 Credit risk

Credit risk is the risk of suffering financial loss should the Partnership's customers, clients or counterparties fail to fulfil their contractual obligations to the Partnership. The Partnership's core business is to advise other Group Companies on investment decisions. The Partnership's principal credit risk is financial loss in relation to the held-to-maturity investment in Hayfin Ruby II Luxembourg SCA, a speciality finance company based in Luxembourg. The Partnership measures this credit risk using the amortised cost method.

3.3 Liquidity risk

Liquidity risk is the risk that the Partnership is unable to meet its obligations when they fall due as a result of cash requirements from contractual commitments or other cash flows. The Partnership manages liquidity by maintaining sufficient cash with banks to meet its ongoing commitments.

31 December 2015	**0 – 3 months**	**3 months – 1 year**	**1 – 2 years**	**3 – 5 years**	**5 years +**	**Total**
	£	**£**	**£**	**£**	**£**	**£**
Liabilities						
Trade and other payables	3,213,795	-	-	-	-	3,213,795
Amounts due to members	5,013,968	-	-	-	-	5,013,968
Current liabilities	**8,227,763**	-	-	-	-	**8,227,763**
Total liabilities	**8,227,763**	-	-	-	-	**8,227,763**

31 December 2014	**0 – 3 months**	**3 months – 1 year**	**1 – 2 years**	**3 – 5 years**	**5 years +**	**Total**
	£	**£**	**£**	**£**	**£**	**£**
Liabilities						
Trade and other payables	4,195,953	-	-	-	-	4,195,953
Amounts due to members	2,472,061	-	-	-	-	2,472,061
Current liabilities	**6,668,014**	-	-	-	-	**6,668,014**
Total liabilities	**6,668,014**	-	-	-	-	**6,668,014**

Notes to the Financial Statements

3.4 Market risk

Market risk is the risk that the fair value or future cash flows of an asset or liability fluctuate due to changes in market price. The Partnership's direct market risk is limited to its investment in Hayfin Ruby II Luxembourg SCA.

3.5 Interest rate risk

Interest rate risk is the possibility that changes in interest rates will result in higher financing costs or reduced income from the Partnership's interest bearing financial assets and liabilities. The Partnership's interest rate risk arises from deposits held with counterparties and its investment in Hayfin Ruby II Luxembourg SCA.

3.6 Capital management

During the year the Partnership has received capital commitments from members totalling £50,000 (2014: £10,000). During the year £30,000 (2014: £nil) was repaid to the members. As at 31 December 2015, £27,040,000 (2014: £27,020,000) had been received.

The Partnership currently has no external capital requirements other than regulatory capital set by the FCA but aims to maintain sufficient capital resources to support the Partnership's risk appetite and economic capital requirements.

4. Critical accounting estimates and judgments

The Partnership's financial statements and its financial results are influenced by accounting policies, assumptions, estimates and management's judgement, which have to be made in the course of preparation of the consolidated financial statements.

The Partnership determines estimates and assumptions that affect the reported amounts of assets and liabilities for the next financial year. All estimates and assumptions required in conformity with IFRS are best estimates undertaken in accordance with the applicable standard.

Estimates and judgements are evaluated on a continuous basis, and are based on past experience and other factors, including expectations with regard to future events. The application of accounting policies and Partnership's judgements for certain items are especially critical for the Partnership's results and financial situation due to their materiality.

Impairment losses on held-to-maturity investments

The Partnership reviews its held-to-maturity investments at least on a monthly basis to assess for impairment. In determining whether an impairment loss should be recorded in the statement of comprehensive income, the Partnership makes judgements as to whether there is any observable data indicating an impairment trigger followed by a measurable decrease in the estimated future cash flows from a loan and receivable before a decrease can be identified. This evidence may include observable data indicating that there has been an adverse change in the payment status of the borrower, a group of borrowers, or national or local economic conditions that correlate with defaults on assets in the group. The Partnership uses estimates based on historical loss experience for assets with credit risk characteristics when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Notes to the Financial Statements

4. Critical accounting estimates and judgments (continued)

Fair value of financial instruments

The fair values of financial instruments where no active market exists or where quoted prices are not otherwise available are determined by using valuation techniques. In these cases, the fair values are estimated from observable data in respect of similar financial instruments or using models. Where market observable inputs are not available, they are estimated based on appropriate assumptions. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of those that sourced them. All models are certified before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practicable, such models use only observable data; however, areas such as credit risk (both own credit risk and counterparty risk), volatilities and correlations require management to make estimates. Changes in assumptions about these factors may affect the reported fair value of financial instruments.

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Partnership's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges (for example, London Stock Exchange, Frankfurt Stock Exchange, New York Stock Exchange) and exchange traded derivatives like futures (for example, Nasdaq, S&P 500).
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). This level includes the majority of the over the counter derivative contracts, traded loans and issued structured debt. The prices where possible are derived from independent broker quotations or loan pricing agents such as Markit.
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

This hierarchy requires the use of observable market data when available. The Partnership considers relevant and observable market prices in its valuations where possible.

Notes to the Financial Statements

5. Property, plant and equipment

31 December 2015

	Leasehold improvements £	Computer equipment £	Office equipment £	Furniture and fixtures £	Artwork £	Total £
Cost/book value						
Opening balance at 1 January 2015	1,066,071	458,311	121,072	447,771	23,103	2,116,328
Additions during the year	-	110,372	-	-	-	110,372
Disposals during the year	-	-	-	-	-	-
Balance as at 31 December 2015	**1,066,071**	**568,683**	**121,072**	**447,771**	**23,103**	**2,226,700**
Accumulated depreciation						
Opening balance at 1 January 2015	136,594	312,255	34,518	209,276	-	692,643
Charge for the year	110,716	102,364	29,622	90,765	-	333,467
Eliminated on disposals	-	-	-	-	-	-
Balance as at 31 December 2015	247,310	414,619	64,140	300,041	-	1,026,110
Net book value 2015	**818,761**	**154,064**	**56,932**	**147,730**	**23,103**	**1,200,590**

31 December 2014

	Leasehold improvements £	Computer equipment £	Office equipment £	Furniture and fixtures £	Artwork £	Total £
Cost/book value						
Opening balance at 1 January 2014	1,311,200	365,348	63,354	408,393	14,872	2,163,167
Additions during the year	31,095	92,963	57,718	39,378	8,231	229,385
Disposals during the year	(276,224)	-	-	-	-	(276,224)
Balance as at 31 December 2014	**1,066,071**	**458,311**	**121,072**	**447,771**	**23,103**	**2,116,328**
Accumulated depreciation						
Opening balance at 1 January 2014	210,555	236,879	15,821	108,804	-	572,059
Charge for the year	133,156	75,376	18,697	100,472	-	327,701
Eliminated on disposals	(207,117)	-	-	-	-	(207,117)
Balance as at 31 December 2014	136,594	312,255	34,518	209,276	-	692,643
Net book value 2014	**929,477**	**146,056**	**86,554**	**238,495**	**23,103**	**1,423,685**

Notes to the Financial Statements

6. Cash at bank

For the purpose of the statement of cash flow, cash and cash equivalents comprise the following balances:

	2015	2014
	£	£
Cash at bank	1,034,887	2,341,435
Other restricted cash and deposits	41,000	41,000
Total cash at bank	**1,075,887**	**2,382,435**

7. Investments in fellow group undertakings

Investments include £10,000 (67%) capital interest in Hayfin Services LLP, a Partnership formed in England and Wales. The principal activity of Hayfin Services LLP is to act as an advisory company to Hayfin Capital Management LLP.

	2015	2014
	£	£
Cost of investment at 1 January	10,000	10,000
Cost of investment at 31 December	**10,000**	**10,000**

During the year Hayfin Capital Management LLP was allocated profit of £36,824 (2014: £45,733) from Hayfin Services LLP.

8. Held-to-maturity investments

Hayfin Capital Management LLP holds an investment in Hayfin Ruby II Luxembourg SCA. The Partnership intends and has the ability to hold this investment until maturity.

	2015	2014
	£	£
Cost of investment	16,685,800	16,685,800
Opening amortisation	295,609	78,760
Current year amortisation	196,835	216,849
Value of investment at 31 December	**17,178,244**	**16,981,409**

The investment in Hayfin Ruby II Luxembourg SCA was bought at a discount and is amortising to face value of £19,000,000.

Notes to the Financial Statements

9. Trade and other receivables

	2015	2014
	£	£
Amounts due from Hayfin Ruby II Luxembourg SCA	572,119	615,225
Amounts due from Hayfin Management Limited	12,881,815	9,318,252
Amounts due from Hayfin Advisors LLC	74,180	-
Interest receivable on held-to-maturity investments	1,586,194	1,550,618
Other receivables	267,418	1,001,406
Prepayments	341,316	309,984
Total trade and other receivables	**15,723,042**	**12,795,485**

10. Trade and other payables

	2015	2014
	£	£
Amounts due to Hayfin Limited	17,350	2,150,219
Amounts due to Hayfin Services LLP	8,799	4,391
Amounts due to Hayfin Advisors GmbH	186,660	-
Amounts due to Hayfin Advisors SAS	501,533	-
Amounts due to Hayfin Advisors Ltd	81,052	-
Amounts due to Hayfin Advisors BV	21,216	-
Trade payables	1,292,887	566,759
Other payables	527	-
Accrued expenses	1,103,771	1,474,584
Total trade and other payables	**3,213,795**	**4,195,953**

Notes to the Financial Statements

11. Equity

	Members' other interests			Loans and other debts due to members less any amounts due (from)/to members in debtors	
	Members' capital classified as equity	Other reserves	Total		Total
	£	£	£	£	£
Amounts due to members	-	-	-	2,472,061	-
Amounts due from members	-	-	-	(95,000)	-
Balance as at 1 January 2015	**27,020,000**	-	**27,020,000**	**2,377,061**	**29,397,061**
Profit for the financial year available for discretionary division among members	-	12,057,326	12,057,326	-	12,057,326
Members' interests after profit for the year	27,020,000	12,057,326	39,077,326	2,377,061	41,454,387
Allocation of profits	-	(12,057,326)	(12,057,326)	12,057,326	-
Repaid to members	(30,000)	-	(30,000)	-	(30,000)
Capital introduced	50,000	-	50,000	-	50,000
Drawings	-	-	-	(8,787,899)	(8,787,899)
Other movements	-	-	-	(712,520)	(712,520)
Amounts due to members	-	-	-	5,013,968	-
Amounts due from members	-	-	-	(80,000)	-
Balance as at 31 December 2015	**27,040,000**	-	**27,040,000**	**4,933,968**	**31,973,968**

In the event of winding up, the unsecured creditors of the Partnership will be paid before members' items under 'loans and other debts due to members' are paid.

Notes to the Financial Statements

11. Equity (continued)

	Members' other interests			Loans and other debts due to members less any amounts due (from)/to members in debtors	
	Members' capital classified as equity	Other reserves	Total		Total
	£	£	£	£	£
Amounts due to members	-	-	-	480,994	-
Amounts due from members	-	-	-	(1,426,184)	-
Balance as at 1 January 2014	27,010,000	-	27,010,000	(945,190)	26,064,810
Profit for the financial year available for discretionary division among members	-	13,837,990	13,837,990	-	13,837,990
Members' interests after profit for the year	27,010,000	13,837,990	40,847,990	(945,190)	39,902,800
Allocation of profits	-	(13,837,990)	(13,837,990)	13,837,990	-
Repaid to members	-	-	-	-	-
Capital introduced	10,000	-	10,000	-	10,000
Drawings	-	-	-	(10,139,007)	(10,139,007)
Other movements	-	-	-	(376,732)	(376,732)
Amounts due to members	-	-	-	2,472,061	-
Amounts due from members	-	-	-	(95,000)	-
Balance as at 31 December 2014	**27,020,000**	-	**27,020,000**	**2,377,061**	**29,397,061**

12. Revenue

An analysis of revenue for the year is as follows:

	2015	2014
	£	£
Advisory and investment management fees	22,534,604	24,384,182
Interest and similar income on held-to-maturity investments	3,269,427	3,636,036
Profit allocation from Hayfin Services LLP	36,824	45,733
Total revenue	**25,840,855**	**28,065,951**

Notes to the Financial Statements

13. Other income

An analysis of other income for the year is as follows:

	2015	2014
	£	£
Agency fees	128,088	249,780
Deal related expenses and legal fees	(291,698)	(435,886)
Deal related research and consultancy	(98,633)	(162,930)
Total other income	**(262,243)**	**(349,036)**

14. Personnel expenses

	2015	2014
	£	£
Wages and salaries	2,715,333	3,053,783
Social security costs	317,041	408,119
Other staff costs	371,758	313,770
	3,404,132	**3,775,672**

The average number of employees during the year		
Investment advisory activities	12	9
Non-investment advisory activities	10	10

15. General and administrative expenses

	2015	2014
	£	£
Property expenses	1,624,637	1,643,279
Office expenses	423,881	405,607
Travel and entertainment	475,342	496,175
IT systems and market data	1,077,514	762,538
Legal and professional	961,757	803,483
Intercompany advisory fees	5,265,240	5,538,950
Other expenses	131,684	135,087
Foreign exchange gains	(176,368)	(9,596)
Total general and administrative expenses	**9,783,687**	**9,775,553**

Notes to the Financial Statements

16. Operating profit

The following items have been included in arriving at operating profit:

	2015	2014
	£	£
Auditors' remuneration		
- fees payable to auditor for audit of financial statements	21,500	25,000
Depreciation	333,467	327,701
Foreign exchange gain	(176,368)	(9,596)

17. Interest income

	2015	2014
	£	£
Interest received	-	1
Total	-	1

18. Members' remuneration

	2015	2014
	£	£
Profit for the financial year before members' remuneration and profit share	12,057,326	13,837,990
Profit for the financial year available for discretionary distribution among members	12,057,326	13,837,990
Amount of profit attributable to the members with the largest entitlement to profit	3,269,427	3,698,983
The average number of members during the year	18	17

The key management personnel of the Partnership are the individual members.

19. Related parties

Hayfin Capital Management (UK) Limited is a member of Hayfin Capital Management LLP. During the year the Partnership allocated profit of £3,269,427 (2014: £3,698,983) to Hayfin Capital Management (UK) Limited and Hayfin Capital Management (UK) Limited contributed capital of £30,000 (2014: £nil) to the Partnership. As at 31 December 2015, £4,752,511 was owed to Hayfin Capital Management (UK) Limited (2014: £2,013,114).

During the year the Partnership allocated profit of £8,787,899 (2014: £10,139,007) to other members of the Partnership. As at 31 December 2015 £261,457 (2014: £458,947) was owed to the other members by the Partnership.

Notes to the Financial Statements

19. Related parties (continued)

Hayfin Capital Management LLP is a member of Hayfin Services LLP. During the year the Partnership received a profit allocation of £36,824 (2014: £45,733) from Hayfin Services LLP. The Partnership paid advisory fees of £773,296 (2014: £960,391) to Hayfin Services LLP. As at 31 December 2015, Hayfin Services LLP was owed £8,799 from the Partnership (2014: £4,391).

Hayfin Management Limited, a company incorporated in Cayman Islands, is controlled by Hayfin Capital Holdings Limited, the Partnership's intermediate parent company, and therefore is deemed to be a related party. During the year the Partnership charged Hayfin Management Limited £20,969,769 (2014: £22,658,162) in relation to advisory fees. As at 31 December 2015, Hayfin Management Limited owed £12,881,815 (2014: £9,318,252) to the Partnership.

Hayfin Limited, a company incorporated in the United Kingdom, is a subsidiary of Hayfin Capital Management LLP, and therefore is deemed to be a related party. During the year Hayfin Limited charged the Partnership £130,268 (2014: £182,511) in relation to staff costs. The Partnership also charged Hayfin Limited £121,280 (2014: £171,417) in relation to advisory fees. As at 31 December 2015 the Partnership owed £17,350 (2014: £2,150,219) to Hayfin Limited.

Hayfin Advisors SAS, a company incorporated in France, is an indirect subsidiary of Hayfin Capital Management LLP, and therefore is deemed to be a related party. During the year Hayfin Advisors SAS charged the Partnership £1,888,444 (2014: £1,940,558) in relation to advisory fees. As at 31 December 2015, Hayfin Advisors SAS was owed £501,533 (2014: £nil) by the Partnership.

Hayfin Advisors GmbH, a company incorporated in Germany, is an indirect subsidiary of Hayfin Capital Management LLP, and therefore is deemed to be a related party. During the year Hayfin Advisors GmbH charged the Partnership £851,820 (2014: £842,738) in relation to advisory fees. As at 31 December 2015, Hayfin Advisors GmbH was owed £186,660 (2014: £nil) by the Partnership.

Hayfin Ruby II Luxembourg SCA, a company incorporated in Luxembourg, is controlled by Hayfin Capital Holdings Limited, the Partnership's intermediate parent company, and therefore is deemed to be a related party. During the year Hayfin Ruby II Luxembourg SCA paid interest of £3,072,591 (2014: £3,482,134) and management fees of £1,491,270 (2014: £1,656,231) to the Partnership. As at 31 December 2015, Hayfin Ruby II Luxembourg SCA owed £572,119 (2014: £615,225) to the Partnership.

The Partnership holds an investment until maturity in Hayfin Ruby II Luxembourg SCA. As at 31 December 2015 the cost of the investment was £16,685,800 (2014: £16,685,800) and its amortised cost value was £17,178,244 (2014: £16,981,409).

Hayfin Diamond GP Limited, a company incorporated in the United Kingdom, is controlled by Hayfin Capital Holdings Limited, the Partnership's intermediate parent company, and therefore is deemed to be a related party. During the year the Partnership charged Hayfin Diamond GP Limited management fees of £73,565 (2014: £69,788). As at 31 December 2015, Hayfin Diamond GP Limited owed £nil (2014: £nil) to the Partnership.

Hayfin Advisors BV, a company incorporated in the Netherlands, is an indirect subsidiary of Hayfin Capital Management LLP, and therefore is deemed to be a related party. During the year the Hayfin Advisors BV charged the Partnership £307,054 (2014: £399,191) in relation to advisory fees. As at 31 December 2015, Hayfin Advisors BV was owed £21,216 (2014: £nil) by the Partnership.

Hayfin Advisors LLC, a company incorporated in the United States, is an indirect subsidiary of Hayfin Capital Management LLP, and therefore is deemed to be a related party. During the year Hayfin Advisors LLC charged the Partnership £1,119,139 (2014: £1,384,977) in relation to advisory fees. As at 31 December 2015, Hayfin Advisors LLC owed £74,180 (2014: £nil) to the Partnership.

Hayfin Advisors Limited, a company incorporated in Israel, is an indirect subsidiary of Hayfin Capital Management LLP, and is therefore deemed to be a related party. During the year Hayfin Advisors Ltd charged the Partnership £316,499 (2014: £nil) in relation to advisory fees. As at 31 December 2015, Hayfin Advisors Limited was owed £81,052 (2014: £nil) by the Partnership.

Notes to the Financial Statements

20. Ultimate parent company and controlling party

The ultimate parent entity and controlling party is TowerBrook Investors Fund III, comprising TowerBrook Investors III, L.P., TowerBrook Investors III (parallel), L.P., and TowerBrook Investors III Executive Fund, L.P.

Hayfin Capital Holdings Limited is the parent of the largest group for which consolidated statements are prepared.

21. Lease arrangements

The Partnership leases property under non-cancellable operating lease arrangements. There are no contingent rents payable. The Partnership has future minimum lease payments under an operating lease as follows:

	0 – 1 year	**1 – 5 years**	**> 5 years**	**Total**
	£	£	£	£
Property	1,020,015	4,080,060	2,338,117	7,438,192

The above analysis represents future cash flow obligations arising from property lease arrangements which differ from the amounts expensed in the profit and loss account due to an amount equivalent to a 20-month, rent-free period being amortised over the duration of the lease period.

22. Subsequent events

In preparing these financial statements, the partners have evaluated all material subsequent events up to 18 April 2016, which is the date that the financial statements were available to be issued, and have concluded there are no events requiring disclosure.

23. Approval of financial statements

The financial statements were authorised for issue on 18 April 2016 by the board of members.