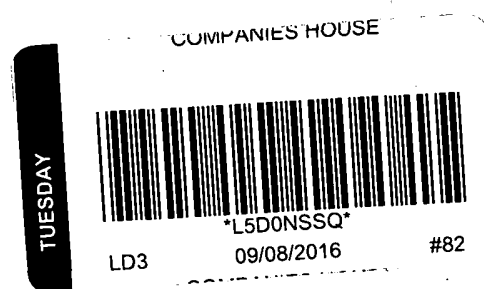


Company Registered No. 06598582 (England and Wales)

RISK CAPITAL PARTNERS II (GP) LIMITED

UNAUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015



RISK CAPITAL PARTNERS II (GP) LIMITED

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RISK CAPITAL PARTNERS II (GP) LIMITED

Officers and Professional Advisors

DIRECTORS

Luke Johnson
Ben Redmond

COMPANY NUMBER

06598582

REGISTERED OFFICE

31 North Row
London
W1K 6DA

ADMINISTRATOR

Augentius (UK) Limited
Two London Bridge
London
SE1 9RA

RISK CAPITAL PARTNERS II (GP) LIMITED

Directors' Report

The Directors present their report and the Unaudited Financial Statements of the Company for the year ended 31 December 2015.

Principal Activities

The principal activity of the Company is to act as the General Partner to Risk Capital Partners II, L.P. (the "Partnership").

Statement of Directors' responsibilities

The Directors are responsible for preparing the Directors' Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these Financial Statements, the Directors are required to:


- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the accounts on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Micro-Entity Provisions

This report has been prepared in accordance with the micro-entity provisions as applicable to companies subject to the small company's regime.

On behalf of the board

A handwritten signature in black ink, consisting of a large, stylized loop followed by a horizontal line and a small upward stroke at the end.

Ben Redmond, Director

Date: 28 July 2016

RISK CAPITAL PARTNERS II (GP) LIMITED

**Profit and Loss Account
for the year ended 31 December 2015**

	Year ended 31 December 2015 £	Year ended 31 December 2014 £
Turnover	728,030	753,301
Expenditure	(728,045)	(753,316)
Loss on ordinary activities	(15)	(15)
Tax on loss on ordinary activities	-	-
Total comprehensive loss for the year	(15)	(15)

RISK CAPITAL PARTNERS II (GP) LIMITED

Balance Sheet as at 31 December 2015

	As at 31 December 2015 £	As at 31 December 2014 £
Current assets		
Cash at bank	36	51
Debtors	262,730	375,363
	<u>262,766</u>	<u>375,414</u>
Creditors: amounts falling due within one year	(262,829)	(375,462)
Net current liabilities	<u>(63)</u>	<u>(48)</u>
Net liabilities	<u>(63)</u>	<u>(48)</u>
Capital and reserves		
Share capital	1	1
Retained earnings	(64)	(49)
Total shareholders' funds	<u>(63)</u>	<u>(48)</u>

Notes to the Financial Statements

1. Directors' benefits

During the year, the Company did not make any advances, credits or guarantees to any directors.

2. Guarantees and other financial commitments

Risk Capital Partners LLP is the ultimate parent undertaking of Risk Capital Partners II (GP) Limited. As at 31 December 2015, £262,829 (2014: £375,462) was due to Risk Capital LLP. During the year, Risk Capital Partners LLP settled liabilities on behalf of Risk Capital Partners (GP) Limited of £5,515 (2014: £4,070). Risk Capital Partners (GP) Limited is not required to make any payment in relation to these liabilities.

Audit Exemption Statements

For the year ending 2015 the company was entitled to exemption from audit under section 477 of the Companies Act 2006 relating to small companies.

Directors' Responsibilities

- The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of the financial statements.
- The members have not required the company to obtain an audit of its financial statements for the year in question in accordance with section 476.

The financial statements have been prepared in accordance with the micro-entity provisions and delivered in accordance with the provisions applicable to companies subject to the small company's regime.

RISK CAPITAL PARTNERS II (GP) LIMITED

Notes to the Financial Statements (continued)

These financial statements were approved by the board of directors and authorised for issue on 28 July 2016 and are signed on their behalf by:

A handwritten signature in black ink, consisting of a large, stylized loop followed by a horizontal line and a smaller loop.

Ben Redmond
Director
28 July 2016

Company registered no. 06598582



Risk Capital Partners II L.P.

Annual Report and Audited Financial Statements
Year Ended 31 December 2015

For additional information please contact:

Ben Redmond

Risk Capital Partners LLP
Tel: +44 (0) 20 7016 0700

Email: ben@riskcapitalpartners.co.uk

J.P. Harrop

Managing Partner - Augentius (UK) Limited
Tel: +44 (0) 20 7397 5455

Email: jp@augentius.com

This report contains material non public information and is required to be held in strict confidence.

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STRATEGIC REPORT

Risk Capital Partners LLP (the "Manager") presents the strategic report of Risk Capital Partners II L.P. (the "Fund" or "Partnership") for the year ended 31 December 2015.

Overview

The Fund is a limited partnership, registered in England on 30 May 2008 with Total Commitments of £48.7 million.

The principal activity of the Fund is making private equity investments in growing, smaller mid-market companies based in the UK for the purpose of achieving long-term capital growth for the Partners.

The Fund shall continue until its termination in accordance with clause 19 of the Limited Partnership Agreement (the "LPA"). The life of the Partnership may be extended by the Manager with the prior consent of the Investment Committee by up to two additional one year periods.

The Manager has prepared these financial statements in accordance with United Kingdom Generally Accepted Accounting Practice and historical cost convention as modified by the revaluation of investments using accounting policies set out in the LPA.

Risks and uncertainties

The Manager is responsible for determining the level of risk acceptable to the Fund. This is subject to regular review.

The principal risks facing the Fund are liquidity risk, credit risk and market risk. The Manager seeks to mitigate these risks through the application of strict controls and a monitoring process at operational level.

Business Review

During the year, the Fund continued to make investments in growing, smaller mid-market companies based in the UK; the amount invested was £5.9m (2014: £3.8m). During the year, the Fund received cash of £5.5m (2014: £0.2m) on the partial disposal of investments held.

The Fund recorded profit of £11.2m in the year ending 31 December 2015 (2014: £17.3m), comprising realised gains of £2.5m (2014: £0.3m) and unrealised gains of £8.7m (2014: £17m) in the year.

The Fund net assets as at 31 December 2015 are £68.2m (2014: £56.5m).

Future developments

The Fund continues to hold and invest in UK private equity investments.

The assets and liabilities continue to be managed with the overall objective of achieving long-term capital growth for the Partners.

Results

The results for the year are shown in the Statement of Comprehensive Income on page 8.

Risk Capital Partners II L.P.

STRATEGIC REPORT (continued)

For and on behalf of Risk Capital Partners LLP.

A handwritten signature in black ink, appearing to be 'Ben Redmond', written in a cursive style.

Ben Redmond
Member
Risk Capital Partners LLP
29 February 2016

THE GENERAL PARTNER'S REPORT

The General Partner presents its report and the financial statements of the Fund for the year ended 31 December 2015.

Directors

The Directors of Risk Capital Partners II (GP) Limited during the year were as follows:

Ben Redmond
Luke Johnson

Statement of General Partner's responsibilities

In accordance with Chapter 3 of Part 16 of the Companies Act 2006, as applied by the Partnerships (Accounts) Regulations 2008 and the Amended and Restated Limited Partnership Agreement dated 13 February 2009, requires the General Partner to prepare financial statements that give a true and fair view of the state of affairs of the Partnership and of the profit or loss of the Partnership for that period.

In preparing these financial statements, the General Partner is required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Partnership will continue in business.

The General Partner is responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the Partnership and enable them to ensure that the financial statements comply with the Amended and Restated Limited Partnership Agreement and the Companies Act 2006. They are also responsible for safeguarding the assets of the Partnership and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the General Partner is aware:

- there is no relevant audit information of which the Partnership's auditors are unaware; and
- the General Partner has taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Auditor

The auditor, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

For and on behalf of the General Partner



Ben Redmond
29 February 2016

Fund Performance Summary

		Year Ended 31 December 2015	Year Ended 31 December 2014
	%	£	£
Reconciliation of Partners' Capital at Risk			
Total Commitments	100.00	48,692,982	48,692,982
Amount not yet drawn down	(4.07)	(1,980,293)	(10,314,426)
Cumulative Contributions	95.93	46,712,689	38,378,556
Total contributions		46,712,689	39,918,255
Total distributions		(7,084,696)	(1,539,699)
Capital at Risk		39,627,993	38,378,556
Reconciliation of Net Asset Value			
Opening balance		56,533,830	35,578,744
Amounts contributed		6,794,434	4,540,486
Amounts distributed		(5,544,997)	(89,202)
Loan on account of General Partner's Share		1,703,155	(577,273)
Unrealised gain on investments		8,731,223	17,081,075
Realised gain on investments		2,526,094	247,784
Bank interest		242	453
Other expenses		(95,151)	(72,209)
Net gain allocated to General Partner on account of General Partners' Share		(2,431,185)	(176,028)
Net Asset Value per Statement of Financial Position		68,217,645	56,533,830
Total Value Attributable to the Partners		75,302,341	58,073,529

Independent Auditors' Report to the Members of Risk Capital Partners II L.P.

We have audited the financial statements of Risk Capital Partners II L.P. for the year ended 31 December 2015 which comprise the statement of comprehensive income, the statement of financial position, the statement of cash flows, the statement of changes in net assets attributable to partners and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Account Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

This report is made solely to the partnership's members, as a body, in accordance with the terms of the engagement letter dated 16 December 2014. Our audit work has been undertaken so that we might state to the Partnership's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Partnership and the partnership's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of members and auditors

As explained more fully in the statement of General Partners' responsibilities, the General Partner is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the partnership's affairs as at 31 December 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Account Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to partnerships by the Partnerships (Accounts) Regulations 2008.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act as applied to partnerships requires us to report to you if, in our opinion:

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



Neil Griggs (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom

Date 29 February 2016

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Statement of Comprehensive Income

	NOTES	Year Ended 31 December 2015	Year Ended 31 December 2014
		£	£
Turnover	5	242	453
Total turnover		242	453
Expenditure	6	(95,151)	(72,209)
Operating loss		(94,909)	(71,756)
Realised gain on investments		2,526,094	247,784
Unrealised gain on revaluation of investments	7	8,731,223	17,081,075
Profit for the year		11,162,408	17,257,103
Other comprehensive income		-	-
Increase in net assets attributable to Partners		11,162,408	17,257,103
Allocated to:			
Limited Partners		8,731,223	17,081,075
General Partner		2,431,185	176,028
		11,162,408	17,257,103

All results shown in the statement of comprehensive income are from continuing operations.

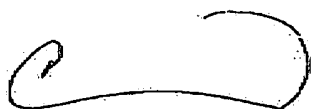
The notes on pages 12 to 23 form an integral part of these financial statements.

Statement of Financial Position

	NOTES	As at 31 December 2015	As at 31 December 2014
		£	£
Fixed assets			
Financial assets held at fair value through profit or loss	3.8, 7	68,357,053	56,699,679
		68,357,053	56,699,679
Current assets			
Cash and cash equivalents		150,723	261,113
		150,723	261,113
Creditors: amounts falling due within one year	9	(290,131)	(426,962)
		(290,131)	(426,962)
Net current liabilities		(139,408)	(165,849)
Net assets		68,217,645	56,533,830
Partners' accounts:			
Capital contribution account	10	609	609
Loan account	11	35,434,714	32,482,122
Income account	12	29,783,269	23,578,140
Capital account	13	2,999,053	472,959
Net assets		68,217,645	56,533,830

The notes on pages 12 to 23 form an integral part of these financial statements.

These financial statements were approved by the General Partner on 29 February 2016 and were signed on its behalf by:



Ben Redmond

29 February 2016

Statement of Cash Flows

	NOTES	Year Ended 31 December 2015	Year Ended 31 December 2014
		£	£
Cash flow from operating activities			
Profit for the year		11,162,408	17,257,103
Adjustment for:			
Unrealised gain on revaluation of investments		(8,731,223)	(17,081,075)
Realised gain on investments		(2,526,094)	(247,784)
		(94,909)	(71,756)
Working capital movements:			
(Decrease) / increase in creditors	9	(24,198)	17,847
Net cash used in operating activities		(119,107)	(53,909)
Cash flow from investing activities			
Purchase of fixed asset investments	7	(5,885,470)	(3,761,239)
Disposal of fixed asset investments	7	5,485,414	248,444
Net cash used in investing activities		(400,056)	(3,512,795)
Cash flow from financing activities			
Partner loan contributions received	11	6,794,434	4,540,486
Partner loan distributions paid	11	(5,544,997)	(89,202)
Drawings on account of GPS		(840,664)	(651,835)
Net cash generated from financing activities		408,773	3,799,449
Net increase in cash and cash equivalents		(110,390)	232,745
Cash and cash equivalents at the beginning of the year		261,113	28,368
Net cash and cash equivalents at the end of the year		150,723	261,113

The notes on pages 12 to 23 form an integral part of these financial statements.

Changes in Net Assets Attributable to the Partners

	Limited Partners	General Partner	Founder Partner	Total
	£	£	£	£
Net Assets Attributable to the Partners at 1 January 2014				
	40,897,173	(5,318,551)	122	35,578,744
Partners advances during the year	4,540,486	-	-	4,540,486
Partners distributions during the year	(89,202)	-	-	(89,202)
Profit for the year	17,257,103	-	-	17,257,103
Profit allocated to General Partner on account of General Partner's Share	(176,028)	176,028	-	-
General Partner's drawings during the year	-	(753,301)	-	(753,301)
Net Assets Attributable to the Partners at 31 December 2014	62,429,532	(5,895,824)	122	56,533,830
Net Assets Attributable to the Partners at 1 January 2015				
	62,429,532	(5,895,824)	122	56,533,830
Partners advances during the year	6,794,434	-	-	6,794,434
Partners distributions during the year	(5,544,997)	-	-	(5,544,997)
Profit for the year	11,162,408	-	-	11,162,408
Profit allocated to General Partner on account of General Partner's Share	(2,431,185)	2,431,185	-	-
General Partner's drawings during the year	-	(728,030)	-	(728,030)
Net Assets Attributable to the Partners at 31 December 2015	72,410,192	(4,192,669)	122	68,217,645

The notes on pages 12 to 23 form an integral part of these financial statements.

Notes to the Financial Statements

1 General Information

Risk Capital Partners II L.P. (the "Fund" or "Partnership") was formed on 30 May 2008 by a Limited Partnership Agreement to carry on the business of an investor and, in particular, of identifying, negotiating, making, monitoring and realising investments and to carry out all connected functions and acts and is governed by the Amended and Restated Limited Partnership Agreement (the "LPA") dated 13 February 2009.

The Partnership has been registered as a limited partnership in England under the Limited Partnerships Act 1907 with number LP 013003.

Risk Capital Partners II (GP) Limited (the "General Partner") has appointed Risk Capital Partners LLP (the "Manager") to act as the manager of the Partnership.

The Partnership shall continue until the expiry of ten years from the Final Closing Date provided that the life may be extended by the Manager with the prior consent of the Investment Committee by up to two additional one year periods.

2 Statement of compliance

The financial statements of the Partnership have been prepared in accordance with accounting policies set out in the LPA as well as United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006 under the provision of The Companies and Partnerships (Accounts and Audit) Regulations 2013.

3 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. The Partnership has adopted FRS 102 in these financial statements.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Partnership's financial statements:

3.1 Basis of preparation

The financial statements have been prepared on a going concern basis.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires the Manager to exercise its judgement in the process of applying the Partnership's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

3.2 Foreign currency

(i) Functional and presentation currency

The Fund's functional and presentation currency is the Pound Sterling ("GBP", "£").

(ii) Transactions and balances

The Fund deals only in the functional currency.

Notes to the Financial Statements (continued)

3 Summary of significant accounting policies (continued)

3.3 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents the amount receivable for services rendered, net of value added taxes.

The Partnership's revenue principally consists of interest on loans advanced. Interest is recognised on an accruals basis.

The Partnership recognises revenue when the amounts of the revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Partnership.

The Partnership shall recognise dividends and other distributions received from investments as income without regard to whether the distributions are from accumulated profits of the Associate arising before or after the date of acquisition.

3.4 General Partner's Share

Under the terms of the LPA, the Manager is entitled to receive the General Partner's Share ("GPS") as a priority share of the net income and surplus of capital gains over capital losses of the Partnership in respect to each Limited Partner.

The General Partner's Share is calculated as follows:

- i) from the First Closing Date until the end of Investment Period the sum of 2.25% per annum of the Total Commitments; and
- ii) thereafter, 2.25% per annum of the Acquisition Cost of Investments made by the Partnership reduced by the Acquisition Cost of Investments which have been distributed in specie or which have been realised and the proceeds of which have been distributed to Investors.

In the final quarter of 2013, the Funds' investors agreed to a proposal to extend the Fund's Investment Period for a further 12 months to February 2015. As agreed, General Partner's Share remains at 2.25% per annum of Total Commitments until the end of the Investment Period in return for a step down to 1.8% of the Total Acquisition Costs thereafter.

The General Partner's Share is reduced by such part of any Transaction Fees, Investment Related Fees, Underwriting Fees, Abort Fees and Other Fees (net of any VAT or similar taxes) that have been earned and retained by the General Partner, the Manager and any of their Associates during the previous Accounting Period pursuant to clause 12.2 of the LPA.

The General Partner's Share shall rank as a first charge on net income in any accounting period and, where necessary, ranks as a first charge on the capital gains. In the event that there are insufficient income and capital gains to satisfy the General Partner's Share then the Partnership will make an interest free loan to General Partner which is only repayable following an allocation of income or capital gains in subsequent periods. The interest free loan is described as General Partner's drawings within the Loan Account on the Statement of Financial Position.

Notes to the Financial Statements (continued)

3 Summary of significant accounting policies (continued)

3.5 Distributions of Income Proceeds and Capital Proceeds between Partners

As set out in 14.1 of the LPA, after payment to the General Partner of the General Partner's Share and meeting the Partnership expenses, all Net Income and Capital proceeds available for distribution shall on the occasion of each distribution in the following order:

- i) first, to the Limited Partners in repayment of Funded Commitments up to an amount equal to the cost of realised investments, any write-off of investments and expenses;
- ii) secondly, to each of the Limited Partners until they have received an amount equal to 80% Preferred Return;
- iii) thirdly, to the Founder Partner until it has received an amount equal to 25% of the Preferred Return;
- iv) fourthly, to the Limited Partners (in proportion to their respective Partnership Commitments) 80% of the amount remaining after the distributions made under paragraphs (i), (ii) and (iii) and to the Founder Partner 20% of the amount remaining after the distribution made under the above-mentioned paragraphs; and
- v) finally, at the end of the life of the Partnership, any balance remaining after the payments referred to above, in repayment of the Partner's Capital Contributions.

The LPA provides escrow restrictions on the level and timing of distributions made to the Founder Partner.

3.6 Taxation

For UK purposes, the Partnership is treated as being tax transparent. The Partnership is not therefore separately taxable, as all net income, net income losses, capital gains and capital losses of the Partnership flow through to each individual Partner. Taxation has not been recorded in these financial statements as any tax liabilities that may arise on income or capital are borne by the individual partners comprising the Partnership. Accordingly, no provision for taxation or deferred taxation is made in these financial statements.

3.7 Cash and cash equivalents

Cash and cash equivalents includes cash in hand and deposits held at call with banks.

3.8 Financial instruments

The Partnership has adopted the Sections 11 and 12 of FRS 102 in respect of financial instruments.

i) Financial assets

Basic financial assets, including debtors and cash and bank balances and investments in loan notes, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the Statement of Comprehensive Income.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in the Statement of Comprehensive Income.

Notes to the Financial Statements (continued)

3 Summary of significant accounting policies (continued)

3.8 Financial instruments (continued)

i) Financial assets (continued)

Other basic financial assets, including investments in equity instruments are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in the Statement of Comprehensive Income, except investments in equity instruments that are not publically traded and whose fair values cannot be measured reliably are measured at cost less impairment. There are no investments where it is considered that fair value cannot be reliably measured at the balance sheet date.

Investments are reported at a fair value as determined by the General Partner. Unquoted investments are valued in accordance with the International Private Equity and Venture Capital Valuations Guidelines (the "IPEV guidelines") issued by the BVCA, EVCA and AFIC. The basis of valuation in these guidelines include valuing investments at

- (a) the price of recent investments;
- (b) comparative industry price earnings ratios discounted for marketability and performance of the investment;
and
- (c) net asset valuations for asset based investments.

Notwithstanding the bases of valuation stated above, the eventual realisation proceeds will inevitably differ from the valuation and those differences could be significant.

Financial assets are derecognized when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risk and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

ii) Financial liabilities

Basic financial liabilities, including creditors, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Creditors are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished that is when the contractual obligation is discharged, cancelled or expires.

iii) Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle to liability simultaneously.

3.9 Related party transactions

The Partnership discloses transactions with related parties. Please see note 14 for further details.

Notes to the Financial Statements (continued)

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

The General Partner makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Fair value of investments not quoted in an active market

The fair values of investments that are not quoted in an active market are determined by using valuation techniques, primarily the price of recent investments, comparative industry price earnings ratios discounted for marketability and performance of the investment and net asset valuations for asset based investments. The models used to determine fair values are validated and periodically reviewed by the Manager. The inputs in the earnings multiples models include observable data, such as earnings multiples of comparable companies to the relevant portfolio company, and unobservable data, such as forecast earnings for the portfolio company.

5 Turnover

	Year Ended 31 December 2015	Year Ended 31 December 2014
	£	£
Bank interest income	242	453
Total	242	453

6 Expenditure

	Year Ended 31 December 2015	Year Ended 31 December 2014
	£	£
Administration fees	60,031	44,965
Professional fees	2,874	4,110
Audit fees	21,210	19,200
Legal fees	10,840	3,855
Bank fees	196	79
Total	95,151	72,209

Notes to the Financial Statements (continued)

7 Financial assets held at fair value through profit or loss

	Amount
	£
As at 1 January 2014	35,858,025
Additions	3,761,239
Disposals	(660)
Fair Value Adjustments	17,081,075
As at 31 December 2014	56,699,679
As at 1 January 2015	56,699,679
Additions	5,885,470
Disposals	(2,959,319)
Fair Value Adjustments	8,731,223
As at 31 December 2015	68,357,053

The Partnership uses the following hierarchy to estimate the fair value of its financial investments which are measured at fair value through profit or loss:

- (a) The best evidence of fair value is a quoted price for an identical asset in an active market. Quoted in an active market in this context means quoted prices are readily and regularly available and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted price is usually the current bid price.

The Partnership has no financial investments as at 31 December 2015 and 31 December 2014 under this category.

- (b) When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the entity can demonstrate that the last transaction price is not a good estimate of fair value, that price is adjusted.

The Partnership has no financial investments as at 31 December 2015 and 31 December 2014 under this category.

- (c) If the market for the asset is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, an entity estimates the fair value by using a valuation technique. The objective of using a valuation technique is to estimate what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal business considerations.

The Partnership's investments as at 31 December 2015 and 31 December 2014 were all categorised under this category.

Investments classified within (c) as aforementioned have significant unobservable inputs, as they trade infrequently. As observable prices are not available for these securities, the Partnership has used valuation techniques to derive the fair value.

Investments are reported at a fair value as determined by the General Partner. Unquoted investments are valued in accordance with IPEV guidelines. The revaluation techniques in these guidelines include valuing investments at the price of recent investments, comparative industry price earnings ratios discounted for marketability and performance of the investment, and net asset valuations for asset based investments. Unrealised gains and losses arising on revaluation are recorded in the Statement of Comprehensive Income.

Notes to the Financial Statements (continued)

8 Financial instruments by category

	NOTES	Year Ended 31 December 2015	Year Ended 31 December 2014
		£	£
Financial investments at fair value through profit or loss		68,357,053	56,699,679
Financial assets at amortised cost			
Cash and cash equivalents	3.7	150,723	261,113
		68,507,776	56,960,792
Financial liabilities measured at amortised cost:			
Trade creditors	9	7,321	36,598
Accruals	9	20,080	15,001
Due to General Partner	9	262,730	375,363
		290,131	426,962

	Opening Balance as at 1 January 2015	Additions	Disposals	Revaluation	Closing Balance as at 31 December 2015
	£	£	£	£	£
A Ordinary shares	6,017,703	14,770	(24)	997,699	7,030,148
B Ordinary shares	17,239,038	-	-	10,971,896	28,210,934
Preference shares	2,315,542	-	-	185,243	2,500,785
Loan notes	31,074,866	5,870,700	(2,959,295)	(3,423,615)	30,562,656
Capitalised costs	52,530	-	-	-	52,530
Investments	56,699,679	5,885,470	(2,959,319)	8,731,223	68,357,053

During the year ended 31 December 2015, previous impairments applied to one of the Partnership's investments were reversed. The total reversal of £656,027 arose as a result of cash proceeds being received by the Partnership in addition to improved trading performance by the portfolio company.

9 Creditors: amounts falling due within one year

	As at 31 December 2015	As at 31 December 2014
	£	£
Trade creditors	7,321	36,598
Accruals	20,080	15,001
Due to General Partner	262,730	375,363
Total	290,131	426,962

10 Reconciliation of Partners' Capital contribution account

	Limited Partners	General Partner	Founder Partner	Total
	£	£	£	£
Balance as at 1 January 2014	487	-	122	609
Capital contributions	-	-	-	-
Balance as at 31 December 2014	487	-	122	609
Balance as at 1 January 2015	487	-	122	609
Capital contributions	-	-	-	-
Balance as at 31 December 2015	487	-	122	609

Notes to the Financial Statements (continued)**11 Reconciliation of Partners' Loan account**

	Limited Partners	General Partner	Total
	£	£	£
Balance as at 1 January 2014	33,926,662	(5,318,551)	28,608,111
Advances by Partners during the year	4,540,486	-	4,540,486
Distributions to Partners during the year	(89,202)	-	(89,202)
General Partner's drawings during the year	-	(753,301)	(753,301)
Profit allocation transferred to General Partners loan account	-	176,028	176,028
Balance as at 31 December 2014	38,377,946	(5,895,824)	32,482,122
Balance as at 1 January 2015	38,377,946	(5,895,824)	32,482,122
Advances by Partners during the year	6,794,434	-	6,794,434
Distributions to Partners during the year	(5,544,997)	-	(5,544,997)
General Partner's drawings during the year	-	(728,030)	(728,030)
Profit allocation transferred to General Partners loan account	-	2,431,185	2,431,185
Balance as at 31 December 2015	39,627,383	(4,192,669)	35,434,714

In accordance with clause 12.5 of the LPA, if Net Income and Capital Gains less Capital Losses in any Accounting Period shall be less than the General Partner's Share, any deficiency to the extent not already drawn by the General Partner under clause 12.6 shall be paid to the General Partner as an interest-free loan but such payment shall not extinguish the amount of the General Partner's Share outstanding which shall be carried forward to subsequent accounting periods; in the event that any part of the General Partner's Share then unpaid can subsequently be satisfied by an allocation of Net Income or Capital Gains to the General Partner such allocation shall be applied in the discharge of an equivalent amount of such loan; in no circumstances shall such loan be recoverable from the General Partner other than by an allocation of Net Income or Capital Gains in accordance with clause 12.5.

12 Reconciliation of Partners' Income account

	Limited Partners	General Partner	Total
	£	£	£
Balance as at 1 January 2014 (as restated)	6,744,849	-	6,744,849
Profit for the year	17,081,075	176,028	17,257,103
Amount transferred as capital return for the year	(247,784)	-	(247,784)
Profit allocated to General Partner on account of General Partner's Share	-	(176,028)	(176,028)
Balance as at 31 December 2014	23,578,140	-	23,578,140
Partners' Accounts as at 1 January 2015	23,578,140	-	23,578,140
Profit for the year	8,731,223	2,431,185	11,162,408
Amount transferred as capital return for the year	(2,526,094)	-	(2,526,094)
Profit allocated to General Partner on account of General Partner's Share	-	(2,431,185)	(2,431,185)
Balance as at 31 December 2015	29,783,269	-	29,783,269

Notes to the Financial Statements (continued)

13 Reconciliation of Partners' Capital account

	Limited Partners	General Partner	Total
	£	£	£
Balance as at 1 January 2014	225,175	-	225,175
Amount transferred as a capital return for the year	247,784	-	247,784
Balance as at 31 December 2014	472,959	-	472,959
Balance as at 1 January 2015	472,959	-	472,959
Amount transferred as a capital return for the year	2,526,094	-	2,526,094
Balance as at 31 December 2015	2,999,053	-	2,999,053

14 Related party disclosures

Under the terms of the LPA, the General Partner is entitled to receive the General Partner's Share as a first charge on the net income and capital gains of the Partnership in respect of the Investor's Commitments.

The General Partner's Share shall rank as a first charge on net income in any accounting period and, where necessary, ranks as a first charge on the capital gains. In the event that there are insufficient income and capital gains to satisfy the General Partner's Share then the Partnership will make an interest-free loan to the General Partner which is only repayable following an allocation of income or capital gains in subsequent periods. The interest free loan is described as General Partner's drawings within the Loan Account on the Statement of Financial Position.

General Partner Share for the year to 31 December 2015 was £728,030 (2014: £753,301). During the year, £633,179 was paid to the General Partner in relation to Q3 and Q4 2014 and Q1 and Q2 2015 (2014: £377,938). As at 31 December 2015, £262,730 remains payable to the General Partner in relation to General Partner Share for Q3 and Q4 2015 (2014: £375,363).

15 Financial risk management

The objective of the Partnership is to achieve medium to long-term capital growth through investing in growing, smaller, mid-market companies based in the UK. The General Partner is ultimately responsible for the overall risk management of the Partnership.

15.1. Market risk

(a) Price risk

The Partnership's investments are susceptible to market price risk arising from uncertainties about future values of the investments. The General Partner provides the Partnership with investment recommendations. To manage the market price risk, the Manager reviews the performance of the portfolio investments on a monthly basis and is in regular contact with the management of the portfolio investments for business and operational matters. Results of these reviews are reported to the Manager regularly.

The performance of investments held by the Partnership is monitored by the Manager on a monthly basis and is reported, assessed and reviewed by the Manager on a quarterly basis.

A \pm 10% change in the value of investments would increase / decrease the net assets attributable to the Partners by £6,835,705.

(b) Interest rate risk

Interest rate risk is the risk that changes in interest rates will affect future cash flows and hence the fair value of the Partnership's portfolio investments.

The majority of the Partnership's financial assets are fixed rate interest bearing loans. As a result, the Partnership is subject to limited direct exposure to interest rate risk.

Notes to the Financial Statements (continued)

15 Financial risk management (continued)

15.1. Market risk (continued)

Indirectly the Partnership is exposed to greater interest rate risk at each portfolio investment; however the Manager is actively involved in determining the level of interest bearing assets and liabilities for each investment.

The table below summarises the Partnership's exposure to interest rate risks. It includes the Partnership's assets and liabilities categorised by the earlier of contractual re-pricing or maturity dates.

31 December 2014

	Up to 1 month	1 to 12 months	More than one year	Non-interest bearing	Total
	£	£	£	£	£
Assets					
Financial assets at fair value through profit or loss	-	-	32,465,358	24,234,321	56,699,679
Financial assets measured at amortised cost	261,113	-	-	-	261,113
Total Assets	261,113	-	32,465,358	24,234,321	56,960,792
Liabilities					
Financial liabilities measured at amortised cost					
Trade creditors	-	-	-	36,598	36,598
Accruals	-	-	-	15,001	15,001
Due to General Partner	-	-	-	375,363	375,363
Total Liabilities	-	-	-	426,962	426,962

31 December 2015

	Up to 1 month	1 to 12 months	More than one year	Non-interest bearing	Total
	£	£	£	£	£
Assets					
Financial assets at fair value through profit or loss	-	185,532	32,877,909	35,293,612	68,357,053
Financial assets measured at amortised cost	150,723	-	-	-	150,723
Total Assets	150,723	185,532	32,877,909	35,293,612	68,507,776
Liabilities					
Financial liabilities measured at amortised cost					
Trade creditors	-	-	-	7,321	7,321
Accruals	-	-	-	20,080	20,080
Due to General Partner	-	-	-	262,730	262,730
Total Liabilities	-	-	-	290,131	290,131

15.2. Credit Risk

The Partnership takes on exposure to credit risk, which is the risk that one party will cause a financial loss for the other party by failing to discharge an obligation. The Partnership is exposed to the risk of non-payment of debt instrument or the interest due on loans given to portfolio companies.

The Partnership has no significant concentration of credit risk. Cash transactions are limited to financial institutions with credit rating of AA/Aa/AB or higher, as rated by the rating agency Standard & Poor's. The Partnership assesses all counterparties, including its partners, for credit risk before contracting with them. The Partnership's maximum exposure to credit risk is detailed in the table below. The Partnership does not include any collateral or other credit risk enhancers, which may reduce the Partnership's exposure.

Notes to the Financial Statements (continued)

15 Financial risk management (continued)

15.2. Credit Risk (continued)

The maximum exposure to credit risk at 31 December 2015 is the carrying amount of the financial assets set out below.

	As at 31 December 2015	As at 31 December 2014
	£	£
Financial assets at fair value through profit or loss	68,357,053	56,699,679
Cash and cash equivalents	150,723	261,113
Total financial assets	68,507,776	56,960,792

As at 31 December 2015, the assets held by the Partnership are not past due or impaired (2014: £nil).

5.3. Liquidity Risk

Liquidity risk is the risk that the Partnership may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The Partnership's investments are subject to liquidity risk in the normal course of business. The Manager manages this risk by ensuring that sufficient funds exist to meet outstanding commitments, other liabilities incurred by the operating activities of the Partnership and short term liquidity needs, as and when they fall due.

The following table analyses the Partnership's liabilities into relevant maturity groupings based on the remaining period at the balance sheet date. The amounts in the tables are the contractual undiscounted cash flows.

As at 31 December 2014

	On demand	Less than one year	Between 1 and 5 years	More than 5 years	Total
	£	£	£	£	£
Trade creditors	36,598	-	-	-	36,598
Accruals	-	15,001	-	-	15,001
Due to General Partner	375,363	-	-	-	375,363
Total Liabilities	411,961	15,001	-	-	426,962

As at 31 December 2015

	On demand	Less than one year	Between 1 and 5 years	More than 5 years	Total
	£	£	£	£	£
Trade creditors	7,321	-	-	-	7,321
Accruals	-	20,080	-	-	20,080
Due to General Partner	262,730	-	-	-	262,730
Total Liabilities	270,051	20,080	-	-	290,131

16 Contingent assets and liabilities

There are no contingent assets and liabilities that require disclosure in the financial statements.

Notes to the Financial Statements (continued)

17 Events after the end of the reporting period

At the date of signing, no subsequent events have been identified.

18 Limited Partners' commitments

As at 31 December 2015, the Total Commitments from the limited partners amounted to £48,692,982 (2014: £48,692,982).

Outstanding commitments totalled £1,980,293 (2014: £10,314,426) as at 31 December 2015.

19 Ultimate controlling party

In the opinion of the General Partner, there is no ultimate controlling party in the Partnership.

The Partnership is administered under a Limited Partnership Agreement dated 13 February 2009 by its General Partner, Risk Capital Partners II (GP) Limited. The General Partner is a related party by virtue of its role as General Partner to the Partnership. The General Partner is a wholly owned subsidiary of the investment manager, Risk Capital Partners LLP. Balances due to and from the General Partner and the General Partner's profit share for the year are disclosed in the notes to the financial statements.

Risk Capital Partners II L.P.

Management and Administration

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