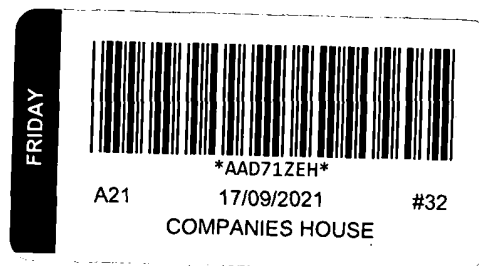


**Company Registered No. 06598582 (England and Wales)**

**RISK CAPITAL PARTNERS II (GP) LIMITED**

**UNAUDITED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2020**



---

## **RISK CAPITAL PARTNERS II (GP) LIMITED**

<u>Contents</u>	<u>Page</u>
Officers and Professional Advisors	1
Directors' Report	2
Profit and Loss Account	3
Balance Sheet	4
Notes to the Financial Statements	5

# **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**

Mainspring Fund Services Limited  
44 Southampton Buildings  
London  
WC2A 1AP

### **BANKERS**

Royal Bank of Scotland  
62/63 Threadneedle Street  
London  
EC2R 8LA

## **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 2020.

#### **Principal Activities**

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

#### **Directors**

The directors who served throughout the year and to the date of this report unless otherwise stated are noted below:

Ben Redmond  
Luke Johnson

#### **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 special provisions for small companies under Part 15 of the Companies Act 2006.

On behalf of the board



Ben Redmond, Director

Date: 16<sup>th</sup> September 2021

# **RISK CAPITAL PARTNERS II (GP) LIMITED**

## **Profit and Loss Account for the year ended 31 December 2020**

	Year ended 31 December 2020 £	Year ended 31 December 2019 £
Turnover	125,612	202,306
Expenditure	(125,684)	(202,379)
<b>Loss on ordinary activities</b>	<b>(72)</b>	<b>(73)</b>
Tax on loss on ordinary activities	-	-
<b>Total comprehensive loss for the year</b>	<b>(72)</b>	<b>(73)</b>

# RISK CAPITAL PARTNERS II (GP) LIMITED

## Balance Sheet as at 31 December 2020

	As at 31 December 2020 £	As at 31 December 2019 £
<b>Current assets</b>		
Cash at bank	43	15
Debtors	1	1
	<u>44</u>	<u>16</u>
<b>Creditors: amounts falling due within one year</b>	(300)	(200)
<b>Net current liabilities</b>	<u>(256)</u>	<u>(184)</u>
<b>Net liabilities</b>	<u>(256)</u>	<u>(184)</u>
<b>Capital and reserves</b>		
Share capital	1	1
Retained earnings	(257)	(185)
<b>Total shareholders' funds</b>	<u>(256)</u>	<u>(184)</u>

### Audit Exemption Statement

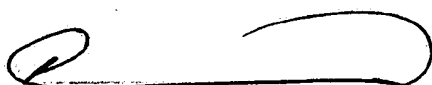
For the year ending 31 December 2020 the company was entitled to exemption from audit under section 477 of the Companies Act 2006 relating to small companies.

### Directors' Responsibilities

- The directors have not required the company to obtain an audit of its financial statements for the year in question in accordance with section 476.
- 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 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.

These financial statements were approved by the board of directors and authorised for issue on 2021 and are signed on their behalf by:



Ben Redmond  
Director

16 September 2021

Company registered no. 06598582

## **RISK CAPITAL PARTNERS II (GP) LIMITED**

### **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 2020, £250 (2019: £150) was due to Risk Capital Partners LLP and £50 (2019: £50) was due to Risk Capital II LP. During the year, £100 (2019: £50) was received from Risk Capital Partners LLP to cover bank charges incurred during the period.



## **Risk Capital Partners II L.P.**

Unaudited report for the quarter ended 30 September 2020

For additional information please contact:

**Ben Redmond**

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

Email: [ben@riskcapitalpartners.co.uk](mailto:ben@riskcapitalpartners.co.uk)

**J.P. Harrop**

IQ EQ Administration Services (UK) Ltd  
Tel: +44 (0) 20 7397 5455

Email: [jp.harrop@iqeq.com](mailto:jp.harrop@iqeq.com)

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



## Table of Contents

	<b>Pages</b>
Manager's Report	3 - 5
Portfolio Review	6 - 7
Fund Performance Summary	8
Profit and Loss Account	9
Statement of Total Recognised Gains and Losses	9
Balance Sheet	10
Cash Flow Statement	11
Statement of Partners' Accounts	12
Notes to the Financial Statements	13 - 17
Management and Administration	18

## MANAGER'S REPORT

### Introduction

We present our report for Risk Capital Partners II, L.P. (the "Fund") covering the quarter ended September 2020. The Fund was established to make private equity investments in growing, smaller mid-market companies based in the UK. The Fund is managed by Risk Capital Partners LLP (the "Manager").

The final closing of the Fund took place on 13<sup>th</sup> February 2009, at which total commitments of £48.7 million were accepted. This, together with a £25.0 million co-investment from the RCP Co-Investment Partnership LP ("Co-Invest" being the co-investment vehicle of the Principals of the Manager) takes total commitments to be invested by the combined entities, together the "RCP Funds", to £73.7 million.

Detailed information on all portfolio companies can be found in the Appendices.

### Portfolio Trading Review – Automotive Repair Solutions Ltd (DWS)

Fully Exited in Q2 2016, with a cumulative £5.4 million (95.5% of cost) returned with no further proceeds due.

### Portfolio Trading Review – Bread Holdings Ltd

EBITDA (before new store opening costs) for the year ending February 2020 increased to £14.1 million.

In terms of liquidity, at September 2020 the business has £9.8 million cash on hand and £15.5 million of gross bank debt repayable giving a total of £5.7 million of net debt.

The wholesale division has been most adversely affected by lockdown, with the Group's hotel and restaurant customers in central London still quiet, and those that have opened, ordering just 50% of pre Covid levels. Trading in the Gails' retail estate where the rollout has been focused on affluent residential suburbs, remained resilient.

EBITDA for the whole business in the quarter to September of £1.0m / £1.2m / £1.6m is ahead of the Lockdown 2 Reforecast for the year ending February 2021 of actual EBITDA of £10.8 million.

### Portfolio Trading Review – Buffet Restaurants Limited

Exited in Q3 2016. Total Loss of £5.286 million.

### Portfolio Trading Review – Cruise.co.uk

Exited in Q3 2016. £19.46 million cash received on exit in August 2016. A receipt of withholding tax of c £200k in Q3 2018, takes total proceeds to £19.76 million and 3.9x return on cost. The previously recognised residual loan notes were written down to zero in Q1 2020.

### Portfolio Trading Review – Neilson Active Holidays

Fully exited in Q3 2018 for 5.7x cost. The Fund received its share of proceeds on exit being £36.572 million, which were distributed to investors in August 2018, net of a Carry Payment / top up investment in Zoggs.

### Portfolio Trading Review – The Laine Pub Company

This investment was fully exited in May 2018 with the Fund receiving proceeds of £7.534 million, being a 2.0x return on cost. Proceeds were distributed to investors in Q2 2018.

### Portfolio Trading Review – Zoggs

A solvent sale was concluded to Head UK on 19<sup>th</sup> May 2020 for nil consideration to shareholders / loan note holders, yielding a total loss to the Fund of its entire £6.9 million.

## Manager's Report (continued)

### September 2020 Valuations

September 2020 valuations proposed are set out below:

**Bread Holdings** – Using an EBITDA multiple of 7.8x on the year ending February 2020 EBITDA of £14 million sees this investment NAV currently valued at 6.2x cost (inc distributions).

Loan note interest accrual was stopped earlier in the year. The long-term impact of the lockdown on the Gails' retail estate and wholesale customers is not yet fully known. We will revise this NAV valuation in Q4 2020, when the medium-term impact of the lockdown becomes clearer.

### Carry Payment

The first Carry Payment was calculated at £5.72 million by the Fund's third-party Administrator (IQ-EQ). This amount was deducted from investor distributions and paid to the Founder Partner in two separate tranches (August 2018 and January 2019) as advised by the IQ-EQ in line with the Limited Partners Agreement.

### Fund Life

In Q4 2018, the initial ten-year life of the Fund was extended by two years from the previous end date of February 2019 to February 2021. This extension received unanimous approval from the four Limited Partners who constitute the RCP II LP Investor Committee.

In consultation with LPs, the Manager is in the process of selecting an adviser to explore a liquidity solution for LPs. We will update LPs on this process at the AGM.

### Fund Expenditure

**General Partner** – Management fee of £5k was charged to the Fund and paid in cash to the Manager in this Quarter. Run rate management fee payable to the Manager has now reduced to £78k per annum.

**Fund Expenses** – During the quarter, the Fund incurred administration fees of £13k to IQ-EQ, an accrual of £4k for BDO audit fees, and £2k to Rees Pollock LLP for tax advice.

### RCP LLP Resources

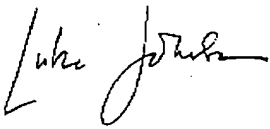
Michael Simmonds has now left the Manager by mutual agreement, and one back office role was made redundant earlier in 2020.

## Manager's Report (continued)

### Conclusion

Further to the small distribution in Q2 2020, Limited Partners have now received 139% of their Funded Commitments back in cash, with the Funds' largest investment by cost remaining in the Fund. Trading of Bread Holdings continues to show cause for measured optimism, despite the impact of lockdowns 1 & 2.

Recognising the Fund termination date of February 2021, we will update Investors at the AGM as to progress on the appointment of a third-party adviser. The mandate of this adviser is to seek a liquidity solution for those investors who want to exit and offer investors the opportunity to invest in a new vehicle to back the continued growth of Bread Holdings. On this matter we will liaise with the Investor Committee on a regular basis.



Luke Johnson



Ben Redmond

Risk Capital Partners LLP, 23 November 2020

## Portfolio Review

### Bread Holdings Limited

30 September 2020: Q3

Investment Details	
Company:	Bread Holdings Ltd
Date:	11 April 2011
Location:	London
Business:	Wholesale artisan bakery and retail chain
Investment:	MBO
Website:	<a href="http://www.breadltd.co.uk">www.breadltd.co.uk</a>
Transaction size:	£24.0 million (inc. fees)
RCP stake:	60.6% pre-dilution (RCP II 34.8%* post dilution)
Investment size:	£11 million
Entry multiple (inc fees):	8.2x EBITDA FY11 6.6x run rate
RCP Execs:	Luke Johnson, Ben Redmond
Chairman:	Luke Johnson
* fully diluted equity above £81m, after dilution of 7.2% options at £75m equity, and 4.5% options at £81m equity	

### Business Description

Bread Holdings Ltd is the leading artisan baker in Britain, headquartered in North London. Through its subsidiary The Bread Factory it supplies a broad range of award-winning handmade breads, viennoiserie and cakes to restaurants, hotels and contract caterers. The group also includes Gail's, a premium retail bakery and cafe, which has 63 outlets in London and the South. Gail's bread is also available through Waitrose and Ocado, the online grocer.

### Investment structure and valuation

£000's Instrument	Total Cost	RCP II LP share			
		Cost	Valuation	Receipts	Total
Ordinary shares	1,052	412	32,276	-	32,276
Management loan note 9%	4,264	-	-	-	-
Investor loan note 9%	10,493	6,855	8,334	4,124	12,458
HSBC senior debt	7,000	-	-	-	-
Management loan	500	-	-	-	-
<b>Total</b>	<b>23,309</b>	<b>7,267</b>	<b>40,610</b>	<b>4,124</b>	<b>44,734</b>
<b>Multiple of cost</b>					<b>6.2x</b>

### Financial summary

Year ending 28 Feb	2017	2018	2019	2020	2021
£000's	Actual	Actual	Actual	Actual	6A+6F
Sales	78,574	86,409	100,740	116,475	82,029
EBITDA excl opening expense	10,908	10,364	11,469	14,007	10,832
%	13.9%	12.0%	11.4%	12.0%	13.2%
EBITDA incl opening expense	10,388	10,109	10,941	13,590	10,246
%	13.2%	11.7%	10.9%	11.7%	12.5%
Number of GAIL'S's outlets at y/e	36	39	49	59	65

## Portfolio Review (continued)

Bread Holdings Limited

30 September 2020: Q3

### Commentary

Actual results for the year ended February 2020 came in at £116.5m sales and £14.0m EBITDA before pre-opening costs and exceptional items, well ahead of budget EBITDA for that year of £13 million.

In the current year ending February 2021, the wholesale division is down on volumes by c 50%, but cost savings have mitigated some of this loss of revenue on EBITDA.

The Gail's retail division has demonstrated a resilient performance, with all the estate now open apart from 1 store. Reduced SKU's across both parts of the business have yielded savings in COGS and labour, with total Company EBITDA for July, August and September of £1.0 million, £1.2 million and £1.6 million respectively.

These EBITDA results do incorporate agreed rent concessions, business rates holiday and since July, the reduction of VAT which has not been passed onto the consumer.

The Gails' new site pipeline for the current year has been reduced down from 12 sites to 6 sites, with four new store opened YTD, and trading well in aggregate.

The Lockdown 2 6A+6F for the current year ending February 2021 is EBITDA of £10.8m on sales of £82 million. Each month of London lockdown is forecast to cost the business £0.6m in lost EBITDA compared to budget.

At 30 September, the business had £9.8m of cash and total bank debt of £15.5m to give total net debt of £5.7 million.

The HSBC debt repayment date was put back to 30<sup>th</sup> September 2022, with the Fund's loan notes rescheduled for bullet repayment on 1<sup>st</sup> October 2022.

### Valuation

The December 2019 Valuation at an EV of £110 million is equivalent to 7.8x actual February 2020 EBITDA before pre-opening costs of £14.0m. This equates to 620% of cost including refinance proceeds already received.

Loan note interest accrual has been suspended in this quarter, in light of current trading due to the Lockdown.

We will revalue this investment in December 2020, when it becomes clearer what the impact of Lockdown 2 on the business is.

## Fund Performance Summary

		Quarter Ended 30 September 2020	Inception to 30 September 2020
	%	£	£
<b>Reconciliation of Partners' Capital at Risk</b>			
Total commitments	100.00	48,692,982	48,692,982
Amount not yet drawn down	(2.51)	(1,222,332)	(1,222,332)
<b>Cumulative Contributions</b>	<b>97.49</b>	<b>47,470,650</b>	<b>47,470,650</b>
Total contributions		48,605,502	48,605,502
Total distributions		(66,110,122)	(66,110,122)
<b>Gains returned to the Limited Partners</b>		<b>(17,504,620)</b>	<b>(17,504,620)</b>
<b>Reconciliation of Net Asset Value</b>			
Opening balance		40,800,392	-
Amounts contributed		-	48,605,502
Amounts distributed		-	(66,110,122)
Loan on account of General Partner's Share		(5,380)	(105,980)
Unrealised movement on investments		-	36,271,140
Realised gain on investments		-	37,359,824
Bank interest		-	1,714
Other expenses		(19,377)	(1,304,707)
Net gain allocated to General Partner on account of General Partner's Share		-	(8,226,599)
Movement on Founder Partner distributions		-	(5,715,137)
<b>Net Asset Value per Balance Sheet</b>		<b>40,775,635</b>	<b>40,775,635</b>
Net Assets attributable to Founder Partner			6,886,263
Net Assets attributable to Limited Partner after carried interest			33,889,372
<b>Total</b>			<b>40,775,635</b>
<b>Total Value Attributable to the Partners</b>		<b>112,600,894</b>	<b>112,600,894</b>

## Profit and Loss Account

	NOTES	Quarter Ended 30 September 2020	Year Ended 31 December 2019
		£	£
Expenditure	3	(19,377)	(71,330)
<b>Net loss for the quarter / year</b>		<b>(19,377)</b>	<b>(71,330)</b>
Loan to the General Partner on account of General Partner's Share	2(f)	(5,380)	-
		(5,380)	-
<b>Deficit for the quarter / year</b>		<b>(24,757)</b>	<b>(71,330)</b>

All results shown in the profit and loss account are from continuing operations.

## Statement of Recognised Gains and Losses

	NOTES	Quarter Ended 30 September 2020	Year Ended 31 December 2019
		£	£
Deficit for the quarter / year		(24,757)	(71,330)
Unrealised movement on investments	6	-	4,536,028
<b>Total recognised (loss) / gain relating to the quarter / year</b>		<b>(24,757)</b>	<b>4,464,698</b>

The notes on pages 13 to 17 form an integral part of these financial statements.



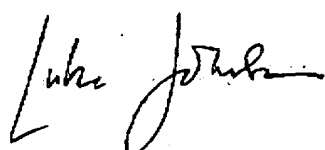
# Risk Capital Partners II L.P.

## Balance Sheet

	NOTES	As at 30 September 2020 £	As at 31 December 2019 £
Current assets			
Investments	2(d), 6	40,610,182	44,291,137
Cash at bank	4	192,020	779,350
<b>Total assets</b>		<b>40,802,202</b>	<b>45,070,487</b>
Creditors: amounts falling due within one year	5	(26,567)	(20,962)
<b>Net assets attributable to the Partners</b>		<b>40,775,635</b>	<b>45,049,525</b>
Partners' accounts:	7		
Capital contribution account		609	609
Loan contribution account		48,604,893	48,604,893
Loan distribution account		(66,110,122)	(65,685,122)
Loan on account of General Partner's Share		(105,980)	-
Founder Partner Distribution		(5,715,137)	(5,715,137)
Revaluation reserve		36,271,140	33,051,912
Income and capital account		27,830,232	34,792,370
<b>Partners' Capital and Loan Accounts</b>		<b>40,775,635</b>	<b>45,049,525</b>

The notes on pages 13 to 17 form an integral part of these financial statements.

The financial statements on pages 8 to 17 were approved by the General Partner on 23 November 2020 and were signed on its behalf by:



Luke Johnson



Ben Redmond

## Cash Flow Statement

	NOTES	Quarter Ended 30 September 2020 £	Year Ended 31 December 2019 £
<b>Net cash outflow from operating activities</b>	<b>A</b>	<b>(20,542)</b>	<b>(1,344,112)</b>
<b>General Partner's Share (GPS)</b>			
Drawings on account of GPS		(5,380)	(202,306)
<b>Financing</b>			
Movement on Founder Partner distributions		-	635,016
<b>Net cash inflow from financing</b>		<b>-</b>	<b>635,016</b>
<b>Net decrease in cash</b>	<b>B</b>	<b>(25,922)</b>	<b>(911,402)</b>

### NOTES

#### A. Reconciliation of net loss for the quarter / year to net cash outflow from operating activities

Net loss for the quarter / year	(19,377)	(71,330)
Decrease in creditors	(1,165)	(1,272,782)
<b>Net cash outflow from operating activities</b>	<b>(20,542)</b>	<b>(1,344,112)</b>

#### B. Reconciliation of cash flow movement to cash balance at the end of the quarter / year

Net decrease in cash	(25,922)	(911,402)
Net cash at start of the quarter / year	217,942	1,690,752
<b>Cash balance at the end of the quarter / year</b>	<b>192,020</b>	<b>779,350</b>

The notes on pages 13 to 17 form an integral part of these financial statements.

## Statement of Partners' Accounts

	Limited Partners	General Partner	Founder Partner	Total
	£	£	£	£
Partners' Accounts at 1 July 2020	40,900,870	(100,600)	122	40,800,392
Loan on account of General Partner's Share	-	(5,380)	-	(5,380)
Net loss for the quarter	(19,377)	-	-	(19,377)
<b>Partners' Accounts at 30 September 2020</b>	<b>40,881,493</b>	<b>(105,980)</b>	<b>122</b>	<b>40,775,635</b>
Incentive allocated to Founder Partner	(6,886,141)	-	6,886,141	-
<b>Partners' Accounts at 30 September 2020</b>	<b>33,995,352</b>	<b>(105,980)</b>	<b>6,886,263</b>	<b>40,775,635</b>

The notes on pages 13 to 17 form an integral part of these financial statements.

## Notes to the Financial Statements

### 1 Background and Limited Partnership Agreement

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.

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

The Founder Partner of the Partnership is RCP II Founder Partner L.P. ("Founder Partner"). The Founder Partner has subscribed £122 of partnership capital in the Partnership, as a founder limited partner.

The life of the Partnership was extended for two additional one year periods to 13 February 2021 with the agreement of the Manager and the Investor Committee.

### 2 Accounting Policies

#### a) Basis of Accounting

The Partnership shall be terminated and its affairs be wound up upon expiry of the extension period as explained in note 1. It is expected that the Partnership's activity will cease and will be dissolved in 2021. Accordingly, the going concern basis of preparation is no longer appropriate and the financial statements have been prepared on a non going concern basis. Adjustments have been made in these financial statements to reduce assets to their realisable values. Financial assets held at fair value through profit or loss were reclassified to current assets. No provision has been made for the future costs of terminating the Partnership unless such costs were committed at the reporting date. In accordance with the LPA, the currency used for reporting is Pounds Sterling (£). As disclosed in clause 11.2 of the LPA, the General Partner prepares the financial statements of the Partnership in accordance with applicable United Kingdom accounting principles and practices. The principal accounting policies are set out below:

#### b) Income and Expenditure

Income and expenditure are accounted for on an accrual basis.

#### c) Investment Income

Dividends receivable from equity shares are included within investment income when the Partnership's right to receive payment is established. Bank interest receivable and payable is recognised on an accrual basis.

Unquoted loan stock and other debt securities held by the Partnership in unlisted investments bear interest and other income but are subordinated to higher ranking creditors. Income from these investments is recognised when all necessary conditions for payment by the issuer have been met, including approval from higher ranking lenders where applicable, otherwise other income is recognised on an accrual basis.

#### d) Investment Valuation

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 endorsed by the BVCA, Invest Europe and AFIC. The basis of valuation in these guidelines include valuing investments at comparative industry price earnings ratios discounted for marketability and performance of the investment, and net asset valuations for asset based investments. Unquoted loan notes are valued in accordance with the agreements entered into at the time of issue.

## Notes to the Financial Statements (continued)

### 2 Accounting Policies (continued)

#### d) Investment Valuation (continued)

The recoverability of both loan note and principle are considered by the General Partner in assessing the valuations of such loan on an ongoing basis and this may result in valuations which depart from agreed conditions. Unrealised gains arising on revaluation are recorded in the Revaluation Reserve. Unrealised losses arising on revaluation are recorded in the Revaluation Reserve to the extent that they are deemed temporary. Unrealised losses that are considered to be permanent are recorded in the Profit and Loss account, to the extent that these losses are not reversals of prior unrealised gains.

#### e) 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.

#### f) General Partner's Share

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 Investors' Commitments.

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 February 2015, the Funds' investors agreed to a proposal to extend the Fund's Investment Period to 31 May 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 the General Partner which is only repayable following an allocation of income or capital gains in subsequent periods. This allocation is carried out on an annual basis. The interest free loan is shown as Loan on account of General Partner's Share within the Partners' Accounts in the Balance Sheet.

#### g) Distributions of capital proceeds and income between Partners

As set out in clause 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 be distributed 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 the Preferred Return;

## Notes to the Financial Statements (continued)

### 2 Accounting Policies (continued)

g) Distributions of capital proceeds and income between Partners (continued)

- 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 Partners' Capital Contributions.

The Manager shall retain an amount of 20% of the amount which would otherwise have been distributed to the Founder Partner pursuant to clause 14.1 hereafter referred to as the "Retained Amount". This amount shall be placed in a separate account for the benefit of the Founder Partner the "Retained Account" only to be released in accordance with the provisions of clause 14.

The Founder Partner shall be entitled to have distributed to it as Founder Partner cash any amount as agreed with the Partnership's Auditor as is necessary to satisfy and charge to taxation which has been made against it or any partner of it by HMRC or any other relevant tax authority in respect of the allocation of any Net Income of Capital Gains to it from the Partnership in accordance with the LPA.

### 3 Expenditure

	Quarter Ended 30 September 2020	Year Ended 31 December 2019
	£	£
Administration fees	12,761	49,592
Professional fees	2,310	4,618
Audit fees	4,305	16,920
Bank fees	1	200
<b>Total</b>	<b>19,377</b>	<b>71,330</b>

### 4 Cash and cash equivalents

	As at 30 September 2020	As at 31 December 2019
	£	£
Cash in bank	192,020	779,350
<b>Total</b>	<b>192,020</b>	<b>779,350</b>

### 5 Creditors: amounts falling due within one year

	As at 30 September 2020	As at 31 December 2019
	£	£
Trade creditors	12,763	4,160
Accruals	12,915	16,802
Due to Limited Partners (note 11)	889	-
<b>Total</b>	<b>26,567</b>	<b>20,962</b>

## Notes to the Financial Statements (continued)

### 6 Investments

	Opening Balance as at 1 July 2020	Additions	Disposals	Revaluation	Closing Balance as at 30 September 2020
	£	£	£	£	£
<b>Bread Holdings Limited</b>					
B Ordinary shares	32,275,633	-	-	-	32,275,633
Loan notes	8,334,549	-	-	-	8,334,549
<b>Total</b>	<b>40,610,182</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>40,610,182</b>
<b>Total Investments</b>	<b>40,610,182</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>40,610,182</b>

	Acquisition Cost	Disposal Proceeds	Realised (loss) / gain	Unrealised gain	Closing Balance as at 30 September 2020
	£	£	£	£	£
DWS Automotive Repair Solutions Limited *	5,632,929	(5,378,782)	(254,147)	-	-
Bread Holdings Limited	7,268,295	(4,124,594)	1,195,339	36,271,142	40,610,182
Buffet Restaurants Limited	5,286,000	-	(5,286,000)	-	-
Cruise Co Holdings Limited	5,054,767	(19,756,416)	14,701,649	-	-
Neilson Active Holidays (Holdings) Limited	6,442,352	(36,572,512)	30,130,160	-	-
The Laine Pub Company	3,761,239	(7,534,245)	3,773,006	-	-
Zoggs Group Limited	6,900,183	-	(6,900,183)	-	-
<b>Total Investments</b>	<b>40,345,765</b>	<b>(73,366,549)</b>	<b>37,359,824</b>	<b>36,271,142</b>	<b>40,610,182</b>

\* Formerly Automotive Repair Solutions Limited

### 7 Reconciliation of Partners' accounts

	Capital contribution account	Loan contribution account	Loan distribution account	Loan on account of General Partner's Share	Gains allocated to Founder Partner	Revaluation reserve	Income and capital account	Total
	£	£	£	£	£	£	£	£
Opening Balance as at 1 July 2020	609	48,604,893	(66,110,122)	(100,600)	(5,715,137)	36,271,140	27,849,609	40,800,392
Limited partner distributions	-	-	-	-	-	-	-	-
Movement on Founder Partner distributions	-	-	-	-	-	-	-	-
General Partner's Share	-	-	-	(5,380)	-	-	-	(5,380)
Reallocation of net income to GP	-	-	-	-	-	-	-	-
Revaluation of investments	-	-	-	-	-	-	-	-
Net loss for the quarter	-	-	-	-	-	-	(19,377)	(19,377)
<b>Closing Balance as at 30 September 2020</b>	<b>609</b>	<b>48,604,893</b>	<b>(66,110,122)</b>	<b>(105,980)</b>	<b>(5,715,137)</b>	<b>36,271,140</b>	<b>27,830,232</b>	<b>40,775,635</b>

### 8 Limited Partners' commitments

As at 30 September 2020, the Total Commitments of the Partnership were £48,692,982 (31 December 2019: £48,692,982). Outstanding commitments totalled £1,222,332 as at 30 September 2020 (31 December 2019: £1,222,332).

### 9 Related party transactions

Under the terms of the Partnership Agreement, the General Partner is entitled to make drawings from the Partnership's cash funds quarterly in advance. During the quarter ended 30 September 2020, drawings of £5,380 were charged (31 December 2019: £50,992).

## **Notes to the Financial Statements (continued)**

### **10 Carried Interest Payable to Founder Partner**

If the investment portfolio was fully realised at the carrying values reported in the Financial Statements as at 30 September 2020, there would be a reallocation between the income and capital accounts of the Founder Partner and the Limited Partners. This results in a reallocation of income and gains of £6,886,263 (31 December 2019: £7,677,237) to the Founder Partner in accordance with clause 14.1 of the LPA as described in Note 2(g).

### **11 Ultimate controlling party**

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

The Partnership is administered under the LPA 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 Share for the quarter are disclosed in the notes to the accounts.

### **12 Subsequent events**

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



Risk Capital Partners II L.P.

## **Management and Administration**

### **General Partner**

Risk Capital Partners II (GP) Limited  
31 North Row  
London  
W1K 6DA

### **Manager**

Risk Capital Partners LLP  
31 North Row  
London  
W1K 6DA

### **Legal Advisor**

Stephenson Harwood LLP  
1 Finsbury Circus  
London  
EC2M 7SH

### **Auditor**

BDO LLP  
150 Aldersgate Street  
London  
EC1A 4AB

### **Administrator**

IQ EQ Administration Services (UK) Ltd  
Two London Bridge  
London  
SE1 9RA