



5 April 2017

# FF&P Special Situations III LLP

Annual Report and Financial Statements  
Year Ended 5 April 2017



Registered No: OC325227



5 April 2017

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## Partnership Information

### Designated Members

Special Situations General Partner LLP  
Access Capital Fund VI Growth Buy-Out Europe LP  
Adams Street UK Mid Market Solutions LP  
BVK PE Europe 2014 LP  
FF&P CI (Scotland) 2 LP  
Stonehage Fleming Private Equity Limited

### Investment Manager

FPE Capital LLP

### Registered Office

15 Suffolk Street  
London  
SW1Y 4HG

### Independent Auditors

Grant Thornton UK LLP  
30 Finsbury Square  
London  
EC2A 1AG

### Legal Advisers

Macfarlanes LLP

### Bankers

RBS (Future Williams & Glyn)

### Custodian

Mainspring Fund Services Limited



5 April 2017

## Key Fund Terms

Fund Name	FF&P Special Situations III LLP
Limited Liability Partnership Number	OC325227
Fund Currency	GBP Sterling
Key Economic Terms:	
Priority Profit Share	2.0% per annum of Invested Capital
Carried Interest	10% ( <i>deal-by-deal basis</i> )
Preferred Return	6%
Formation Date	8 January 2007



5 April 2017

## **Members' Report**

We are pleased to present the report and financial statements for the year ended 5 April 2017.

### **Incorporation**

FF&P Special Situations III LLP was formed on 8 January 2007 under the Limited Liability Partnership Act 2000 in the United Kingdom with Partnership No. OC325227, whose registered office is at 15 Suffolk Street, London SW1Y 4HG. The partnership was originally named Special Situations III LLP but the name was changed to FF&P Special Situations III LLP on 13 September 2007.

### **Principal Activity**

The principal activity of the Partnership is that of an investment holding partnership. We are pleased to present the annual report and audited financial statements for FF&P Special Situations III LLP (the "Fund") for the year ended 5 April 2017.

### **Policy for Members Drawings and Repayment of Capital**

All capital gains/(losses) and net income/(losses) are to be allocated between each Investor in proportion to the balance of the Investor's commitment to the LLP, as per the Restated and Amended Limited Liability Partnership Agreement dated 6 September 2012. The amount subscribed by the members has been classified as debt and this is the amount payable as per the LPA.

### **Financial Summary**

The Fund drew £1m during the year of which £0.9m was invested in Optimity Holdings Limited. A follow-on investment of £0.37m was also made during the year in David Phillips. Interest on Small World loan notes, which was fully provided for in previous years, was converted and reinvested as an equity investment and has been included as an addition of £673,129 to the investments.

There was one distribution, of £0.3m, made during the year, being the cash element of the sale of Ticketscript to Eventbrite. The investment in Biosev was also realised during the year, with proceeds due to be distributed following the balance sheet date. The Fund also disposed of its holding in Quintex.

### **Designated members**

The designated members during the year were:

6 April 2016 to 25 April 2016:

Ely House Partnership Services Limited

FF&P General Partner (No.2) Limited

From 25 April 2016 to the time of approving this report:

Special Situations General Partner LLP

Access Capital Fund VI Growth Buy-Out Europe LP

Adams Street UK Mid Market Solutions LP

BVK PE Europe 2014 LP

FF&P CI (Scotland) 2 LP

Stonehage Fleming Private Equity Limited (joined 9 April 2017)



5 April 2017

## **Statement of Members' Responsibilities**

The members are responsible for preparing the financial statements in accordance with applicable law and regulations.

The Limited Liability Partnerships (Accounts & Audit) (Application of Companies Act 2006) Regulations 2008 (the "Regulations") require the members to prepare financial statements for each financial year. Under that law the members have elected to prepare the financial statements in accordance with the United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the LLP and of the profit or loss of the LLP for that year. In preparing these financial statements, the members are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Account Standards comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the LLP will continue in operation.

The members confirm that they have complied with the above requirements in preparing the Financial Statements.

The members are responsible for keeping adequate accounting records that are sufficient to show and explain the LLP's transactions and disclose with reasonable accuracy at any time the financial position of the LLP and enable them to ensure that the financial statements comply with the Companies Act 2006 as applied to the Limited Liability Partnerships by the Regulations. They are also responsible for safeguarding the assets of the LLP and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **Statement of disclosure to auditor**

The members who held office at the date of approval of this Members' Report each confirm that to the best of each person's knowledge and belief, there is no relevant audit information of which the LLP's independent auditor is unaware, and each member has taken all the steps that ought to have been taken as a member to be aware of any relevant audit information and to establish that the LLP's independent auditor is aware of that information.

## **Auditors**

Grant Thornton UK LLP are deemed to be re-appointed in accordance with an elective resolution made under the Companies Act 2006 (applied to limited liability partnerships).

A handwritten signature in black ink, appearing to read 'David Barbour'.

David Barbour (Designated Member) for and on behalf of  
Special Situations General Partner LLP

20 December 2017



5 April 2017

## **Independent auditor's report to the members of FF&P Special Situations III LLP**

We have audited the financial statements of Special Situations III LLP for the year ended 5 April 2017 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, as applied to limited liability partnerships by the Limited Liability Partnership (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008. Our audit work has been undertaken so that we might state to the 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 members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of members and auditor**

As explained more fully in the Members' Responsibilities Statement, set out on pages 5 and 6, the members are 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 Auditing Practices Board'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 Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://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 limited liability partnership's affairs as at 5 April 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008.



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**Independent auditor's report to the members of FF&P Special Situations III LLP  
(continued)**

**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 2006 as applied to limited liability 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; or
- we have not received all the information and explanations we require for our audit.

*Grant Thornton UK LLP*

William Pointon  
Senior Statutory Auditor  
for and on behalf of Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
London  
Date: *20 December 2017*





5 April 2017

## Statement of Comprehensive Income

for the year ended 5 April 2017

		Year to 5 April 17 £	Year to 5 April 16 £
Investment Income	4	673,129	-
Fair value movements	4	1,235,855	2,705,458
Realised gains/ (losses) on disposal of investments	4	99,102	(1,776,166)
Administrative expenses	2	(110,449)	(129,909)
<b>Operating gain</b>		<b>1,897,637</b>	<b>799,383</b>
Interest receivable and similar income	2	438	724
<b>Gain for the financial year before members' remuneration profit shares</b>		<b>1,898,075</b>	<b>800,107</b>
Members' remuneration charged as an expense		(662,220)	1,905,351
<b>Result for the financial period available for discretionary division among members</b>		<b>1,235,855</b>	<b>2,705,458</b>

The results above relate to continuing operations.

There was no other comprehensive income for 2017 (2016: £nil).

The notes on pages 12 to 16 form an integral part of these financial statements.




5 April 2017

## Statement of Financial Position

As at 5 April 2017

	Note	5 April 2017 £	5 April 2016 £
<b>Fixed assets</b>			
Investments	4	20,754,497	18,757,277
<b>Current assets</b>			
Debtors	5	639,343	6,160
Cash and cash equivalents	6	1,231,045	1,769,426
		<b>1,870,388</b>	<b>1,775,586</b>
<b>Creditors – amounts falling due within one year</b>	7	<b>(91,637)</b>	<b>(275,920)</b>
<b>Net current assets</b>		<b>1,778,750</b>	<b>1,499,666</b>
<b>Net assets</b>		<b>22,533,248</b>	<b>20,256,943</b>
<b>Net Assets Attributable to Members Represented by:</b>			
<b>Loans and other debts due to members within one year</b>			
Members capital classified as a liability		24,386,443	23,386,443
Other amounts		(8,569,522)	(5,532,990)
		<b>15,816,921</b>	<b>17,853,453</b>
<b>Equity</b>			
Members' other interests		6,716,327	2,403,490
<b>Members' Interests</b>		<b>22,533,248</b>	<b>20,256,943</b>
<b>Total Members' Interests</b>			
Loans and other debts due to members		15,816,921	17,853,453
Members' other interest		6,716,327	2,403,490
<b>Total Members Interests</b>		<b>22,533,248</b>	<b>20,256,943</b>

The financial statements were approved by the Designated member on <sup>20</sup>December 2017 and were signed on its behalf by:

  
 David Barbour  
 Designated Member  
 Special Situations General Partner LLP  
 Registered Number: OC404646

The notes on pages 12 to 16 form an integral part of these financial statements.

## Statement of Changes in Equity

As at 5 April 2017

	Revaluation Reserve £	Other Reserves £	Total Members' Other Interest £	Members' capital classified as debt £	Other amounts £	Capital & reserves £
Balance at 6 April 2016	2,403,490	-	2,403,490	23,386,443	(5,532,990)	20,256,943
Capital contribution	-	-	-	1,000,000	-	1,000,000
Members remuneration charged as an expense	-	-	-	-	662,220	662,220
Profit / (loss) for the financial year	-	1,235,855	1,235,855	-	-	1,235,855
Revaluation in the year	4,312,837	(1,235,855)	3,076,982	-	(3,076,982)	-
Net Members Drawings	-	-	-	-	(621,770)	(621,770)
<b>Balance at 5 April 2017</b>	<b>6,716,327</b>	<b>-</b>	<b>6,716,327</b>	<b>24,386,443</b>	<b>(8,569,522)</b>	<b>22,533,248</b>

	Revaluation Reserve £	Other Reserves £	Total Members' Other Interest £	Members' capital classified as debt £	Other amounts £	Capital & reserves £
Balance at 6 April 2015	(301,968)	-	(310,968)	22,175,003	(1,923,848)	19,949,187
Members remuneration charged as an expense	-	-	-	-	(1,905,351)	(1,905,351)
Profit for the year	-	2,705,458	2,705,458	-	-	2,705,458
Revaluation in the year	2,705,458	(2,705,458)	-	-	-	-
Capital Contributions	-	-	-	1,211,440	-	1,211,440
Net Members Drawings	-	-	-	-	(1,703,791)	(1,703,791)
<b>Balance at 5 April 2016</b>	<b>2,403,490</b>	<b>-</b>	<b>2,403,490</b>	<b>23,386,443</b>	<b>(5,532,990)</b>	<b>20,256,943</b>

Any loans and other amounts due to Partners will rank pari passu with unsecured creditors.

The notes on pages 12 to 16 form an integral part of these financial statements.



## Notes to the financial statements for the year to 5 April 2017

### 1. Accounting policies

#### Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with Section 1A of Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006 and the requirements of the Statement of Recommended Practice "Accounting by Limited Liability Partnerships".

The financial statements have been prepared on the historical cost basis except for the modification to a fair value basis for certain financial instruments as specified in the accounting policies below.

#### Basis of preparation

The financial statements have been prepared on the going concern basis, which assumes that the LLP will continue in operational existence for the foreseeable future, on the basis that the members have indicated their willingness to provide the necessary financial support to the LLP to ensure that it is able to meet its debts as they fall due for a period of not less than 12 months from the date upon which these financial statements are approved.

#### Fixed asset investments

Fixed asset investments which comprise shares, debentures or loans are reported at Fair Value, using the International Private Equity and Venture Capital Valuation Guidelines (December 2015). Changes in fair value are recognised in the Statement of Comprehensive Income.

Fair value represents the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction. In estimating fair value, a methodology is chosen, which is appropriate in the light of the nature, facts and circumstances and is applied consistently from one year to another except where a change results in a better estimate of fair value.

The principal methodologies applied in arriving at an estimate of fair value include:

- Price of recent investment
- Multiples
- Net assets

#### Recent investments

Where a recent investment has been made, either by the LLP or a third party, this price will be used as the basis of fair value if the investment transaction was made relatively recently to the valuation date. The validity of a valuation using this methodology is eroded over time, since the price at which an investment was made reflects both the effects of conditions that existed on the date of the transaction and the background to the transaction.

#### Multiples

The use of multiples involves the application of an earnings multiple to the earnings of the business being valued in order to derive a value for the business. This method is likely to be appropriate for an investment in an established business with an identifiable stream of continuing earnings that are considered to be maintainable. In the majority of cases the Enterprise Value of the underlying business is derived by the use of an Earnings Before Interest, Depreciation and Amortisation ("EBITDA") multiple applied to maintainable earnings. For businesses in the development stage and prior to positive earnings being generated, multiples of revenue may be used as a basis of valuation. The multiple used is usually based on comparator multiples of companies on quoted exchanges, adjusted for the risks arising from the lack of marketability of unquoted



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#### **Fixed asset investments (continued)**

##### Multiples (continued)

shares. Importantly in the case of private equity, the company's capital structure must be considered and an adjustment to the multiple made where appropriate.

##### Net Assets

This valuation methodology may be appropriate for a business that is not making an adequate return on assets and for which a greater value can be realised by liquidating the business and selling its assets. It may be particularly appropriate for loss-making companies.

#### **Foreign currency transactions**

Foreign currency transactions are valued in sterling on the day of occurrence using the relevant exchange rate on that day. Fixed asset investments held in currencies other than sterling are valued using the relevant rate of exchange on the balance sheet date. Monetary assets and liabilities held in currencies other than sterling are valued using the exchange rate on the date of the balance sheet unless it is a current liability denominated in foreign currency, in which case, the exchange rate on the date of transaction is used to value the liability at balance sheet date. Any exchange differences are taken to the statement of comprehensive income.

#### **Critical accounting estimates and judgements**

The preparation of financial statements requires estimates and assumptions based on historical experience and other factors to be made, including expectations of future events that are believed to be reasonable and constitute management's best judgement at the date of the financial statements. In the future, actual experience could differ from those estimates.

#### **Allocations made to the Members**

When the Partnership values its investments during an accounting period, any gains or losses are recognised in the statement of comprehensive income.

All profits and losses (including any unrealised gains or losses arising on fair value accounting for investments) are allocated to the individual Members account on the basis that all the investments and other assets, less an amount equal to the liabilities of the Partnership, were realised for their fair value at the balance sheet date as per the LPA.

#### **Taxation**

The LLP is not subject to income taxes. The taxes are levied in the hands of the individual members.

#### **General Partner's share**

The General Partner's share is recognised under members' remuneration charged as an expense in the statement of comprehensive income. The amounts outstanding at year end are recognised under creditors in the statement of financial position and as amounts due in the statement of changes in equity.



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## Notes to the financial statements for the year to 5 April 2017 (continued)

### 2. Statement of Comprehensive Income

	Year to 5 April 2017	Year to 5 April 2016
	£	£
<b>(i) Administrative expenses:</b>		
Bank fees, charges and other expenses	4,492	11,689
Audit fees	45,600	8,000
Custody fees	5,702	8,484
Legal and professional fees	43,748	61,736
Administrative expenses	10,907	40,000
<b>Total</b>	<b>110,449</b>	<b>129,909</b>
	£	£
<b>(ii) Interest receivable and similar income:</b>		
Bank interest	438	724

### 3. Employees

There were no employees during the year.

### 4. Fixed asset investments

	£
<b>Cost:</b>	
At 6 April 2016	16,353,787
Additions	1,952,163
Disposals	(4,267,780)
<b>At 5 April 2017</b>	<b>14,038,170</b>
<b>Appreciation / (diminution) in value of investments:</b>	£
At 6 April 2016	2,403,490
Revaluation movement	1,235,855
Release on disposal	3,076,982
<b>At 5 April 2017</b>	<b>6,716,327</b>
<b>Fair value:</b>	
<b>At 5 April 2017</b>	<b><u>20,754,497</u></b>
<b>At 6 April 2016</b>	<b><u>18,757,277</u></b>



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## Notes to the financial statements for the year to 5 April 2017 (continued)

### 4. Fixed asset investments (continued)

#### Fair Value movements

Opening Fair Value	Additions	Fair Value movements	Disposal Proceeds	Realised Gains/ Losses	Closing Fair Value
18,757,277	1,952,163	1,235,855	(1,289,900)	99,102	20,754,497

Interest on loan notes which was fully provided for in previous years was converted and reinstated as an equity investment and has been included as an addition to investments.

Investments comprise unquoted equity instruments which are measured at fair value. The fair value is determined using an earnings multiple valuation model. Key assumptions used in the model includes the price earnings multiple used. This is determined by reference to the price earnings multiple of similar quoted companies. Consequently, all investments are classified as Level 3 investments within the fair value hierarchy. All changes in investment valuation are reflected through movements in the income statement.

### 5. Debtors

	5 April 2017 £	5 April 2016 £
Other debtors	6,160	6,160
Amounts due from sale of investments	633,183	-
<b>Total</b>	<b>639,343</b>	<b>6,160</b>

### 6. Cash and cash equivalents

	5 April 2017 £	5 April 2016 £
Cash at bank	1,231,045	1,769,426
<b>Total</b>	<b>1,231,045</b>	<b>1,769,426</b>

### 7. Creditors – amounts falling due within one year

	5 April 2017 £	5 April 2016 £
Amounts owed to the General Partner	56,684	266,176
Other creditors	34,953	9,744
<b>Total</b>	<b>91,637</b>	<b>275,920</b>



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**Notes to the financial statements for the year to 5 April 2017 (continued)**

**8. Related party transactions**

FPE Capital LLP ("FPE")

FPE is the ultimate holding company of the General Partner, Special Situations General Partner LLP, the General Partner of FF&P Special Situations III LLP.

FPE, which is authorised and regulated by the Financial Conduct Authority, has been appointed by the General Partner to act as Manager and Operator to the partnership. Fees for this service are borne by the General Partner for which it is entitled to receive a profit share under Clause 10.1 of the Limited Partnership Agreement. In the year under review, a profit share of £289,391 was due to the General partner and £56,684 (2016: £266,176) was outstanding at the year end. The General partner's share is included under members remuneration charged as an expense.

**9. Controlling party**

There is no single, ultimate controlling party.