



Hayfin Capital Management LLP

Annual Report

For the year ended 31 December 2022

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Administrative Information

Designated Members

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

Members

G Du Parc Braham
G Germano
K Hussain
M Lehmler-Brown
A McCullagh
A Pickard
A Povlsen
S Questa
H Rowe

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
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 annual report and the audited financial statements for Hayfin Capital Management LLP ('the Partnership') for the year ended 31 December 2022.

Principal activities

The Partnership is an English limited liability partnership registered on 11 June 2009 under the Limited Liability Partnership Act 2000 with number OC346320. The Partnership is authorised and regulated by the Financial Conduct Authority (the "FCA").

The principal activity of the Partnership in the year was to act as a financial advisor providing advisory and investment management services. The Partnership was authorised by the Financial Conduct Authority on 23 June 2010 with firm reference number 503730.

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.

KPIs

The Members assess key performance indicators (KPIs) in order to develop a fundamental understanding of the financial position and performance of the business including investment performance, turnover analysis and expense variance. The Members monitor the KPIs using management accounts, expense reports, regulatory capital reports and cash flow projections.

Results for the year and allocations to Members

The profit for the year available for discretionary division among Members was £44,738,866 (2021: £37,147,797). Profit allocations of £44,738,866 (2021: £37,147,797) were made to Members during the year. The Partnership's statement of financial position shows total Members' interests of £60,247,349 (2021: £29,367,546), which is in line with the Members' expectations.

Going concern

Based on current financial projections, the Members have a reasonable expectation that the Partnership has adequate resources to continue in operational existence for the foreseeable future and accordingly the going concern basis has been adopted in presentation of the financial statements.

Members' Report (continued)

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
D Bird – (resigned 9 June 2022)
G Du Parc Braham
G Germano
K Hussain
M Lehmler-Brown
A McCullagh
A Pickard
A Povlsen
S Questa
H Rowe

Pillar 3

Details of the Partnership's most recently prepared 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 <https://hayfin.com/legal-disclosures/>.

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 <http://hayfin.com/wp-content/uploads/2017/12/The-Stewardship-Code.pdf>.

Members' profit allocation

The policy to discretionarily allocate profits is governed by the LLP agreement dated 21 June 2017 with an amendment on 18 December 2017. Firstly each member is allocated a fixed allocation based upon time in the partnership for the accounting year. Secondly any excess profit may be allocated to members by way of variable allocations as determined by a remuneration committee based upon the assessment of performance of each individual member; such allocations shall be subject to the final approval of the relevant governing bodies as set out in the remuneration policy in effect from time to time. The financial statements reflect the final allocation approval for the year.

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 21 June 2017 as amended on 18 December 2017.

Members' Report (continued)

Financial risk management

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

Subsequent events

In preparing these financial statements, the Members have evaluated and disclosed all material subsequent events up to 26 April 2023 which is the date that the financial statements were available to be issued and no material events were noted.

Statement of members' responsibilities in respect of the financial statements

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 financial statements in accordance with UK-adopted international accounting standards.

Under company law, as applied to limited liability partnerships, 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 LLP and of the profit or loss of the LLP 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 UK-adopted international accounting standards 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 LLP will continue in business.

The members are responsible for safeguarding the assets of the LLP and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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 information relevant to the preparation of their report of which the partnership's auditors are unaware; and
- each Member has taken all the steps a Member might reasonably be expected to have taken to be aware of relevant audit information and to establish that the partnership's auditors are aware of that information.

Members' Report (continued)

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.

The financial statements on pages 10 to 13 were approved by the members 26 April 2023 and signed on its behalf by

On behalf of the Members



N Syers

Designated Member

For and on behalf of Hayfin Capital Management LLP

Date: 26 April 2023

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

Report on the audit of the financial statements

Opinion

In our opinion, Hayfin Capital Management LLP's financial statements:

- give a true and fair view of the state of the LLP's affairs as at 31 December 2022 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008.

We have audited the financial statements, included within the Annual Report, which comprise: the Statement of Financial Position as at 31 December 2022; the Statement of Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the LLP in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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 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.

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.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the LLP's ability to continue as a going concern.

Our responsibilities and the responsibilities of the members with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The members are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Responsibilities for the financial statements and the audit

Responsibilities of the members for the financial statements

As explained more fully in the Statement of members' responsibilities in respect of the financial statements, the members are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The members are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the members are responsible for assessing the 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 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 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.

Based on our understanding of the LLP and industry, we identified that the principal risks of non-compliance with laws and regulations related to UK regulatory principles, such as those governed by the Financial Conduct Authority, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate manual journals to revenue or expenses and management bias in accounting estimates with respect to the fair valuation of investments held either directly or indirectly through investment in subsidiaries and inappropriate intercompany transactions. Audit procedures performed by the engagement team included:

- Enquiring with management, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Reviewing relevant meeting minutes;
- Reviewing correspondence with the Financial Conduct Authority in relation to compliance with laws and regulations;
- Selecting a sample of journals throughout the year based on a risk based strategy, such as unexpected account combinations, large amounts and unusual words; and
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, 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 these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

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

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the LLP, 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.

Jeremy Jensen

Jeremy Jensen (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
26 April 2023


Statement of Financial Position

As at 31 December 2022

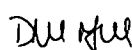
		2022	2021
Assets	Note	£	£
Non-current assets			
Right of use asset	7	889,109	1,538,278
Property, plant and equipment	5	817,579	1,869,470
Intangible assets	6	2,991,805	601,225
Investments in subsidiaries	9	10,000	10,000
Restricted cash and deposits	8	41,001	41,001
Total non-current assets		4,749,494	4,059,974
Current assets			
Trade and other receivables	10	90,211,090	68,556,456
Amounts due from Members	12	70,000	70,000
Cash and cash equivalents	8	5,553,413	4,460,767
Total current assets		95,844,503	73,087,223
Total assets		100,593,997	77,147,197
Equity and liabilities			
Non-current liabilities			
Lease liabilities	7	252,863	452,754
Total non-current liabilities		252,863	452,754
Current liabilities			
Trade and other payables	11	39,518,075	46,069,170
Lease liabilities	7	505,710	1,187,727
Amounts due to Members	12	41,276,854	18,221,665
Total current liabilities		81,300,639	65,478,562
Capital and reserves			
Members' capital	12	19,040,495	11,215,881
Total Members' equity		19,040,495	11,215,881
Total equity and liabilities		100,593,997	77,147,197
Total Members' interests			
Members' capital	12	19,040,495	11,215,881
Amounts due to Members	12	41,276,854	18,221,665
Amounts due from Members	12	(70,000)	(70,000)
		60,247,349	29,367,546

The notes on pages 15 to 35 are an integral part of these financial statements.

The financial statements on pages 11 to 35 were approved by the Designated members on 26 April 2023.



N Syers
Designated member



D Rushford
Designated member

Statement of Comprehensive Income

For the year ended 31 December 2022

	<i>Note(s)</i>	2022 £	2021 £
Revenue	13	121,475,808	94,004,457
Cost of sales	15	<u>(34,922,706)</u>	<u>(28,794,707)</u>
Gross profit		86,553,102	65,209,750
Other income	14	12,662,926	8,599,590
Expenses			
Personnel expenses	16	(25,782,592)	(20,148,334)
Administrative expenses	17	(17,285,388)	(10,849,605)
Depreciation and amortisation	5,6,7	(1,461,740)	(1,403,422)
Incentive scheme payments	18	<u>(9,867,702)</u>	<u>(4,183,971)</u>
Total operating expenses		<u>(54,397,422)</u>	<u>(36,585,332)</u>
Operating profit		44,818,606	37,224,010
Finance costs	19	(79,740)	(76,213)
Profit for the year available for discretionary division among Members		<u>44,738,866</u>	<u>37,147,797</u>

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 15 to 35 are an integral part of these financial statements.

Statement of Changes in Equity

For the year ended 31 December 2022

	Members' capital £	Other reserves £	Total £
Balance at 1 January 2021	11,048,350	-	11,048,350
Introduction of Members' capital	167,531	-	167,531
Profit for the year	-	37,147,797	37,147,797
Discretionary allocation of profit	-	(37,147,797)	(37,147,797)
Balance as at 31 December 2021	11,215,881	-	11,215,881
Introduction of Members' capital	7,824,614	-	7,824,614
Profit for the year	-	44,738,866	44,738,866
Discretionary allocation of profit	-	(44,738,866)	(44,738,866)
Balance as at 31 December 2022	19,040,495	-	19,040,495

The notes on pages 15 to 35 are an integral part of these financial statements.

Statement of Cash Flows

For the year ended 31 December 2022

		2022	2021
		£	£
Cash flow from operating activities	Note		
Operating profit after finance costs		44,738,866	37,147,797
Adjusted for:			
Depreciation of property, plant and equipment	5	430,895	467,878
Depreciation of right of use assets	7	1,030,844	935,545
Net gain on exchange differences		(180,028)	(126,100)
Interest expense on lease liability		79,740	76,213
Incentive scheme payments	12	9,867,702	4,183,971
Changes in operating assets and liabilities			
(Decrease) in trade and other receivables	10	(21,664,634)	(15,425,342)
(Decrease)/Increase in trade and other payables	11	(6,551,095)	32,702,719
Net cash generated from operating activities		27,752,290	59,962,681
Cash flow from investing activities			
Purchase of property, plant and equipment	5	(1,769,584)	(1,375,169)
Net cash used in investing activities		(1,769,584)	(1,375,169)
Cash flows from financing activities			
Introduction of Members' capital	12	-	167,531
Members' distributions		(8,350,386)	(43,982,337)
Members' drawings	12	(15,444,103)	(12,963,722)
Principal elements of lease liability payments	7	(1,275,599)	(1,158,810)
Net cash used in financing activities		(25,070,088)	(57,937,338)
Net increase in cash and cash equivalents		912,618	650,174
Cash and cash equivalents at beginning of the year		4,501,768	3,725,494
Exchange gain on cash and cash equivalents		180,028	126,100
Cash and cash equivalents at the end of the year	8	5,594,414	4,501,768

The notes on pages 15 to 35 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, under the Limited Liability Partnership Act 2000.

The address of its registered office and principal 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, as well as providing investment management services. The Partnership was authorised by the Financial Conduct Authority on 23 June 2010 to conduct investment activities.

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, unless otherwise stated.

2.1 Basis of preparation

The financial statements contain information about Hayfin Capital Management LLP as an individual entity and do not contain consolidated financial information of its subsidiary Hayfin Services LLP. The Partnership is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertaking are included by full consolidation in the consolidated financial statements of its parent, Hayfin Capital Management (UK) Limited.

The preparation of financial statements in conformity with UK-adopted international accounting standards 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.

The Partnership’s financial statements for the year ended 31 December 2022 have been prepared in accordance with UK-adopted international accounting standards. They have been prepared on a 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 8 shows in which items of the statement of financial position cash and cash equivalents are included.

The statement of cash flow is prepared 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.

Notes to the Financial Statements

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

Standards, amendments and interpretations effective on or after 1 January 2022

There are no standards, amendments and interpretations, which will become effective for the first time for the financial year beginning on or after 1 January 2022 that would be expected to have a material impact on the Partnership.

New standards, amendments and interpretations issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2022 reporting periods and have not been early adopted by the Partnership. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Early adoption of standards

The Partnership did not adopt new or amended standards in 2022 that have yet to become effective.

Prior year reclassifications

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results of operations.

2.2 Foreign currency translation

a) Functional and presentation currency

The Financial statements are presented in Pounds Sterling ("GBP"), which is the Partnership's functional and presentational currency and the currency in which the Partnership's assets, liabilities and funding are predominately denominated.

b) Transactions and balances

Foreign currency transactions that 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 or valuation where items are re-measured.

Monetary items denominated in foreign currency are translated with the closing rate as at the reporting date. If several exchange rates are available, a forward rate is used at which the future cash flows represented by the transaction or balance could have been settled had those cash flows occurred. Non-monetary items measured at historical cost denominated in a foreign currency are translated with 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 income statement.

The exchange rates used at 31 December 2022 are as follows:

USD/GBP 1.0710

EUR/GBP 1.1292

Notes to the Financial Statements

2. Summary of significant accounting policies (continued)

2.3 Financial assets and liabilities

2.3.1 Financial assets

Financial assets are classified into the following categories according to the IFRS 9; financial assets 'at fair value through profit or loss' ("FVTPL") and 'amortised cost'. The classification depends on the nature and purpose of the financial assets.

There are no financial assets held at fair value through profit and loss. All financial assets during the current and previous years are held at amortised cost.

Financial assets held at amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payment of principal and interest ('SPPI'), other than those that the Partnership upon initial recognition designates as at fair value through profit or loss, are classified as amortised cost. These include trade and other receivables and cash balances as at the year-end. Included in trade and other receivables, but excluded from financial assets, is the prepayments balance at the financial year-end.

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

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 income statement as 'Impairment allowance of loans and receivables'.

2.3.2 Financial liabilities

Financial liabilities are classified into the following categories according to IFRS 9; financial liabilities 'at fair value through profit or loss' ("FVTPL") and 'amortised cost'.

The Partnership's holdings of financial liabilities all relate to financial liabilities recognised at amortised cost. These comprise amounts due to group undertakings, trade creditors and other liabilities. Included in trade and other payables, but excluded from financial liabilities, is the accruals balance at the financial year-end.

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

There are no financial liabilities held at fair value through profit and loss.

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.

2.4 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the 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.

Notes to the Financial Statements

2. Summary of significant accounting policies (continued)

2.5 Impairment of financial assets carried at amortised cost

Financial assets held at amortised cost comprise of cash and trade and other receivables. The Partnership recognises lifetime expected credit losses for trade and other receivables based on an ongoing assessment of recoverability of such balances, which are considered current in nature. The assessment of credit quality, predominantly focused on amounts due from group undertakings, makes reference to historic default experience of the related party as well as ongoing analysis of the financial position of the related party and any sundry factors deemed pertinent to the assessment.

In instances where impairment is deemed appropriate, the Partnership writes off the receivable. Impairment is considered appropriate when factors indicate the debtor has experienced severe ongoing financial distress and there is no realistic prospect of recovery of the underlying balance. Subsequent recoveries of previously written-off amounts are recognised in profit or loss.

2.6 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 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 2022.

2.7 Revenue recognition in respect of fee income

Revenue is recognised in line with IFRS 15 which establishes a five step model to identify and account for revenue streams arising from contracts with customers. There are specific requirements in respect of variable fee income such that it must be highly probable that a significant revenue reversal will not occur when the uncertainties related to the variability are resolved.

Fee income, which consists of advisory fees and investment management fees and other income, are recognised on an accruals basis. Further analysis is provided in note 13.

2.8 Interest income and expense

Interest income and expense for all interest-bearing financial instruments are recognised within 'interest and similar income' and 'finance costs' in the income statement 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 year. 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. Summary of significant accounting policies (continued)

2.9 Expenses

All expenses including cost of sales are recognised on an accruals basis. Further analysis is provided in notes 15 to 19. One off expenses or expenses outside the ordinary course of business are recognised as exceptional items.

2.10 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.

2.11 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 valued at the cost of acquisition and is not depreciated.

2.12 Intangible assets

Goodwill arises and is recognised when the cost of a business combination is more than that of the fair value of the interest in the identifiable assets, liabilities and contingent liabilities acquired. Applicable goodwill is recognised on acquisition date and subsequently assessed for impairment annually.

Software with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives of 5 years.

Notes to the Financial Statements

2. Summary of significant accounting policies (continued)

2.13 Trade and other receivables

Trade and other receivables include balances which constitute financial assets. The accounting policy relevant to these financial assets (included in trade and other receivables), has been disclosed in Note 2.3.1. Trade and other receivables which do not constitute financial assets (such as prepayment balances) are measured at transaction price, less any impairment.

2.14 Trade and other payables

Trade and other payables include balances which constitute financial liabilities. The accounting policy relevant to these financial liabilities (included in trade and other payables), has been disclosed in Note 2.3.2. Trade and other payables which do not constitute financial liabilities (such as accruals balances) are measured at transaction price, less any impairment.

2.15 Leases

Leases are accounted for in accordance with IFRS 16.

When the Partnership enters into a new contract or an existing contract is amended, an assessment as to whether the contract contains a lease is undertaken. A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Partnership assesses whether:

- The contract involves the use of an identified asset – this may be specified explicitly or implicitly; and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- The Partnership has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The Partnership has the right to direct the use of the asset. The Partnership has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Partnership has the right to direct the use of the asset if either;
- The Partnership has the right to operate the asset; or
- The Partnership designed the asset in a way that predetermines how and for what purpose it will be used.

Assets and liabilities arising from a lease are initially measured on a present value basis. The initial value of any right to use assets includes the value of the lease liability payments made at or before the lease commencement date, less any lease incentives received, any direct costs associated with the lease and an estimate of the cost of ending the lease including removing the asset or returning the asset to a condition required by the terms and conditions of the lease.

The right of use asset is subsequently depreciated using the straight line method from the commencement date to the end of the lease term.

The lease liability is initially measured at the present value of the lease payments, that have not been paid at the commencement date, less any lease incentives receivable and are discounted using the interest rate implicit on the lease. If this rate cannot be readily determined, which is generally the case for the lessee and applies to the Partnership, the incremental borrowing rate is used, being the rate that the Partnership would have to pay to borrow funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

The Partnership has opted to present right of use assets separately from other fixed assets and details of these are disclosed in Note 7.

Short-term leases and low value assets

The Partnership has elected not to recognise right to use assets and lease liabilities for short term leases or leases of low value assets. Short term leases are those where the lease terms is less than 12 months. Low value assets are those where the initial value of the items being leased is \$5,000 or less. The Partnership recognises the lease payments as an operating expense over the term of the lease.

Notes to the Financial Statements

2. Summary of significant accounting policies (continued)

2.16 Taxation

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

2.17 Members' remuneration

The policy to discretionarily allocate profits is governed by the LLP agreement dated 21 June 2017 with an amendment on 18 December 2017. Firstly each member is allocated a fixed allocation based upon time in the partnership for the accounting year. Secondly any excess profit may be allocated to members by way of variable allocations as determined by a remuneration committee based upon the assessment of performance of each individual member; such allocations shall be subject to the final approval of the advisory committee or other governing bodies as set out in the remuneration policy in effect from time to time. The financial statements reflect the final allocation approval for the year.

2.18 Members' capital

Members' capital that is not automatically repayable on retirement is classified as equity. Members' capital that is automatically repayable on retirement is classified as a liability. Members' capital, whether classified as equity or a liability are not interest bearing.

2.19 Share-based payments

Equity settled share-based payments are fair valued upon initial grant and then recognised in the income statement and equity over the vesting period.

3. Financial risk management

Hayfin Capital Holdings Limited is the parent of the largest group, for which consolidated statements are prepared and within which the financial position and financial performance of the Partnership are included. Hayfin Capital Holdings Limited, together with its subsidiaries, are hereafter referred to as 'the Group'. The Group's Audit and Risk Committee which reports to the Group's Board of Directors oversees the Partnership's non-investment risk management framework under policies approved by the Board of Directors. The Partnership has also formed a Business Operations Committee which is responsible for the day-to-day risk management. The members of the Audit and Risk committee are senior members of the non-investment team and non-executive members.

The Audit and Risk Committee oversees the Partnership's risk management framework in close co-operation with the Partnership's operating units. The Partnership has adopted written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, and credit risk. The risks arising from financial instruments to which the Partnership is exposed are financial risks, which include credit risk, liquidity risk, market risk and operational risk.

3.1 Foreign exchange risk

The Partnership's functional currency is GBP and therefore has exposure to the effect of fluctuations in currencies it transacts in other than GBP. The Partnership incurs expenses and holds cash balances in currencies other than GBP, predominantly EUR and USD. The Partnership generates management fees which are received in currencies other than GBP, predominantly EUR and USD.

Notes to the Financial Statements

3. Financial risk management (continued)

3.2 Credit risk

Credit risk is the risk associated with suffering financial loss should the Partnership's customers, clients or counterparties fail to fulfil their contractual debt obligations to the Partnership. The Partnership's core business is to advise related party entities on investment decisions. The outstanding balances due to the Partnership, from such advisory services, are considered current in nature and are included in trade and other receivables (Note 10). The Partnership assesses the balances which comprise amounts due from group undertakings on a regular basis, but at least annually, for evidence to suggest there is an increase in risk associated with credit losses. In performing this assessment, the Partnership considers the liquidity and solvency of related parties from which amounts are due, which ultimately inform the perceived ability of the Partnership to recover amounts due. The Partnership has assessed minimal risk associated with credit losses in relation to amounts due from group undertakings.

The table below shows the Partnership's assessed loss allowance associated with credit risk.

31 December 2022	Expected loss rate	Amounts due from group undertakings £	Credit risk loss allowance £
Trade and other receivables			
Amounts due from Hayfin Management Limited	0.00%	59,817,133	-
Amounts due from Hayfin Advisors Pte Ltd	0.00%	606,119	-
Amounts due from Hayfin Advisors Sweden AB	0.00%	37,230	-
Amounts due from Hayfin Emerald Management LLP	0.00%	219,529	-
Amounts due from Hayfin Carried Interest GP Limited	0.00%	531,140	-
Amounts due from Hayfin Management GP Limited	0.00%	353,502	-
Amounts due from Greenheart Management Company Ltd	0.00%	363,244	-
Amounts due from group undertakings	0.00%	61,927,897	-

31 December 2021	Expected loss rate	Amounts due from group undertakings £	Credit risk loss allowance £
Trade and other receivables			
Trade receivables	0.00%	10,085,574	-
Amounts due from Hayfin Management Limited	0.00%	45,667,854	-
Amounts due from Hayfin Services LLP	0.00%	71,713	-
Amounts due from Hayfin Emerald Management LLP	0.00%	1,465,985	-
Amounts due from Hayfin Carried Interest GP Limited	0.00%	504,469	-
Amounts due from Hayfin Management GP Limited	0.00%	335,752	-
Amounts due from Greenheart Management Company Ltd	0.00%	365,273	-
Amounts due from group undertakings	0.00%	58,496,620	-

Notes to the Financial Statements

3. Financial risk management (continued)

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 ensuring sufficient cash is available using the advisory fee and management fee income received and accessing the short-term borrowing facility.

The table below shows the Partnership's contractual cashflows for financial liabilities.

31 December 2022	0 – 3 months	3 months – 1 year	1 – 2 years	3 – 5 years	5 years +	Total
	£	£	£	£	£	£
Liabilities						
Trade and other payables	39,518,075	-	-	-	-	39,518,075
Lease liability	505,710	-	-	-	-	505,710
Amounts due to members	41,276,854	-	-	-	-	41,276,854
Current liabilities	81,300,639	-	-	-	-	81,300,639
Non-current liabilities	-	-	252,863	-	-	252,863
Total liabilities	81,300,639	-	252,863	-	-	81,553,502

31 December 2021	0 – 3 months	3 months – 1 year	1 – 2 years	3 – 5 years	5 years +	Total
	£	£	£	£	£	£
Liabilities						
Trade and other payables	46,069,170	-	-	-	-	46,069,170
Lease liability	1,187,727	-	-	-	-	1,187,727
Amounts due to members	18,221,665	-	-	-	-	18,221,665
Current liabilities	65,478,562	-	-	-	-	65,478,562
Non-current liabilities	-	-	452,754	-	-	452,754
Total liabilities	65,478,562	-	452,754	-	-	65,931,316

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.

3.4.1 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, however this risk is not considered material given the current balance sheet structure.

Notes to the Financial Statements

3. Financial risk management (continued)

3.5 Capital management

During the year the Partnership has introduced capital from Members totalling £7,824,614 (2021: £167,531). During the year £Nil (2021: £nil) was returned to Members. As at 31 December 2022, a total of £19,040,495 (2021: £11,215,881) 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. The Partnership has been in compliance with the minimum regulatory capital requirement set by the FCA at all times during the year. Once these requirements have been met, available capital may be used to make discretionary profit distributions to Members.

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 financial statements.

The Members are of the opinion that there are no estimates and assumptions that have a significant risk of causing a material adjustment to the carrying value of assets and liability for the Partnership within the next financial year.

Notes to the Financial Statements

5. Property, plant and equipment

31 December 2022

	Leasehold improvements £	Computer equipment £	Office equipment £	Furniture and fixtures £	Artwork £	Total £
Cost						
Opening balance at 1 January 2022	1,168,946	2,580,419	232,162	690,356	24,810	4,696,693
Additions during the year	-	188,977	-	1,022	-	189,999
Adjustments	-	(942,143)	-	-	-	(942,143)
Balance as at 31 December 2022	1,168,946	1,827,253	232,162	691,378	24,810	3,944,549
Accumulated depreciation						
Opening balance at 1 January 2022	949,137	1,135,015	145,494	597,577	-	2,827,223
Charge for the year	11,283	266,037	6,123	46,937	-	330,380
Adjustments	-	(30,633)	-	-	-	(30,633)
Balance as at 31 December 2022	960,420	1,370,419	151,617	644,514	-	3,126,970
Net book value at 31 December 2022	208,526	456,834	80,545	46,864	24,810	817,579

31 December 2021

	Leasehold improvements £	Computer equipment £	Office equipment £	Furniture and fixtures £	Artwork £	Total £
Cost						
Opening balance at 1 January 2021	1,168,946	1,275,683	154,052	617,570	24,810	3,241,061
Additions during the year	-	258,605	78,110	72,786	-	409,501
Balance as at 31 December 2021	1,168,946	1,534,288	232,162	690,356	24,810	3,650,562
Accumulated depreciation						
Opening balance at 1 January 2021	845,808	853,833	137,249	522,455	-	2,359,345
Charge for the year	103,329	281,182	8,245	75,122	-	467,878
Balance as at 31 December 2021	949,137	1,135,015	145,494	597,577	-	2,827,223
Net book value at 31 December 2021	219,809	399,273	86,668	92,779	24,810	823,339

Notes to the Financial Statements

6. Intangible assets

	Goodwill £	Software £	Total £
Cost			
At 31 December 2021 and 1 January 2022	601,225	-	601,225
Additions	-	1,579,585	1,579,585
Adjustments	-	942,143	942,143
At 31 December 2022	<u>601,225</u>	<u>2,521,728</u>	<u>3,122,953</u>
Amortisation			
At 1 January 2021	-	-	-
Charge for the year	-	100,515	100,515
Adjustments	-	30,633	30,633
Accumulated amortisation as at 31 December 2021 and 2022	<u>-</u>	<u>131,148</u>	<u>131,148</u>
Net book value			
At 31 December 2021	<u>601,225</u>	<u>1,046,131</u>	<u>1,647,356</u>
At 31 December 2022	<u>601,225</u>	<u>2,390,580</u>	<u>2,991,805</u>

On 1 July 2019 Hayfin Capital Management LLP acquired 100% of the assets of Breakwater Capital Limited resulting in goodwill of £601,225. The consideration paid was £715,884, in the form of issuing members' capital to Hayfin Capital Management (UK) Limited, while the net assets acquired were £114,659.

According to management's review there were no indicators of impairment.

7. Right-of-use asset and lease liabilities

This note provides information for leases where the Partnership is a lessee.

Amounts recognised in the statement of financial position

	2022 £	2021 £
Right-of-use assets		
Buildings and office equipment	889,109	1,538,278
	<u>889,109</u>	<u>1,538,278</u>
Lease Liabilities		
Current	505,710	1,187,727
Non-current	252,863	452,754
	<u>758,573</u>	<u>1,640,481</u>

Amounts recognised in the statement of comprehensive income:

	2022 £	2021 £
Depreciation charge right-of-use assets		
Buildings and office equipment	1,030,844	935,545
	<u>1,030,844</u>	<u>935,545</u>
Interest expenses (included in finance costs)	<u>79,740</u>	<u>76,213</u>

The total cash outflow for leases in 2022 was £1,275,599 (2021: £1,158,810).

Notes to the Financial Statements

8. Cash and cash equivalents

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

	2022	2021
	£	£
Cash at bank	5,553,413	4,460,767
Other restricted cash and deposits	41,001	41,001
Total cash and cash equivalents	5,594,414	4,501,768

9. Investments in subsidiaries

The principal activity of Hayfin Services LLP is to act as an advisor to Hayfin Capital Management LLP.

	2022	2021
	£	£
Cost and net book value of investments at 1 January	10,000	10,000
Cost and net book value of investments at 31 December	10,000	10,000

During the year Hayfin Capital Management LLP was allocated profit of £299,978 (2021: £84,464) from Hayfin Services LLP.

The table below details the direct and indirect subsidiaries of the Partnership.

Name	Place of business/country of incorporation	Ownership interest held by the Partnership 2022	Ownership interest held by the Partnership 2021	Industry
Hayfin Services LLP	United Kingdom	66.66%	66.66%	Financial services

Hayfin Services LLP has the same registered office address as Hayfin Capital Management LLP.

Notes to the Financial Statements

10. Trade and other receivables

	2022	2021
	£	£
Amounts due from Hayfin Management Limited	59,817,133	45,667,854
Amounts due from Hayfin Services LLP	-	71,713
Amounts due from Hayfin Advisors Pte Limited	606,119	-
Amounts due from Hayfin Emerald Management LLP	219,529	1,465,985
Amounts due from Hayfin Carried Interest GP Limited	531,140	504,469
Amounts due from Hayfin Management GP Limited	353,502	335,752
Amounts due from Hayfin Greenheart Management Company Ltd	363,244	365,273
Amounts due from Hayfin Advisors Sweden AB	37,230	-
Other receivables	6,843,365	6,270,520
Prepayments	766,547	1,041,577
Accrued income	18,094,667	12,007,378
Recoverable VAT	2,588,614	825,935
Total trade and other receivables	90,221,090	68,556,456

The amortised cost of trade and other receivables approximates the fair value as the receivables are short-term in nature. Amounts due from group undertakings are unsecured, interest free and repayable on demand.

11. Trade and other payables

	2022	2021
	£	£
Due within one year		
Amounts due to Hayfin Management Holdings Limited	24,647,954	30,617,685
Amounts due to Hayfin Advisors SAS	2,973,454	2,763,365
Amounts due to Hayfin Capital LuxCo 1 SARL	1,945,850	1,208,398
Amounts due to Hayfin Advisors Limited	731,370	791,307
Amounts due to Hayfin Advisors SL	420,799	873,473
Amounts due to Hayfin Advisors S.R.L	532,220	336,796
Amounts due to Hayfin Advisors Japan Limited	25,756	-
Amounts due to Hayfin Advisors Pte Limited	-	122,559
Amounts due to Hayfin Services LLP	21,330	-
Amounts due to Hayfin Limited	293,288	344,788
Amounts due to Hayfin Advisors GmbH	821,179	966,206
Trade payables	320,999	1,141,235
Other payables	197,033	591,575
Payroll accrual expenses	4,599,412	4,945,873
Accrued expenses	1,987,431	1,365,910
	39,518,075	46,069,170

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

Notes to the Financial Statements

12. Reconciliation of total Members' interest

	Members' capital classified as equity	Members' other interests Other reserves	Total	Loans and other debts due to members less any amounts due to/(from) members in debtors	Total
	£	£	£	£	£
Amounts due to members	-	-	-	18,221,665	-
Amounts due from members	-	-	-	(70,000)	-
Balance as at 1 January 2022	11,215,881	-	11,215,881	18,151,665	29,367,546
Profit for the financial year available for discretionary division among members	-	44,738,866	44,738,866	-	44,738,866
Members' interests after profit for the year	11,215,881	44,738,866	55,954,747	18,151,665	74,106,412
Allocation of profits	-	(44,738,866)	(44,738,866)	44,738,866	-
Capital introduced	7,824,614	-	7,824,614	-	7,824,614
Drawings	-	-	-	(15,444,103)	(15,444,103)
Other movements	-	-	-	(6,169,574)	(6,239,574)
Amounts due to members	-	-	-	41,276,854	-
Amounts due from members	-	-	-	(70,000)	-
Balance as at 31 December 2022	19,040,495	-	19,040,495	41,206,854	60,247,349

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

12. Reconciliation of total Members' interest (continued)

	Members' capital classified as equity	Members' other interests Other reserves	Total	Loans and other debts due to members less any amounts due to/(from) members in debtors	Total
	£	£	£	£	£
Amounts due to members	-	-	-	33,835,956	-
Amounts due from members	-	-	-	(70,000)	-
Balance as at 1 January 2021	11,048,350	-	11,048,350	33,765,956	44,814,306
Profit for the financial year available for discretionary division among members	-	37,147,797	37,147,797	-	37,147,797
Members' interests after profit for the year	11,048,350	37,147,797	48,196,147	33,765,956	81,962,103
Allocation of profits	-	(37,147,797)	(37,147,797)	37,147,797	-
Capital introduced	167,531	-	167,531	-	167,531
Drawings	-	-	-	(12,963,722)	(12,963,722)
Other movements	-	-	-	(39,798,366)	(39,989,366)
Amounts due to members	-	-	-	18,221,665	-
Amounts due from members	-	-	-	(70,000)	-
Balance as at 31 December 2021	11,215,881	-	11,215,881	18,151,665	29,367,546

13. Revenue

An analysis of revenue for the year is as follows:

	2022	2021
	£	£
Advisory fees	67,680,415	59,470,756
Investment management fees and other income	49,074,265	34,533,701
Performance fees	4,721,109	-
Interest and similar income	19	-
Total revenue	121,475,808	94,004,457

Notes to the Financial Statements

14. Other income

Other income includes profit allocation from Hayfin Services LLP and income from shared support services provided to group entities.

	2022	2021
	£	£
Shared support and services	11,092,440	7,631,152
Service fees	887,730	824,682
Agency fees and other fees	682,756	143,756
	<u>12,662,926</u>	<u>8,599,590</u>

15. Cost of sales

An analysis of cost of sales for the year is as follows:

	2022	2021
	£	£
Advisory fees	30,264,005	26,994,102
Deal related expenses and legal fees	2,298,146	1,423,713
Performance fee expense	2,360,555	376,892
Total cost of sales	<u>34,922,706</u>	<u>28,794,707</u>

16. Personnel expenses

	2022	2021
	£	£
Wages and salaries	21,126,230	16,567,867
Social security costs	3,147,432	2,314,650
Pension costs	113,496	91,184
Other staff costs	1,395,434	1,174,633
Total personnel expenses	<u>25,782,592</u>	<u>20,148,334</u>

	2022	2021
	Number	Number
The average number of employees during the year		
Investment advisory activities	46	42
Non-investment advisory activities	<u>62</u>	<u>42</u>

Notes to the Financial Statements

17. Administrative expenses

	2022	2021
	£	£
Legal and professional	9,922,684	4,776,804
IT systems and market data	3,332,973	3,168,115
Office expenses	1,070,241	879,114
Travel and entertainment	1,109,391	547,654
Other expenses	1,079,541	799,341
Property expenses	950,586	804,677
Foreign exchange gains	(180,028)	(126,100)
Total administrative expenses	17,285,388	10,849,605

18. Incentive scheme payments

	2022	2021
	£	£
Other incentive payments	9,867,702	4,183,971
Total incentive scheme payments	9,867,702	4,183,971

Incentive scheme payments include awards issued under the current Management Incentive Plan, and award shares in the Group linked to future performance.

19. Finance costs

	2022	2021
	£	£
Interest expense on lease liability	79,740	76,213
Total finance costs	79,740	76,213

20. Operating profit

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

	2022	2021
	£	£
Auditors' remuneration		
- fees payable to auditors for audit of financial statements	23,000	22,229
- fees payable to auditors for tax compliance services	9,345	35,425
- fees payable to auditors for audit related assurance services	7,000	6,000
Depreciation of property, plant and equipment	430,896	467,878
Amortisation of right of use asset	1,030,844	935,545
Foreign exchange gains	(180,028)	(126,100)

Notes to the Financial Statements

21. Members' remuneration

	2022	2021
	£	£
Profit for the financial year before Members' remuneration and profit share	<u>44,738,866</u>	<u>37,147,797</u>
Profit for the financial year available for discretionary distribution among members	<u>44,738,866</u>	<u>37,147,797</u>
Amount of profit attributable to the member with the largest entitlement to profit	<u>28,232,064</u>	<u>24,099,611</u>
The average number of members during the year	<u>14</u>	<u>16</u>

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

Notes to the Financial Statements

22. Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. The entities to which the Partnership provides or receives a share of profits, a share of costs, advisory services or management services are considered to be related parties.

31 December 2022

Related party	Profit allocated from the Partnership £	Profit allocated to the Partnership £	Payable at 31 December 2022 £
Hayfin Capital Management (UK) Limited	28,232,064	-	-
Other members of the Partnership	16,506,802	-	-
Hayfin Services LLP	-	299,878	21,330

31 December 2022

Related party	Cost sharing/Advisory fee income £	Management and service fees/Advisory fee expenditure £	Receivable/(Payable) at 31 December 2022 £
Hayfin Emerald Management LLP	4,616,180	-	219,529
Greenheart Management Company Ltd	-	-	363,244
Hayfin Management Limited	67,680,415	-	59,817,133
Hayfin Services LLP	1,419,691	6,261,551	(21,330)
Hayfin Limited	-	-	(293,288)
Hayfin Advisors GmbH	353,082	2,107,564	(821,179)
Hayfin Capital LuxCo 1 SARL	-	-	(1,945,850)
Hayfin Carried Interest GP Limited	-	-	531,140
Hayfin Management GP Limited	-	-	353,502
Hayfin Advisors Ltd	113,669	1,249,876	(731,370)
Hayfin Advisors SL	203,788	1,493,255	(420,799)
Hayfin Advisors SAS	751,969	5,111,541	(2,973,454)
Hayfin Advisors SRL	218,574	1,483,036	(532,220)
Hayfin Advisors Pte Ltd	135,454	1,454,663	606,119
Hayfin Management Holdings Limited	-	-	(24,647,954)
Hayfin Capital Management LLC	3,136,748	10,643,511	-
Hayfin Advisors Japan Limited	73,950	347,536	(25,756)
Hayfin Advisors Sweden AB	69,335	111,472	37,230

Notes to the Financial Statements

22. Related parties (continued)

31 December 2021

Related party	Profit allocated from the Partnership	Profit allocated to the Partnership	Receivable at 31 December 2021
	£	£	£
Hayfin Capital Management (UK) Limited	24,184,075	-	-
Other members of the Partnership	12,963,722	-	-
Hayfin Services LLP	-	216,450	71,713

31 December 2021

Related party	Cost sharing/Advisory fee income	Management and service fees/Advisory fee expenditure	Receivable/ (Payable) at 31 December 2021
	£	£	£
Hayfin Emerald Management LLP	2,882,205	-	1,465,985
Hayfin Diamond GP Limited	-	-	-
Greenheart Management Company Ltd	50,494	-	365,273
Hayfin Management Limited	59,470,756	-	45,667,854
Hayfin Services LLP	1,076,360	4,545,459	71,713
Hayfin Limited	-	-	(344,788)
Hayfin Advisors GmbH	259,832	2,674,508	(966,206)
Hayfin Capital LuxCo 1 SARL	-	-	(1,208,398)
Hayfin Carried Interest GP Limited	-	-	504,469
Hayfin Management GP Limited	-	-	335,752
Hayfin Advisors Ltd	58,803	1,191,993	(791,306)
Hayfin Advisors SL	167,133	2,826,449	(873,473)
Hayfin Advisors SAS	455,195	4,451,318	(2,763,365)
Hayfin Advisors SRL	132,347	1,385,337	(336,796)
Hayfin Advisors Pte Ltd	77,276	1,252,487	(122,559)
Hayfin Management Holdings Limited	-	-	(30,617,685)
Hayfin Capital Management LLC	2,471,507	8,496,069	-

Key management personnel

The members are deemed to be the key management personnel. Details of transactions with them is disclosed in note 21.

Hayfin Capital Management (UK) Limited is the parent of the smallest group for which financial statements are prepared. Copies of the financial statements are available from Companies House.

Notes to the Financial Statements

23. Ultimate parent company and controlling party

The ultimate parent entity and controlling party is the British Columbia Investment Management Corporation (“BCI”), held through Forum Investment LP. Copies of their financial statements can be obtained from the company website.

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

24. Post balance sheet events

In preparing these financial statements, the Members have evaluated and disclosed all material subsequent events up to 26 April 2023, which is the date that the financial statements were available to be issued and no material events were noted.

25. Approval of financial statements

The financial statements were authorised for issue on 26 April 2023 by the board of members.