

Company Registered No 06598582 (England and Wales)

"AMENDING"


RISK CAPITAL PARTNERS II (GP) LIMITED

UNAUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

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RISK CAPITAL PARTNERS II (GP) LIMITED

Company Information

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

Statement of Directors' Responsibilities in respect of the Directors' Report and the Financial Statements

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 period. Under that law the Directors have elected to prepare the Financial Statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

The Financial Statements are required by law to 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,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the accounts, and
- prepare the accounts on the 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

RISK CAPITAL PARTNERS II (GP) LIMITED

Balance Sheet as at 31 December 2014

| | Notes | <u>2014</u> £ | <u>2013</u> £ |
|---|-------|------------------|------------------|
| Current Assets | | | |
| Bank | | 51 | 66 |
| Debtors | 4 | <u>375,363</u> | <u>273,898</u> |
| | | 375,414 | 273,964 |
| Creditors: amounts falling due within one year | 5 | (375,462) | (273,997) |
| Net Current Assets | | - | - |
| Net Assets | | <u>(48)</u> | <u>(33)</u> |
| Capital and Reserves | | | |
| Called up share capital | 6 | 1 | 1 |
| Profit and Loss Account | 7 | <u>(49)</u> | <u>(34)</u> |
| | | <u>(48)</u> | <u>(33)</u> |

The Notes on pages 6 to 7 form an integral part of these Financial Statements

For the year ended 31 December 2014 the Company was entitled to exemption from audit under section 477 of the Companies Act 2006 relating to small companies

These Financial Statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime

The Directors acknowledge their responsibility for complying with the requirements of the Act with respect to accounting records and the preparation of accounts

The members have not required the Company to obtain an audit of its accounts for the year in question in accordance with section 476

These Financial Statements were approved by the board of Directors on *9th Sept* 2015 and were signed on its behalf by



Ben Redmond
Director

Company registered no 06598582

RISK CAPITAL PARTNERS II (GP) LIMITED

Notes to the Financial Statements for the year ended 31 December 2014 (continued)

6 Called up share capital

| | <u>2014</u> £ | <u>2013</u> £ |
|--|------------------|------------------|
| Authorised 1,000 ordinary shares of £1 each | <u>1,000</u> | <u>1,000</u> |
| Allotted and called up 1 ordinary share of £1 each | <u>1</u> | <u>1</u> |

7. Statement of movement on profit and loss account

| | <u>2014</u> £ | <u>2013</u> £ |
|------------------------------|------------------|------------------|
| At the beginning of the year | (34) | (32) |
| Loss for the year | (15) | (2) |
| At the end of the year | <u>(49)</u> | <u>(34)</u> |

8 Related parties

Risk Capital Partners II (GP) Limited is General Partner to Risk Capital II L P and was entitled to a General Partner's Share (GPS) of £753,301 (2013 £1,095,589) During the year, Risk Capital Partners II (GP) Limited received GPS of £651,836 (2013 £821,692) An amount of £375,362 remained outstanding at the balance sheet date

Risk Capital Partners LLP is the ultimate parent undertaking of Risk Capital Partners II (GP) Limited As at 31 December 2014, £374,462 (2013 £273,997) was due to Risk Capital LLP During the year, Risk Capital Partners LLP settled liabilities on behalf of Risk Capital Partners (GP) Limited of £4,070 (2013 £5,128) Risk Capital Partners (GP) Limited is not required to make any payment in relation to these liabilities

9. Ultimate parent undertaking

The ultimate parent undertaking is Risk Capital Partners LLP, a limited liability partnership registered in England and Wales

10. Going Concern

The Directors are satisfied of the Company's ability to continue as a going concern The Company is in a net current liability position as a result of bank charges, which will be settled by the Company's ultimate parent undertaking Based on the above consideration the Directors are satisfied that the Company is capable of continuing on a going concern basis and these Financial Statements have been prepared accordingly Furthermore, the Directors are not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern Therefore, the Financial Statements continue to be prepared on the going concern basis



Risk Capital Partners II L.P.

Annual Report and Audited Financial Statements
Year Ended 31 December 2014

THESE PARTNERSHIP
ACCOUNTS FORM
PART OF THE ACCOUNTS
OF COMPANY
No. 6598582

For additional information please contact

Ben Redmond

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J.P. Harrop

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

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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 2014

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 £3.8m (2013: £16.8m). During the year, the Fund received cash of £0.2m (2013: £0.4m) on disposal of investments held

The Fund recorded unrealised appreciation on fixed asset investments of £17.1m in the year ending 31 December 2014 (2013: £6.5m), based on the valuations provided by the Manager

The Fund net assets as at 31 December 2014 are £56.5m (2013: £35.6m)

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, consisting of a large, stylized loop followed by a horizontal stroke.

Ben Redmond
Member
Risk Capital Partners LLP
24 September 2015

THE GENERAL PARTNER'S REPORT

The General Partner presents its report and the financial statements of the Fund for the year ended 31 December 2014

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
24 September 2015
December 2014 Audited report

Fund Performance Summary

| | | Year Ended 31 December 2014 | Year Ended 31 December 2013 |
|---|--------------|--------------------------------|--------------------------------|
| | % | £ | £ |
| Reconciliation of Partners' Capital at Risk | | | |
| Total Commitments | 100.00 | 48,692,982 | 48,692,982 |
| Amount not yet drawn down | (21.18) | (10,314,426) | (14,765,710) |
| Cumulative Contributions | 78.82 | 38,378,556 | 33,927,272 |
| Total contributions | | 39,918,255 | 35,377,769 |
| Total distributions | | (1,539,699) | (1,450,497) |
| Capital at Risk | | 38,378,556 | 33,927,272 |
| Reconciliation of Net Asset Value | | | |
| Opening balance | | 35,578,744 | 12,852,905 |
| Amounts contributed | | 4,540,486 | 17,663,261 |
| Amounts distributed | | (89,202) | (410,950) |
| Loan on account of General Partner's Share | | (577,273) | (898,710) |
| Unrealised gain on investments | | 17,081,075 | 6,372,238 |
| Realised gain on investments | | 247,784 | 272,192 |
| Bank interest | | 453 | - |
| Other expenses | | (72,209) | (75,314) |
| Net gain allocated to General Partner on account of General Partners' Share | | (176,028) | (196,878) |
| Net Asset Value per Statement of Financial Position | | 56,533,830 | 35,578,744 |
| Total Value Attributable to the Partners | | 58,073,529 | 37,029,241 |

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 2014 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 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

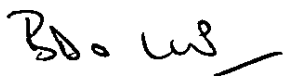
In our opinion the financial statements

- give a true and fair view of the state of the partnership's affairs as at 31 December 2014 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 24/9/15

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)
December 2014 Audited report

Statement of Comprehensive Income

| | NOTES | Year Ended 31 December 2014 | Year Ended 31 December 2013 (restated) |
|--|-------|--------------------------------|--|
| | | £ | £ |
| Turnover | 5 | 453 | - |
| Total turnover | | 453 | - |
| Expenditure | 6 | (72,209) | (75,314) |
| Operating loss | | (71,756) | (75,314) |
| Realised gain on investments | | 247,784 | 109,543 |
| Unrealised gain on revaluation of investments | 7 | 17,081,075 | 6,534,887 |
| Profit for the year | | 17,257,103 | 6,569,116 |
| Other comprehensive income | | - | - |
| Increase in net assets attributable to Partners | | 17,257,103 | 6,569,116 |
| Allocated to | | | |
| Limited Partners | | 17,081,075 | 6,372,238 |
| General Partner | | 176,028 | 196,878 |
| | | 17,257,103 | 6,569,116 |

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

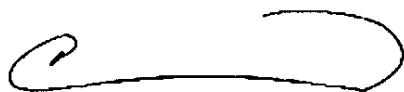
The notes on pages 12 to 24 form an integral part of these financial statements

Statement of Financial Position

| | NOTES | As at 31 December 2014 | As at 31 December 2013 (restated) |
|--|----------|---------------------------|---|
| | | £ | £ |
| Fixed assets | | | |
| Financial assets held at fair value through profit or loss | 3 8, 7 | 56,699,679 | 35,858,025 |
| | | 56,699,679 | 35,858,025 |
| Current assets | | | |
| Cash at bank | | 261,113 | 28,368 |
| | | 261,113 | 28,368 |
| Creditors amounts falling due within one year | 9 | (426,962) | (307,649) |
| | | (426,962) | (307,649) |
| Net current liabilities | | (165,849) | (279,281) |
| Net assets | | 56,533,830 | 35,578,744 |
| Partners' accounts | | | |
| Capital contribution account | 10 | 609 | 609 |
| Loan account | 11 | 32,482,122 | 28,608,111 |
| Income account | 12 | 23,578,140 | 6,744,849 |
| Capital account | 13 | 472,959 | 225,175 |
| Net assets | | 56,533,830 | 35,578,744 |

The notes on pages 12 to 24 form an integral part of these financial statements

These financial statements were approved by the General Partner on 24 September 2015 and were signed on its behalf by



Ben Redmond

24 September 2015

Statement of Cash Flows

| | NOTES | Year Ended 31 December 2014 | Year Ended 31 December 2013 (restated) |
|---|-------|--------------------------------|--|
| | | £ | £ |
| Cash flow from operating activities | | | |
| Profit for the year | | 17,257,103 | 6,569,116 |
| Adjustment for | | | |
| Unrealised gain on revaluation of investments | | (17,081,075) | (6,534,887) |
| Realised gain on investments | | (247,784) | (109,543) |
| | | (71,756) | (75,314) |
| Working capital movements | | | |
| Increase in creditors | 9 | 17,847 | 8,787 |
| Net cash used in operating activities | | (53,909) | (66,527) |
| Cash flow from Investing activities | | | |
| Purchase of fixed asset investments | 7 | (3,761,239) | (16,783,119) |
| Disposal of fixed asset investments | 7 | 248,444 | 437,380 |
| Net cash used in Investing activities | | (3,512,795) | (16,345,739) |
| Cash flow from financing activities | | | |
| Partner loan contributions received | 11 | 4,540,486 | 17,663,261 |
| Partner loan distributions paid | 11 | (89,202) | (410,950) |
| Drawings on account of GPS | | (651,835) | (821,691) |
| Net cash generated from financing activities | | 3,799,449 | 16,430,620 |
| Net increase in cash and cash equivalents | | 232,745 | 18,354 |
| Cash and cash equivalents at the beginning of the year | | 28,368 | 10,014 |
| Net cash and cash equivalents at the end of the year | | 261,113 | 28,368 |

The notes on pages 12 to 24 form an integral part of these financial statements

Changes in Net Assets Attributable to the Partners

| | Limited Partners (Restated) | General Partner (Restated) | Founder Partner (Restated) | Total (Restated) |
|---|-----------------------------------|----------------------------------|----------------------------------|---------------------|
| | £ | £ | £ | £ |
| Net Assets Attributable to the Partners at 1 January 2013 (restated) | 17,272,624 | (4,419,841) | 122 | 12,852,905 |
| Partners advances during the year | 17,663,261 | - | - | 17,663,261 |
| Partners distributions during the year | (410,950) | - | - | (410,950) |
| Profit for the year | 6,569,116 | - | - | 6,569,116 |
| Profit allocated to General Partner on account of General Partner's Share | (196,878) | 196,878 | - | - |
| General Partner's drawings during the year | - | (1,095,588) | - | (1,095,588) |
| Net Assets Attributable to the Partners at 31 December 2013 (restated) | 40,897,173 | (5,318,551) | 122 | 35,578,744 |
| 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 |

The notes on pages 12 to 24 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" ("IFRS 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. Details of the transition to FRS 102 are disclosed in note 18.

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 investment 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 1.7% 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 Founded 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 Found 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 publicly 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 the 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 2014 | Year Ended 31 December 2013 |
|----------------------|--------------------------------|--------------------------------|
| | £ | £ |
| Bank interest income | 453 | - |
| Total | 453 | - |

6 Expenditure

| | Year Ended 31 December 2014 | Year Ended 31 December 2013 |
|---------------------|--------------------------------|--------------------------------|
| | £ | £ |
| Aborted deal fees | - | 2,577 |
| Administration fees | 44,965 | 46,557 |
| Professional fees | 4,110 | 2,310 |
| Audit fees | 19,200 | 11,600 |
| Legal fees | 3,855 | 12,136 |
| Bank fees | 79 | 134 |
| Total | 72,209 | 75,314 |

Notes to the Financial Statements (continued)

7 Financial assets held at fair value through profit or loss

| | Amount |
|-------------------------------|-------------------|
| | £ |
| As at 1 January 2013 | 12,867,856 |
| Additions | 16,783,119 |
| Disposals | (327,837) |
| Fair Value Adjustments | 6,534,887 |
| As at 31 December 2013 | 35,858,025 |
| 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 |

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 2014 and 31 December 2013 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 2014 and 31 December 2013 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 2014 and 31 December 2013 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 2014 | Year Ended 31 December 2013 |
|--|-------|--------------------------------|--------------------------------|
| | | £ | £ |
| Financial investments at fair value through profit or loss | | 56,699,679 | 35,858,025 |
| | | 56,699,679 | 35,858,025 |
| Financial liabilities measured at amortised cost | | | |
| Trade creditors | 9 | 36,598 | 19,188 |
| Due to General Partner | 9 | 375,363 | 273,897 |
| | | 411,961 | 293,085 |

| | Opening Balance as at 1 January 2014 | Additions | Disposals | Revaluation | Closing Balance as at 31 December 2014 |
|--------------------|--|------------------|--------------|-------------------|--|
| | £ | £ | £ | £ | £ |
| A Ordinary shares | 366,356 | 2,202 | - | 5,649,145 | 6,017,703 |
| B Ordinary shares | 9,531,282 | - | (660) | 7,708,416 | 17,239,038 |
| Preference shares | - | 2,223,904 | - | 91,638 | 2,315,542 |
| Loan notes | 25,960,387 | 1,482,603 | - | 3,631,876 | 31,074,866 |
| Capitalised costs | - | 52,530 | - | - | 52,530 |
| Investments | 35,858,025 | 3,761,239 | (660) | 17,081,075 | 56,699,679 |

During the year ended 31 December 2014, previous impairments applied to one of the Partnership's investments were reversed. The total reversal of £1,505,809 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 2014 | As at 31 December 2013 |
|------------------------|---------------------------|---------------------------|
| | £ | £ |
| Trade creditors | 36,598 | 19,188 |
| Accruals | 15,001 | 14,564 |
| Due to General Partner | 375,363 | 273,897 |
| Total | 426,962 | 307,649 |

10 Reconciliation of Partners' Capital contribution account

| | Limited Partners | General Partner | Founder Partner | Total |
|---------------------------------------|------------------|-----------------|-----------------|------------|
| | £ | £ | £ | £ |
| Balance as at 1 January 2013 | 487 | - | 122 | 609 |
| Capital contributions | - | - | - | - |
| Balance as at 31 December 2013 | 487 | - | 122 | 609 |
| Balance as at 1 January 2014 | 487 | - | 122 | 609 |
| Capital contributions | - | - | - | - |
| Balance as at 31 December 2014 | 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 2013 | 16,674,351 | (4,419,841) | 12,254,510 |
| Advances by Partners during the year | 17,663,261 | - | 17,663,261 |
| Distributions to Partners during the year | (410,950) | - | (410,950) |
| General Partner's drawings during the year | - | (1,095,588) | (1,095,588) |
| Profit allocation transferred to General Partners loan account | - | 196,878 | 196,878 |
| Balance as at 31 December 2013 | 33,926,662 | (5,318,551) | 28,608,111 |
| 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 |

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 2013 as previously reported | (4,803,549) | - | (4,803,549) |
| Reclassification of revaluation reserve to retained earnings | 5,285,703 | - | 5,285,703 |
| Balance as at 1 January 2013 (as restated) | 482,154 | - | 482,154 |
| Profit for the year | 6,372,238 | 196,878 | 6,569,116 |
| Amount transferred as capital return for the year | (109,543) | - | (109,543) |
| Profit allocated to General Partner on account of General Partner's Share | - | (196,878) | (196,878) |
| Balance as at 31 December 2013 | 6,744,849 | - | 6,744,849 |
| Partners' Accounts as at 1 January 2014 | 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 |

Notes to the Financial Statements (continued)

13 Reconciliation of Partners' Capital account

| | Limited Partners | General Partner | Total |
|---|------------------|-----------------|----------------|
| | £ | £ | £ |
| Balance as at 1 January 2013 | 115,632 | - | 115,632 |
| Amount transferred as a capital return for the year | 109,543 | - | 109,543 |
| Balance as at 31 December 2013 | 225,175 | - | 225,175 |
| 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 |

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 Loan to General Partner within the Loan Account on the Statement of Financial Position.

General Partner Share for the year to 31 December 2014 was £753,301 (2013 £1,095,588). During the year, £377,938 was paid to the General Partner in relation to 2014 (2013 £821,691). As at 31 December 2014, £375,363 remains payable to the General Partner in relation to General Partner Share for Q3 and Q4 2014 (2013 £273,897).

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 £5,669,968.

(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 Manager also monitors the interest rate sensitivity of each portfolio investment on a regular basis and assists in the implementation of appropriate hedging strategies to minimise this risk.

The table below summarises the Partnership's exposure to interest rate risks. It includes the Partnership's assets and liabilities at fair value 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 | - | - | 30,149,816 | 26,549,863 | 56,699,679 |
| Cash | 261,113 | - | - | - | 261,113 |
| Total Assets | 261,113 | - | 30,149,816 | 26,549,863 | 56,960,792 |
| Liabilities | | | | | |
| Creditors' amounts falling due within one year | - | - | - | 426,962 | 426,962 |
| Total Liabilities | - | - | - | 426,962 | 426,962 |

31 December 2013

| | 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 | - | - | 25,960,387 | 9,897,638 | 35,858,025 |
| Cash | 28,368 | - | - | - | 28,368 |
| Total Assets | 28,368 | - | 25,960,387 | 9,897,638 | 35,886,393 |
| Liabilities | | | | | |
| Creditors' amounts falling due within one year | - | - | - | 307,649 | 307,649 |
| Total Liabilities | - | - | - | 307,649 | 307,649 |

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.

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

Notes to the Financial Statements (continued)

15 Financial risk management (continued)

15.3. Credit risk (continued)

| | As at 31 December 2014 | As at 31 December 2013 |
|---|---------------------------|---------------------------|
| | £ | £ |
| Financial assets at fair value through profit or loss | 56,699,679 | 35,858,025 |
| Cash at bank | 261,113 | 28,368 |
| Total financial assets | 56,960,792 | 35,886,393 |

As at 31 December 2014, the assets held by the Partnership are not past due or impaired (2013 £nil)

15.3 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 2013

| | On demand | Less than one year | Between 1 and 5 years | More than 5 years | Total |
|--------------------------|----------------|-----------------------|--------------------------|----------------------|----------------|
| | £ | £ | £ | £ | £ |
| Trade creditors | 19,188 | - | - | - | 19,188 |
| Accruals | - | 14,564 | - | - | 14,564 |
| Due to General Partner | 273,897 | - | - | - | 273,897 |
| Total Liabilities | 293,085 | 14,564 | - | - | 307,649 |

16 Contingent assets and liabilities

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

17 Events after the end of the reporting period

In March 2015, with the agreement of all Limited Partners, the Fund's investment period was extended to 31 May 2015

Notes to the Financial Statements (continued)

18 Transition to FRS 102

This is the first year that the Partnership has presented its results under FRS 102. The financial statements for the year ended 31 December 2013 were prepared using accounting policies set out in the LPA. The date of transition to FRS 102 was 1 January 2013. Set out below are the changes in accounting policies which reconcile profit for the financial year ended 31 December 2013 and the total equity as at 1 January 2013 and 31 December 2013 between FRS 102 and the previous basis of preparation.

Reconciliation of profit for the year ended 31 December 2013

| | | £ |
|--|---|------------------|
| Profit for the year ended 31 December 2013 under previous basis of preparation | | 34,229 |
| Unrealised gain on revaluations of investments | A | 6,534,887 |
| Profit for the year ended 31 December 2013 under FRS 102 | | 6,569,116 |

| | | £ |
|---|---|-------------------|
| Net assets attributable to partners at 1 January 2013 under previous basis of preparation | | 12,852,905 |
| Adjustment to income account due to reclassification of revaluation reserve | A | 5,285,703 |
| Reversal of movements in revaluation reserve | A | (5,285,703) |
| Net assets attributable to Partners at 1 January 2013 under FRS 102 | | 12,852,905 |

| | | £ |
|---|---|-------------------|
| Net assets attributable to partners at 31 December 2013 under previous basis of preparation | | 35,578,744 |
| Adjustment to income account due to reclassification of revaluation reserve | A | 11,657,941 |
| Reversal of movements in revaluation reserve | A | (11,657,941) |
| Net assets attributable to Partners at 31 December 2013 under FRS 102 | | 35,578,744 |

Reconciliation of profit for the year ended 31 December 2014

| | | £ |
|--|---|-------------------|
| Profit for the year ended 31 December 2014 under previous basis of preparation | | 176,028 |
| Unrealised gain on revaluations of investments | A | 17,081,075 |
| Profit for the year ended 31 December 2014 under FRS 102 | | 17,257,103 |

| | | £ |
|---|---|-------------------|
| Net assets attributable to partners at 31 December 2014 under previous basis of preparation | | 56,533,830 |
| Adjustment to income account due to reclassification of revaluation reserve | A | 17,081,075 |
| Reversal of movements in revaluation reserve | A | (17,081,075) |
| Net assets attributable to Partners at 31 December 2014 under FRS 102 | | 56,533,830 |

A – Unrealised gain on revaluation of investments/Reversal of movements in revaluation reserve

FRS 102 requires these investments to be recognised at fair value with movements in fair value to be charged to the Statement of Comprehensive Income. Previously, the Partnership recognised the movements in revaluation of investments in the revaluation reserve. On adoption of FRS 102, the unrealised gain charged to revaluation reserve for the year ended 31 December 2013 was reversed from the revaluation reserve and charged to the Statement of Comprehensive Income. All the previously accumulated revaluation reserves as at 1 January 2013 and 31 December 2013 are now reversed and adjusted in the income account.

In addition to the transition adjustments identified above which affect profit for the financial year the following adjustments have arisen which have had no effect on net equity or profit and loss account but which have affected the presentation of these items on the balance sheet. The main items are

Notes to the Financial Statements (continued)

18 Transition to FRS 102 (continued)

Statement of Cash Flows

The Partnership's Cash Flow Statement reflects the presentation requirements of FRS 102, which is different to that prepared under the previous preparation basis. In addition, the cash flow statement reconciles to cash and cash equivalents whereas under the previous preparation basis the cash flow statement reconciled to cash.

Statement of Total Recognised Gains and Losses

Under FRS 102, the presentation of Statement of Total Recognised Gains and Losses is now removed. The unrealised changes on revaluation of investments which were charged in the said statement are now charged to the Statement of Comprehensive Income.

Statement of changes in net assets attributable to the partners

The Statement of changes in net assets attributable to the Partners is a new requirement under FRS 102. The Partnership is required to present the changes in net assets attributable to the Partners brought by the profit or loss for the period, other comprehensive income, the amounts of investments, and distributions to partners, showing separately partner capital contributions, and other distributions to partners.

19 Limited Partners' commitments

As at 31 December 2014, the Total Commitments from the limited partners amounted to £48,692,982 (2013 £48,692,982).

Outstanding commitments totalled £10,314,426 (2013 £14,765,710) as at 31 December 2014.

20 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

General Partner

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