HAYFIN

Hayfin Capital Management LLP

Annual Report and Financial Statements

For the year ended 31 December 2020

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Administrative Information

Designated Members

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

Members

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

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 annual report and the audited financial statements for Hayfin Capital Management LLP ('the Partnership') for the year ended 31 December 2020.

Principal activities

The principal activity of the Partnership in the year was to act as a financial advisor providing advisory services to speciality lending institutions, as well as provide investment management services. The Partnership was authorised by the Financial Conduct Authority (the "FCA") on 23 June 2010 to conduct investment activities.

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 £32,967,050 (2019: £26,910,162). Profit allocations of £32,967,050 (2019: £26,910,162) were made to Members during the year. The Partnership's statement of financial position shows total Members' interests of £44,814,306 (2019: £28,525,724), 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

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
E Appelbaum – resigned 1 June 2020
D Bird – appointed 1 February 2021
G Clarke – resigned 31 December 2020
G Du Parc Braham
G Germano
K Hussain
J Karp
M Lehmler-Brown
A McCullagh
A Pickard – appointed 6 April 2020
A Povlsen

Members' Report (continued)

Members (continued)

S Questa
H Rowe
J Singh – resigned 31 March 2020

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 8 July 2009 (as amended and restated). 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.

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 on 1 December 2009. The LLP deed has subsequently been amended on 3 June 2015.

Future developments

Brexit

The United Kingdom ("UK") left the European Union ("EU") at 23.00GMT on 31 January 2020 and entered a transition period while the future relationship was to be negotiated. During the transition period, all EU rules and regulations continued to apply to the UK. The transition period was due to end on 31 December 2020. After months of negotiation, the UK and European Union finally agreed on a trade deal called the Trade and Cooperation Agreement (TCA) on 24 December 2020. The agreement came into effect at 23.00GMT on 31 December 2020.

Although the agreement enables tariff and quote free trading between the EU and UK there remains a number of sectors that were not included in the agreement. In particular, the agreement does not address financial services regulation. As a result, UK-based financial services will immediately lose their "passporting" rights which enabled them to conduct business throughout the EU without registering in each country individually.

However, in February 2020, the UK Financial Conduct Authority ("FCA") and the European Securities and Market Authority ("ESMA") entered into multilateral memoranda of understanding which (i) provide for "supervisory cooperation, enforcement and information exchange" and (ii) allow the regulators to access information on "market surveillance, investment services and asset management activities." The memorandum of understanding allows certain activities, such as fund manager outsourcing and delegation, to continue to be carried out by UK based entities on behalf of counterparties based in the EEA. The memorandum of understanding will remain in effect post 31 December 2020 and, as such, management do not expect a disruption to its business activities.

Members' Report (continued)

Future Developments (continued)

COVID-19

The implications of the trade deal on the UK and EU economies and the nature of the future relationship may cause continued uncertainty in the global financial markets, and adversely affect the performance of the partnership. Volatility resulting from this uncertainty may mean that the partnership is adversely affected by market movements.

A novel coronavirus was first detected in late December 2019 in Wuhan City, Hubei Province, China and is causing an outbreak of respiratory disease in countries around the world. On 11 February 2020, the World Health Organization (the "WHO") named the disease "COVID-19" and on 11 March 2020, the WHO declared a pandemic.

The COVID-19 outbreak saw a sudden and rapid decline in global economic growth. There was extreme volatility and limited liquidity in securities markets. In response, global markets were subject to governmental intervention on a massive level – particularly in the US – to stimulate economies to such an extent that equity returns at the end of period were higher than they were for most of 2019.

The urgency to create a vaccine for COVID-19, led to massive government support for vaccine developments resulting in compressed schedules that shortened the standard vaccine development timeline to a period of months, a process typically conducted sequentially over years. The result of this global effort has resulted in multiple viable vaccines being approved by national regulators by the end of 2020. Global distribution of the vaccines is expected to rapidly increase through 2021.

With the rapid development of the vaccines the outlook has improved over the year with the level of volatility having subsided. However, it remains elevated with the expectation of further volatility in global markets until there is more certainty over the roll-outs and timing of delivering the vaccine. Forward looking economic indicators have improved, but there remains considerable uncertainty with the global economy unlikely to recover for two years or more. We are still in the midst of one of the most significant economic events in recent history and consequently, there exists a potential risk of a material impact on the performance of the partnership.

As a result of the pandemic, many employees of the Partnership and service providers to the Partnership continue to work remotely and will continue to do so for the foreseeable future or are potentially absent from work due to illness caused by exposure to the disease which may adversely impact the day-to-day operations of the Partnership.

Financial risk management

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

Members' Report (continued)

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 laws 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 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 limited liability partnership and of the profit or loss of the limited liability partnership for that period. In preparing the financial statements, the members are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union 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 limited liability partnership will continue in business.

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

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

Disclosure of information to the auditors

The Members who were Members of the partnership at the time of approving the Members' report are listed on pages 3 and 4. 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.

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

Date: 27 April 2021

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

Report on the audit of the group 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 2020 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.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2020; the statement of comprehensive income, the statement of change 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.

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

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 financial statements set out on page 5, 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 breaches of the Limited Liability Partnership Act 2000, Companies Act 2006 or any breaches related to client money regulation under the Financial Conduct Authority (the "FCA"), 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 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 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 journal entries to revenue or expenses, and inappropriate inter-company transactions. Audit procedures performed included:

- Enquiries with management and legal, including consideration of known or suspected instances of noncompliance with laws and regulations and fraud;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations, entries posted containing unusual account descriptions, and entries posted with unusual amounts, where any such journal entries were identified;
- Designing audit procedures to check out the appropriateness of inter-company transactions and balances;

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

- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing over certain areas; and
- Reviewing relevant meeting minutes, including those of the Audit and Risk Committee.

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
27 April 2021

Statement of Financial Position

As at 31 December 2020

		2020	2019
Assets	Note	£	£
Non-current assets			
Right of use asset	7	2,089,685	2,982,548
Property, plant and equipment	5	962,179	821,647
Intangible assets	6	601,225	601,225
Investments in subsidiaries	9	10,000	10,000
Restricted cash and deposits	8	41,001	41,001
Total non-current assets		**3,704,090**	**4,456,421**
Current assets			
Trade and other receivables	10	53,131,114	36,138,820
Amounts due from Members	12	70,000	70,000
Cash and cash equivalents	8	3,684,493	1,440,230
Total current assets		**56,885,607**	**37,649,050**
Total assets		**60,589,697**	**42,105,471**
Equity and liabilities			
Non-current liabilities			
Lease liabilities	7	1,260,536	2,344,167
Total non-current liabilities		**1,260,536**	**2,344,167**
Current liabilities			
Trade and other payables	11	13,366,451	10,121,115
Lease liabilities	7	1,078,404	1,044,465
Amounts due to Members	12	33,835,956	18,322,802
Total current liabilities		**48,280,811**	**29,488,382**
Capital and reserves			
Members' capital	12	11,048,350	10,272,922
Total Members' equity		**11,048,350**	**10,272,922**
Total equity and liabilities		**60,589,697**	**42,105,471**
Total Members' interests			
Members' capital	12	11,048,350	10,272,922
Amounts due to Members	12	33,835,956	18,322,802
Amounts due from Members	12	(70,000)	(70,000)
		44,814,306	**28,525,724**

The notes on pages 14 to 33 are an integral part of these financial statements.

The financial statements on pages 10 to 33 were approved by the Designated members on 27 April 2021.

N Syers
Designated member

D Rushford
Designated member

Hayfin Capital Management LLP – Registered Number: OC346320

Statement of Comprehensive Income

For the year ended 31 December 2020

	Note	2020 £	2019 £
Revenue	13	80,726,522	61,959,465
Cost of sales	14	(20,741,201)	(10,791,858)
Gross profit		**59,985,321**	**51,167,607**
Other income	15	126,188	66,812
Expenses			
Personnel expenses	16	(17,445,260)	(13,632,224)
Administrative expenses	17	(7,592,873)	(9,273,404)
Depreciation	5/7	(1,219,948)	(1,100,379)
Incentive scheme payments	18	(775,428)	(175,538)
Total operating expenses		**(27,033,509)**	**(24,181,545)**
Operating profit		**33,078,000**	**27,052,874**
Finance costs	19	(110,950)	(142,712)
Profit for the year available for discretionary division among Members		**32,967,050**	**26,910,162**

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 14 to 33 are an integral part of these financial statements.

Statement of Changes in Equity

For the year ended 31 December 2020

	Note	Members' capital £	Other reserves £	Total £
Balance at 1 January 2019		9,383,431	-	9,383,431
Introduction of Members' capital	12	720,884	-	720,884
Incentive scheme payments	12	168,607	-	168,607
Profit for the year		-	26,910,162	26,910,162
Discretionary allocation of profit		-	(26,910,162)	(26,910,162)
Balance as at 31 December 2019		10,272,922	-	10,272,922
Incentive scheme payments	12	775,428	-	775,428
Profit for the year		-	32,967,050	32,967,050
Discretionary allocation of profit		-	(32,967,050)	(32,967,050)
Balance as at 31 December 2020		11,048,350	-	11,048,350

The notes on pages 14 to 33 are an integral part of these financial statements.

Statement of Cash Flows

For the year ended 31 December 2020

	Note	2020 £	2019 £
Cash flow from operating activities			
Operating profit after finance costs		32,967,050	26,910,162
Adjusted for:			
Depreciation of property, plant and equipment	5	327,085	264,506
Depreciation of right of use assets	7	892,863	835,873
Net (gain)/loss on exchange differences		(1,430,516)	1,491,362
Interest expense on lease liability		110,950	142,712
Incentive scheme payments	12	775,428	168,607
Profit allocation from subsidiary		(126,188)	(66,812)
Changes in operating assets and liabilities			
Increase in trade and other receivables	10	(16,866,106)	(19,907,636)
Increase in trade and other payables	11	3,245,338	4,371,937
Net cash generated from operating activities		**19,895,904**	**14,210,711**
Cash flow from investing activities			
Purchase of property, plant and equipment	5	(467,617)	(230,012)
Purchase of Breakwater Capital Limited	6	-	(601,225)
Net cash used in investing activities		**(467,617)**	**(831,237)**
Cash flows from financing activities			
Introduction of Members' capital	12	-	720,884
Members' distributions	12	(4,547,032)	(1,536,278)
Members' drawings	12	(12,906,865)	(11,093,032)
Principle elements of lease liability payments	7	(1,160,643)	(1,095,767)
Net cash used in financing activities		**(18,614,540)**	**(13,004,193)**
Net increase in cash and cash equivalents		**813,747**	**375,281**
Cash and cash equivalents at beginning of the year		1,481,231	2,597,312
Exchange gain\(losses) on cash and cash equivalents		1,430,516	(1,491,362)
Cash and cash equivalents at the end of the year	8	**3,725,494**	**1,481,231**

The notes on pages 14 to 33 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 provide investment management services. The Partnership was authorised by the Financial Conduct Authority (the "FCA") 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, nor of Hayfin Limited which it disposed of during the year ended 31 December 2019. 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 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.

The Partnership's financial statements for the year ended 31 December 2020 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 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 comparative cash flow information has been reclassified to align with the current year treatment of cash and non-cash items. Reclassifications are shown in the adjustments to profit before tax.

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 2020

Interest rate benchmark reform – Amendment to IFRS 7, IFRS 9 and IAS 39 – effective from 1 January 2020

Amendments modify some specific hedge accounting requirements to provide certain reliefs in connection with interest rate benchmark reform. The Partnership anticipates the adoption of the above will have no material impact on the financial statements given no hedge accounting is applied.

Revised definition of 'Material' – Amendments to IAS 1 and IAS 8 – effective from 1 January 2020

Amendments to IAS 1 'Presentation of financial statements' as well as IAS 8 'Accounting policies, changes in accounting estimates and errors' have revised the definition of the concept of 'material' within the context of IFRS. The amendments provide for a greater level of guidance as to what constitutes 'material' and how to apply the definition within the context of the financial statements. The Partnership will apply this new definition on a continual basis, but notes that the application has not altered the current manner in which the financial statements of the Parernship are presented.

Revised Conceptual Framework for Financial Reporting – effective from 1 January 2020

The IASB has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect. Key changes include:

- increasing the prominence of stewardship in the objective of financial reporting;
- reinstating prudence as a component of neutrality;
- defining a reporting entity, which may be a legal entity, or a portion of an entity;
- revising the definitions of an asset and a liability, removing the probability threshold for recognition and adding guidance on derecognition;
- adding guidance on different measurement basis, and stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements;

The adoption of the above has had no direct material impact on the financial statements.

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 2020 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 2020 that have yet to become effective.

2. Summary of significant accounting policies (continued)

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 2020 are as follows:

USD/GBP	1.2228
EUR/GBP	1.1166

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. Include 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.

Notes to the Financial Statements

2. Summary of significant accounting policies (continued)

2.3. Financial assets and liabilities (continued)

2.3.1 Financial assets (continued)

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 consolidated 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 exlcuded 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 though 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 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.

2.5 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 receiavble. 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.

Notes to the Financial Statements

2. Summary of significant accounting policies (continued)

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 2020.

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. Profit allocations are recognised in line with the Partnership's share of the profits of the underlying entity. Further analysis is provided in note 13.

2.8 Interest income and expense

Interest income and expense for all interest-bearing financial instruments are recognized 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.

2.9 Expenses

All expenses including cost of sales are recognised on an accrual basis. Further analysis is provided in notes 14 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.

Notes to the Financial Statements

2. Summary of significant accounting policies (continued)

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 aquistion 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.

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.

Notes to the Financial Statements

2. Summary of significant accounting policies (continued)

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 intial 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.

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.

Notes to the Financial Statements

2. Summary of significant accounting policies (continued)

2.17 Members' remuneration

The policy to discretionarily allocate profits is governed by the LLP agreement dated 8 July 2009 (as amended and restated). 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 overseas 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 and reports into the audit and risk committee which has overall responsibility for overseeing the Partnership's non-investment risk management infrastructure. The members of the Audit and Risk committee are senior members of the non-investment team (including the chief operating officer, chief financial officer and the general counsel) and non-executive members.

The Audit and Risk Committee oversees financial risks 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 takes on exposure to the effect of fluctuations in currencies other than GBP which it transacts in. 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.

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. Based on guidance received from the Group's Audit and Risk Committee, the Partnership has assessed minimal risk associated with credit losses in relation to amounts due from group undertakings.

Notes to the Financial Statements

3. Financial risk management (continued)

3.2 Credit risk (continued)

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

31 December 2020	Expected loss rate	Amounts due from group undertakings	Credit risk loss allowance
Trade and other receivables			
Amounts due from Hayfin Management Limited	0.00%	39,175,066	-
Amounts due from Hayfin Limited	0.00%	245,988	-
Amounts due from Hayfin Emerald Management LLP	0.00%	1,083,525	-
Amounts due from Hayfin Carried Interest GP Limited	0.00%	537,133	-
Amounts due from Hayfin Management GP Limited	0.00%	357,491	-
Amounts due from group undertakings	**0.00%**	**41,399,203**	**-**

31 December 2019	Expected loss rate	Amounts due from group undertakings	Credit risk loss allowance
Trade and other receivables			
Amounts due from Hayfin Management Limited	0.00%	27,038,963	-
Amounts due from Hayfin Services LLP	0.00%	71,917	-
Amounts due from Hayfin Limited	0.00%	97,162	-
Amounts due from Hayfin Emerald Management LLP	0.00%	2,326,443	-
Amounts due from Hayfin Advisors S.R.L	0.00%	134,270	-
Amounts due from group undertakings	**0.00%**	**29,668,755**	**-**

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. During the year, the Hayfin Group refinanced the existing Revolving Credit Facility Agreement with Natixis S.A., to one with Royal Bank of Canada. This refinancing agreement, effective from 15 October 2020, makes available a €50,000,000 multi-currency loan facility. The facility was entered in to by Hayfin Capital Holdings Limited however funding is available to the Partnership.

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

31 December 2020	0 – 3 months	3 months – 1 year	1 – 2 years	3 – 5 years	5 years +	Total
	£	£	£	£	£	£
Liabilities						
Trade and other payables	13,366,451	-	-	-	-	13,366,451
Lease liability	1,078,404	-	-	-	-	1,078,404
Amounts due to members	33,835,956	-	-	-	-	33,835,956
Current liabilities	**48,280,811**	**-**	**-**	**-**	**-**	**48,280,811**
Non-current liabilities	**-**	**-**	**1,260,536**	**-**	**-**	**1,260,536**
Total liabilities	**48,280,811**	**-**	**1,260,536**	**-**	**-**	**49,541,347**

Notes to the Financial Statements

3. Financial risk management (continued)

3.3 Liquidity risk (continued)

31 December 2019	0 – 3 months £	3 months – 1 year £	1 – 2 years £	3 – 5 years £	5 years + £	Total £
Liabilities						
Trade and other payables	10,121,115	-	-	-	-	10,121,115
Lease liability	1,044,465	-	-	-	-	1,044,465
Amounts due to members	18,322.802	-	-	-	-	18,322,802
Current liabilities	**29,488,382**	-	-	-	-	**29,488,382**
Non-current liabilities	-	-	**2,344,167**	-	-	**2,344,167**
Total liabilities	**29,488,382**	-	**2,344,167**	-	-	**31,832,549**

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.

3.5 Capital management

During the year the Partnership has introduced capital commitments from Members totalling £775,428 (2019: £889,491). During the year £nil (2019: £nil) was returned to Members. As at 31 December 2020, £11,048,350 (2019: £10,272,922) 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 of £7,027,825 (2019: £4,431,709) 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 2020

	Leasehold improvements £	Computer equipment £	Office equipment £	Furniture and fixtures £	Artwork £	Total £
Cost						
Opening balance at 1 January 2020	1,168,946	899,914	151,297	608,940	24,810	2,853,907
Additions during the year	-	456,232	2,755	8,630	-	467,617
Balance as at 31 December 2020	**1,168,946**	**1,356,146**	**154,052**	**617,570**	**24,810**	**3,321,524**
Accumulated depreciation						
Opening balance at 1 January 2020	715,402	728,920	129,119	458,819	-	2,032,260
Charge for the year	130,406	124,913	8,130	63,636	-	327,085
Balance as at 31 December 2020	**845,808**	**853,833**	**137,249**	**522,455**	**-**	**2,359,345**
Net book value at 31 December 2020	**323,138**	**502,313**	**16,803**	**95,115**	**24,810**	**962,179**

31 December 2019

	Leasehold improvements £	Computer equipment £	Office equipment £	Furniture and fixtures £	Artwork £	Total £
Cost						
Opening balance at 1 January 2019	1,119,584	762,866	141,449	576,294	23,703	2,623,896
Additions during the year	49,362	137,048	9,848	32,646	1,108	230,012
Balance as at 31 December 2019	**1,168,946**	**899,914**	**151,297**	**608,940**	**24,811**	**2,853,908**
Accumulated depreciation						
Opening balance at 1 January 2019	598,664	669,310	97,881	401,900	-	1,767,755
Charge for the year	116,739	59,610	31,238	56,919	-	264,506
Balance as at 31 December 2019	**715,403**	**728,920**	**129,119**	**458,819**	**-**	**2,032,261**
Net book value at 31 December 2019	**453,543**	**170,994**	**22,178**	**150,121**	**24,811**	**821,647**

Notes to the Financial Statements

6. Intangible assets

	Goodwill £
Cost	
At 1 January 2019	-
Additions	601,225
At 31 December 2019	601,225
Additions	-
At 31 December 2020	**601,225**
Accumulated amortisation for the year	-
Net book value	
At 31 December 2019	**601,225**
At 31 December 2020	**601,225**

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 liability

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

Amounts recognised in the statement of financial position

	2020 £	2019 £
Right-of-use assets		
Buildings	2,089,685	2,982,548
	2,089,685	**2,982,548**
Lease Liabilities		
Current	1,078,404	1,044,465
Non-current	1,260,536	2,344,167
	2,338,940	**3,388,632**

Amounts recognised in the statement of comprehensive income:

	2020 £	2019 £
Depreciation charge right-of-use assets		
Buildings	892,863	835,873
	892,863	**835,873**
Interest expenses (included in finance costs)	110,950	142,712

The total cash outflow for leases in 2020 was £1,160,643 (2019: £1,095,767).

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:

	2020	2019
	£	£
Cash at bank	3,684,493	1,440,230
Other restricted cash and deposits	41,001	41,001
Total cash and cash equivalents	**3,725,494**	**1,481,231**

9. Investments in subsidiaries

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

	2020	2019
	£	£
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 £126,188 (2019: £66,812) 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 2020	Ownership interest held by the Partnership 2019	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.

10. Trade and other receivables

	2020	2019
	£	£
Amounts due from Hayfin Management Limited	39,175,066	27,038,963
Amounts due from Hayfin Services LLP	-	71,917
Amounts due from Hayfin Limited	245,988	97,162
Amounts due from Hayfin Emerald Management LLP	1,083,525	2,326,443
Amounts due from Hayfin Advisors S.R.L	-	134,270
Amounts due from Hayfin Carried Interest GP Limited	537,133	-
Amounts due from Hayfin Management GP Limited	357,491	-
Other receivables	546,232	1,574,313
Prepayments	966,442	411,727
Accrued income	7,788,491	3,343,562
Recoverable VAT	2,430,746	1,140,463
Total trade and other receivables	**53,131,114**	**36,138,820**

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.

Notes to the Financial Statements

11. Trade and other payables

	2020	2019
	£	£
Due within one year		
Amounts due to Hayfin Advisors Gmbh	397,413	501,854
Amounts due to Hayfin Advisors Limited	377,440	241,854
Amounts due to Hayfin Advisors SAS	1,785,842	1,493,242
Amounts due to Hayfin Advisors B.V	-	79,840
Amounts due to Hayfin Advisors LLC	389,572	85,866
Amounts due to Hayfin Advisors SL	305,606	161,475
Amounts due to Hayfin Advisors S.R.L	171,848	-
Amounts due to Hayfin Advisors Pte Limited	109,552	-
Amounts due to Hayfin Capital LuxCo 1 SARL	619,982	-
Amounts due to Hayfin Services LLP	4,070	-
Trade payables	3,776,188	2,730,152
Other payables	1,031,821	583,294
Payroll accrual expenses	4,281,963	3,886,634
Accrued expenses	115,154	356,904
	13,366,451	**10,121,115**

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' other interests			Loans and other debts due to members less any amounts due to/(from) members in debtors	
	Members' capital classified as equity	Other reserves	Total		Total
	£	£	£	£	£
Amounts due to members	-	-	-	18,322,802	-
Amounts due from members	-	-	-	(70,000)	-
Balance as at 1 January 2020	**10,272,922**	**-**	**10,272,922**	**18,252,802**	**28,525,724**
Profit for the financial year available for discretionary division among members	-	32,967,050	32,967,050	-	32,967,050
Members' interests after profit for the year	10,272,922	32,967,050	43,239,972	18,252,802	61,492,774
Allocation of profits	-	(32,967,050)	(32,967,050)	32,967,050	-
Incentive scheme payments	775,428	-	775,428	-	775,428
Drawings	-	-	-	(12,906,865)	(12,906,865)
Other movements	-	-	-	(4,547,031)	(4,547,031)
Amounts due to members	-	-	-	33,835,956	-
Amounts due from members	-	-	-	(70,000)	-
Balance as at 31 December 2020	**11,048,350**	-	**11,048,350**	**33,765,956**	**44,814,306**

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' other interests				
	Members' capital classified as equity	Other reserves	Total	Loans and other debts due to members less any amounts due to/(from) members in debtors	Total
	£	£	£	£	£
Amounts due to members	-	-	-	4,056,950	-
Amounts due from members	-	-	-	(85,000)	-
Balance as at 1 January 2019	**9,383,431**	**-**	**9,383,431**	**3,971,950**	**13,355,381**
Profit for the financial year available for discretionary division among members	-	26,910,162	26,910,162	-	26,910,162
Members' interests after profit for the year	9,383,431	26,910,162	36,293,593	3,971,950	40,265,543
Allocation of profits	-	(26,910,162)	(26,910,162)	26,910,162	-
Capital introduced	720,884	-	720,884	-	720,884
Incentive scheme payments	168,607	-	168,607	-	168,607
Drawings	-	-	-	(11,093,032)	(11,093,032)
Other movements	-	-	-	(1,536,278)	(1,536,278)
Amounts due to members	-	-	-	18,322,802	-
Amounts due from members	-	-	-	(70,000)	-
Balance as at 31 December 2019	**10,272,922**	**-**	**10,272,922**	**18,252,802**	**28,525,724**

13. Revenue

An analysis of revenue for the year is as follows:

	2020	2019
	£	£
Advisory fees	53,452,180	50,440,617
Investment management fees and other income	27,274,342	11,518,848
Total revenue	**80,726,522**	**61,959,465**

Notes to the Financial Statements

14. Cost of sales

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

	2020	2019
	£	£
Advisory fees	19,087,934	9,937,683
Deal related expenses and legal fees	1,653,267	854,175
Total cost of sales	**20,741,201**	**10,791,858**

15. Other income

Other income relates to profit allocation from Hayfin Services LLP.

16. Personnel expenses

	2020	2019
	£	£
Wages and salaries	13,739,696	11,154,803
Social security costs	2,085,047	1,631,581
Pension costs	79,974	84,187
Other staff costs	1,540,543	761,653
Total personnel expenses	**17,445,260**	**13,632,224**

	2020	2019
The average number of employees during the year	Number	Number
Investment advisory activities	34	29
Non-investment advisory activities	28	27

17. Administrative expenses

	2020	2019
	£	£
Property expenses	786,531	805,924
Office expenses	1,045,135	710,118
Travel and entertainment	422,083	1,321,187
IT systems and market data	2,538,014	1,438,510
Legal and professional	4,038,148	3,337,124
Other expenses	193,478	169,179
Foreign exchange (gains)\losses	(1,430,516)	1,491,362
Total administrative expenses	**7,592,873**	**9,273,404**

Notes to the Financial Statements

18. Incentive scheme payments

	2020	2019
	£	£
Other incentive payments	775,428	175,538
Total incentive scheme payments	**775,428**	**175,538**

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

	2020	2019
	£	£
Interest expense on lease liability	110,950	142,712
Total finance costs	**110,950**	**142,712**

20. Operating profit

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

	2020	2019
	£	£
Auditors' remuneration		
- fees payable to auditors for audit of financial statements	36,461	25,690
- fees payable to auditors for non-audit services	32,202	6,615
Depreciation of property, plant and equipment	327,085	264,506
Depreciation of right of use asset	892,863	835,873
Foreign exchange (gains)\losses	(1,430,516)	1,491,362

21. Members' remuneration

	2020	2019
	£	£
Profit for the financial year before Members' remuneration and profit share	32,967,050	26,910,162
Profit for the financial year available for discretionary distribution among members	32,967,050	26,910,162
Amount of profit attributable to the member with the largest entitlement to profit	20,144,650	15,817,129
The average number of members during the year	17	19

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.

2020 **Related party**	**Profit allocated from the Partnership** **£**	**Profit allocated to the Partnership** **£**	**Payable at 31 December 2020** **£**
Hayfin Capital Management (UK) Limited	20,060,185	-	33,574,499
Other members of the Partnership	12,906,865	-	251,457
Hayfin Services LLP	-	126,188	4,070

2020 **Related party**	**Cost sharing** **£**	**Management and service fees** **£**	**Receivable at 31 December 2020** **£**
Hayfin Emerald Management LLP	2,810,172	-	1,083,525
Hayfin Diamond GP Limited	-	47,231	-

2020 **Related party**	**Advisory fee income** **£**	**Advisory fee expenditure** **£**	**Receivable\(Payable) at 31 December 2020** **£**
Hayfin Management Limited	52,540,862	-	39,175,066
Hayfin Services LLP	-	2,649,942	(4,070)
Hayfin Limited	-	-	245,988
Hayfin Advisors SAS	-	4,436,266	(1,785,842)
Hayfin Advisors GmbH	-	1,759,073	(397,413)
Hayfin Advisors LLC	16,693	-	(389,572)
Hayfin Advisors SL	-	1,180,702	(305,606)
Hayfin Advisors Limited	-	1,069,389	(377,440)
Hayfin Advisors S.R.L	-	1,062,204	(171,848)
Hayfin Advisors Pte Limited	-	344,633	(109,552)
Hayfin Capital LuxCo 1 SARL	-	619,982	(619,982)
Hayfin Carried Interest GP Limited	537,133	-	537,133
Hayfin Management GP Limited	357,491	-	357,491

Key management personnel

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

There were no fees paid to directors during the current year.

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.

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.

24. Post balance sheet events

In preparing these financial statements, the Members have evaluated and disclosed all material subsequent events up to 27 April 2021, 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 27 April 2021 by the board of members.