

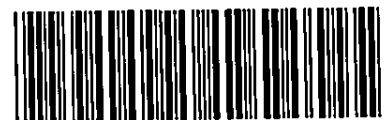
MILESTONE CAPITAL PARTNERS LLP
(formerly Milestone Equity Partners LLP)

MEMBERS' REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2009

milestone
capital

Partnership number OC330235

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MILESTONE CAPITAL PARTNERS LLP
LLP INFORMATION

Designated members

CW Robinson
E R M Rinner

Registered office

3rd Floor
14 Floral Street
London
WC2E 9DH

Registered number

OC330235

Bankers

Lloyds TSB
1st Floor, 25 Gresham Street
London
EC2V 7HN

National Westminster Bank plc
280 Bishopsgate
London
EC2M 4RB

Solicitors

Travers Smith LLP
10 Snow Hill
London
EC1A 2AL

Auditor

Grant Thornton UK LLP
Registered Auditor
Chartered Accountants
30 Finsbury Square
London
EC2P 2YU

REPORT OF THE MEMBERS

The members present their report and the audited, consolidated financial statements for the year ended 31 December 2009

Principal group activities, business review and results

The principal activities of the LLP, and its group, are the provision of management and advisory services in connection with private equity investments in management buy-outs, buy-ins and other venture capital investments

The LLP also acts as a holding undertaking and is regulated by the Financial Services Authority ("FSA")

The Group's overall performance is measured by profitability and the loss before members' remuneration and profit share for the year was £324,337 (2008 profit £502,651) Details of the results for the year are set out on page 8

The risks and uncertainties faced by the LLP are those inherent within the private equity industry Specifically the board seeks to mitigate the following risks and uncertainties through its investment strategy

- Income is mainly derived from (i) management fees charged to Private Equity Limited Partnerships in which the Group acts as the investment manager and (ii) transaction fees charged to investee companies To ensure these fees are receivable for the life of the fund the basis for payment is contained within a legally binding partnership agreement
- A key driver for the business is deal flow to enable future returns to the group To reduce the risk of any loss we undertake rigorous assessment of potential investments including understanding the LLP's business plan, evaluating information on the market place and competition, meeting management and commissioning external experts on appropriate areas of the business

There have been no significant developments or changes in activities during the year and the Members intend that the Group will continue to provide advisory services in connection with private equity investments in management buy-outs, buy-ins and other venture capital investments

During 2010 the group intends to dissolve the following dormant subsidiary companies, EAC Fund II GP Limited, and EAC (Scotland) GP Limited In addition Milestone Capital SAS, was liquidated during 2009

Designated members

The designated members who served the LLP during the year were as follows

CW Robinson
ERM Rinner

Members' drawings and the subscription and repayment of members' capital

The LLP operates a drawings policy on account of current years results, which has regard to forecast profits and restricts drawings to prudent levels until the results for the year and individual members' allocations have been determined Drawings in respect of prior year allocations are available to members subject to sufficient cash being available to meet business needs

Members' capital requirements are determined from time to time having regards to the requirements of the LLP Members' capital is only repayable on (i) a member becoming a leaver provided that the remaining members agree to contribute an equal amount of capital (ii) the termination of the LLP and (iii) if the management committee so directs upon the LLP ceasing to be regulated by the FSA

REPORT OF THE MEMBERS continued

Statement of members' responsibilities

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

The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 (the 2008 Regulations) require the members to prepare financial statements for each financial year. Under the law the members have elected to prepare financial statements in accordance with United Kingdom Accounting Standards (United Kingdom 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 group and LLP and of the profit or loss of the group for that period.

In preparing those financial statements, the members 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 financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business

The members are responsible for keeping adequate accounting records that 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 2008 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.

The members are responsible for the maintenance and integrity of the corporate and financial information included on the LLP's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Disclosure of information to auditors

So far as the members are each aware, there is no relevant audit information of which Grant Thornton UK LLP ("the auditors") are unaware, and each member has taken all the steps that he ought to have taken as a member in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Auditors

Grant Thornton UK LLP, having expressed their willingness to continue in office, will be deemed reappointed for the next financial year in accordance with section 487(2) of the Companies Act 2006 unless the LLP receives notice under section 488(1) of the Companies Act 2006.

On behalf of the members



CW Robinson
Designated Member

30 April 2010

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF MILESTONE CAPITAL PARTNERS LLP

We have audited the financial statements of Milestone Capital Partners LLP for the year ended 31 December 2009 which comprise the consolidated profit and loss account, the consolidated statement of total recognised gains and losses, the balance sheets, the consolidated cash flow statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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 by the Limited Liability Partnerships (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 the members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of members and auditors

The members' responsibilities for preparing the Members' Report and the financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of members' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). It is our responsibility to form an independent opinion based on our examination, and to report our opinion to you.

In addition we report to you if, in our opinion, Milestone Capital Partners LLP has not kept adequate accounting records, 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.

We read other information contained in the members' report and consider whether it is consistent with the audited financial statements. This other information comprises only the report to the members. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the members in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF MILESTONE CAPITAL PARTNERS LLP
continued

Opinion

In our opinion the financial statements

- give a true and fair view of the state of the affairs of the partnership and the group as at 31 December 2009 and of the loss for the group 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 Companies Act 2006 as applied by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008



Paul Flatley
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants

London
30 April 2010

CONSOLIDATED PROFIT AND LOSS ACCOUNT
For the year ended 31 December 2009

	Notes	2009 £	2008 £
Turnover	2	1,969,889	2,413,306
Administrative expenses	5, 6	(1,977,752)	(2,036,219)
Operating (loss) / profit		(7,863)	377,087
Merger expenses		-	(159,632)
Interest receivable and similar income	3	617	98,170
Interest payable and similar charges	4	(31,116)	(28,911)
(Loss) / profit on ordinary activities		(38,362)	286,714
Net loss on realised and unrealised investments and tangible fixed assets	9, 10	(224,988)	(265,735)
Net profit on disposal of subsidiary undertakings	9	79,721	-
(Loss) / profit on ordinary activities before taxation		(183,629)	20,979
Tax on (loss) / profit on ordinary activities in corporate subsidiaries	8	(137,708)	481,672
(Loss) / profit for the year before members' remuneration and profit shares		(321,337)	502,651
(Loss) / profit for the year before members' remuneration and profit shares		(321,337)	502,651
Members' remuneration charged as an expense	7	(544,396)	(540,401)
Retained loss for the year available for discretionary division among members		(865,733)	(37,750)

The notes on pages 14 to 30 form part of these financial statements

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
For the year ended 31 December 2009

	2009 £	2008 £
Total recognised loss for the year	(865,733)	(37,750)
Exchange translation differences	(67,827)	48,552
Other reserve movements	749	-
Total (loss) / gain recognised for the year	(932,811)	10,802

The results above were all derived from continuing activities

The notes on pages 14 to 30 form part of these financial statements

CONSOLIDATED BALANCE SHEET
As at 31 December 2009

	Notes	2009 £	2008 £
Fixed assets			
Investments	9	230,744	547,446
Tangible fixed assets	10	62,034	102,213
		<hr/>	<hr/>
		292,778	649,659
Current assets			
Debtors	11	532,241	1,429,537
Cash at bank and in hand		806,552	855,902
		<hr/>	<hr/>
		1,338,793	2,285,439
Creditors amounts falling due within one year	12	(796,692)	(1,153,260)
		<hr/>	<hr/>
Net current assets		542,101	1,132,179
		<hr/>	<hr/>
Net assets attributable to members		834,879	1,781,838
		<hr/>	<hr/>
Represented by			
Loans and other debts due to members within one year		-	11,148
Equity			
Members' capital classified as equity		402,545	402,545
Members' other interests – other reserves classified as equity		432,334	1,368,145
		<hr/>	<hr/>
Members' funds	13	834,879	1,781,838
		<hr/>	<hr/>
Total members' interests			
Amounts due from members		(270)	-
Loans and other debts due to members		-	11,148
Members' other interests		834,879	1,770,690
		<hr/>	<hr/>
	13	834,609	1,781,838
		<hr/>	<hr/>

These financial statements were approved by the members on 30 April 2010 and signed on its behalf by


 CW Robinson
 Designated Member

The notes on pages 14 to 30 form part of these financial statements

LIMITED LIABILITY PARTNERSHIP BALANCE SHEET
As at 31 December 2009

	Notes	2009 £	2008 £
Fixed assets			
Investments in subsidiary undertakings	9	397,544	397,544
Current assets			
Debtors	11	217,537	1,019,906
Cash at bank and in hand		256,658	19,454
		474,195	1,039,360
Creditors amounts falling due within one year	12	(412,394)	(370,625)
Net current assets		61,801	668,735
Net assets attributable to members		459,345	1,066,279
Represented by			
Loans and other debts due to members within one year			
Other amounts	13	450,000	1,060,553
Equity			
Members' capital classified as equity		402,545	402,545
Members' other interests – other reserves classified as equity		(393,200)	(396,819)
	13	459,345	1,066,279
Total members' interests			
Amounts due from members		(17,309)	-
Loans and other debts due to members		450,000	1,060,553
Members' other interests		9,111	5,726
	13	441,802	1,066,279

These financial statements were approved by the members on 30 April 2010 and signed on its behalf by


CW Robinson
Designated Member

The notes on pages 14 to 30 form part of these financial statements

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 December 2009

	Notes	2009 £	2009 £	2008 £	2008 £
Net cash inflow from operating activities	17		487,060		1,905,667
Return on investments and servicing of finance					
Interest received		1,650		101,037	
Interest paid		(31,116)		(468,432)	
Dividends paid	14	(3,000)		-	
Net cash outflow from return on investments and servicing of finance			(32,466)		(367,395)
Taxation			22,298		(493,504)
Capital expenditure and financial investment					
Purchase of investments	9	(7,545)		(47,446)	
Sale of investments	9	58,114		8,953	
Purchase of tangible fixed assets	10	(12,716)		(17,062)	
Sale of tangible fixed assets	10	-		243	
Net cash inflow / (outflow) from capital expenditure and investing activities			37,853		(55,312)
Acquisitions and disposals					
Merger expenses		-		(159,632)	
Disposal of subsidiary		(3,235)		-	
Net cash outflow from acquisitions and disposals			(3,235)		(159,632)
Transactions with members and former members					
Contributions by members	13	-		5,001	
Payments to members	13	(544,396)		(540,401)	
Loans and other debts due to members	13	(11,148)		(13,139)	
Net cash outflow for transactions with members			(555,544)		(548,539)
Net cash (outflow) / inflow before financing			(44,034)		281,285
Financing					
Repayment of loan note		-		(3,444,667)	
Cash outflow from financing			-		(3,444,667)
Decrease in cash during the year			(44,034)		(3,163,382)

CONSOLIDATED CASH FLOW STATEMENT continued
For the year ended 31 December 2009

Notes	2009 £	2009 £	2008 £	2008 £
Analysis of changes in cash balances				
Cash at the beginning of the year		855,902		3,970,732
Decrease in cash during the year		(44,034)		(3,163,382)
Translation difference from overseas subsidiaries		(6,065)		48,552
Other reserve movements		749		-
		<hr/>		<hr/>
Cash at the end of the year		806,552		855,902
		<hr/>		<hr/>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS
For the year ended 31 December 2009

	2009 £	2008 £
Decrease in cash during the year	(44,034)	(3,163,382)
Cash outflow from decrease in debt	-	3,444,667
	<hr/>	<hr/>
Change in net debt resulting from cash flows	(44,034)	281,285
Translation difference	(6,065)	48,552
Other reserve movements	749	-
	<hr/>	<hr/>
Movement in net debt in the year	(49,350)	329,837
Opening net cash	855,902	526,065
	<hr/>	<hr/>
Closing net cash	806,552	855,902
	<hr/>	<hr/>
Disclosed as		
Cash at bank and in hand	806,552	855,902
	<hr/>	<hr/>
	806,552	855,902
	<hr/>	<hr/>

The notes on pages 14 to 30 form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2009

I Accounting policies

The following principal accounting policies have been applied consistently in dealing with items which are considered material in relation to the group's financial statements. The principal accounting policies have remained unchanged from the previous period.

Basis of preparation

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom, and the Statement of Recommended Practice, Accounting by Limited Liability Partnerships (issued March 2006). The financial statements have been prepared on a going concern basis.

Basis of consolidation

The group financial statements incorporate the financial statements of the LLP and its subsidiary undertakings, all of which made up accounts for the year ended 31 December 2009. A separate profit and loss account for the LLP has not been presented in accordance with the exemption given by section 408 of the Companies Act 2006. The parent partnership's profit before members' remuneration and profit shares was £494,208 (2008 loss of £59,147).

Merger accounting

On 15th May 2008 Milestone Capital Partners LLP acquired the entire share capital of Milestone Capital Holdings Limited as part of a group reconstruction. The transaction has been accounted for using the merger accounting principles set out in Financial Reporting Standard 6. Accordingly, the financial information for the current year has been presented, and that for the prior year restated, as if Milestone Capital Holdings Limited had been owned by Milestone Capital Partners LLP throughout the current and comparative accounting periods (see note 20).

The carrying values of assets and liabilities of the parties to the combination have not been fair valued on consolidation, although appropriate adjustments have been made to achieve uniformity of accounting policies. The difference between the nominal value of the shares in Milestone Capital Holdings Limited exchanged for an equal share of the LLP at fair value have been shown as a movement in other reserves.

Merger expenses have been charged to the Profit and Loss account of the combined entity as at 15th May 2008, the effective date of the merger.

Acquisition accounting

The wholly owned subsidiaries of Milestone Capital Holdings Limited, the previous ultimate parent company, have been consolidated using acquisition accounting principles set out in Financial Reporting Standard 2.

A number of wholly owned subsidiaries of the LLP, specifically EAC Fund II GP Limited, EAC (Scotland) (GP3) Limited, EAC Scotland (XL3) Limited, EAC Scotland GP Limited, Milestone GP Limited and Milestone (Scotland) GP Limited all act as General Partners to various venture capital limited partnerships, details of which are given in note 9. Investments held through the limited partnerships are made with the express intention of capital appreciation.

The LLP consolidates its attributable proportion of the assets and income of the venture capital limited partnerships for which its subsidiaries act as General Partners and in which they have a minority interest. These partnerships are subsidiary undertakings and under the terms of the Companies Act 2006 should be consolidated in full. However, the members consider the accounts would not give a true and fair view if the assets and income as a whole were to be consolidated since the Group's interest in these assets is, except to the extent that they are proportionally consolidated, merely that of an investment manager.

NOTES TO THE FINANCIAL STATEMENTS continued

I Accounting policies continued

Acquisition accounting continued

The effect of this departure is to reduce both the loss before tax and the minority interest in the loss for the year by £16,671,248 (2008 increase the profit before tax by £19,026,372), and to reduce fixed asset investments by £43,808,295 (2008 £62,063,029), decrease other net assets by £991,487 (2008 increase net other assets by £790,563) and decrease minority interest in the balance sheet by £44,799,782 (2008 £61,272,466)

Income

Income comprises amounts derived from the provision of investment management services to the European Acquisition Capital Fund III, Milestone Parallel Private Equity Fund, Milestone Parallel 2008 Fund, Milestone 2007 Fund, Milestone 2008 Fund, Milestone Link Fund and advisory fees for the arrangement of private equity investments

Pension costs

Pension costs in respect of contributions to certain employees' personal pension plans are charged against profits as incurred

Abort costs

Deal fees are capitalised and subsequently recharged to investee companies when the particular deal completes. If the deal is unsuccessful, the related deal costs which are capitalised are subsequently written off to the profit and loss account in the period the deal is deemed unsuccessful

Foreign currencies

Group

The results of overseas subsidiary undertakings are translated into Sterling at the weighted average rates of exchange during the year, and the balance sheets are translated at the rates ruling at the balance sheet date. Exchange differences arising from the translation of the results and net assets of overseas subsidiary undertakings are charged or credited to reserves.

The exchange rates used for translation of Euro transactions and balances in these financial statements are as follows

	2009 Rate
Profit and loss account (average rate)	1.1187
Balance sheet (closing rate)	1.1255

Other exchange differences arising from foreign currency transactions are included in profits before taxation

Company

All trading activity is translated at the weighted average rates of exchange during the year

NOTES TO THE FINANCIAL STATEMENTS continued

I Accounting policies continued

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost net of depreciation and any provision for impairment. Depreciation is calculated to write down the cost of new tangible fixed assets, together with any related irrecoverable VAT, by equal instalments over their useful economic lives as follows:

Leasehold improvements	20% per annum
Computer equipment	33.3% per annum
Fixtures and fittings	20% per annum

Investments in Limited Partnerships

Investments in limited partnerships are stated at the cost of the underlying investments less any provision for permanent impairment in value of those investments, i.e. recorded at the lower of cost and market value. The group's share of net income or expenses incurred by the Limited Partnerships is charged to the profit and loss account in the period in which the income is earned or expense is incurred. Movements arising from foreign exchange translation are taken to the profit and loss account in the period in which they are incurred and the cost of the underlying investments adjusted. The proportionate share of any current assets or liabilities held by the Limited Partnerships is treated as a debtor or current liability of the group.

Investments in subsidiary undertakings

Investments in subsidiary undertakings are stated at cost less any provision for permanent impairment.

Basis for impairment

Intangible and tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable. Where an impairment indicator is identified, the carrying value of the income generating unit is compared with its recoverable amount. Where the recoverable amount is less than the carrying value an impairment is recognised.

Leases

The LLP has not entered into any finance leases. Rental charges arising on operating leases are charged to the profit and loss account on a straight-line basis over the life of the lease.

Taxation

The charge for taxation is based on the profit for the year of the group companies and takes into account taxation deferred because of timing differences arising on the treatment of certain items for taxation and accounting purposes.

Deferred taxation

Deferred tax is recognised on all timing differences where the transactions or events that give the group companies an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date. The deferred tax balance has not been discounted.

Dividends paid

Dividends payable within group companies are recognised in the year in which they are declared.

NOTES TO THE FINANCIAL STATEMENTS continued

1 Accounting policies continued

Related party transactions

Details of the principal subsidiary companies are shown in note 9. In accordance with FRS 8, transactions or balances between Group entities that have been eliminated on consolidation are not reported as all subsidiaries are fully owned by the Group (see note 18).

2 Turnover

The Group's turnover is derived from its principal activity, being the provision of advisory services in connection with private equity investments in management buy-outs, buy-ins and other venture capital investments. All turnover is derived from the United Kingdom and mainland Europe.

3 Interest income

	2009 £	2008 £
<i>Interest income receivable comprises</i>		
Interest earned on bank deposits and current accounts	573	90,688
Other interest receivable	44	7,482
	<hr/>	<hr/>
	617	98,170
	<hr/>	<hr/>

4 Interest payable

	2009 £	2008 £
<i>Interest payable comprises</i>		
Interest payable on loans	3	28,911
Other interest payable	31,113	-
	<hr/>	<hr/>
	31,116	28,911
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS continued

5 Operating (loss) / profit

	2009 £	2008 £
<i>Operating (loss) / profit is stated after charging / (crediting)</i>		
<u>Current auditor's remuneration for</u>		
- Audit of the current parent undertaking financial statements pursuant to legislation	13,550	13,000
- Audit of consolidated financial statements pursuant to legislation	13,000	12,500
- Audit of subsidiaries' financial statements pursuant to legislation	32,533	41,680
- Other services relating to taxation (partnership 2009 £7,750, 2008 £5,000)	28,800	58,050
Other taxation services	3,108	5,153
Depreciation on tangible fixed assets (note 10)	29,356	41,207
Operating lease rentals – buildings	140,546	170,917
Operating lease rentals – other	24,818	26,505
Amortisation of goodwill	-	93,233
Foreign exchange loss / (gain)	152,559	(253,392)
Foreign exchange loss / (gain) on translation of investment in Limited Partnerships	37,199	(99,511)
Net share of expenditure arising from investment in Limited Partnerships	5,821	15,005

6 Staff numbers and costs

The average number of persons employed by the group (excluding executive members) was 8 (2008 10)
All were employed in the administration and making of private equity investments

The aggregate payroll costs of these people were as follows

	2009 £	2008 £
Wages and salaries	483,164	722,903
Social security costs	128,812	176,016
Other pension costs	35,668	40,816
	<hr/> 647,644 <hr/>	<hr/> 939,735 <hr/>

7 Members' remuneration charged as an expense

	2009 £	2008 £
Share of highest remunerated member (prior to loss allocation)	201,440	216,226
Average number of executive members during the year	3	3
Average number of members during the year	4	4

NOTES TO THE FINANCIAL STATEMENTS continued

8 Taxation

<i>Analysis of (credit) / charge in the year</i>	2009 £	2008 £
Current tax		
UK corporation tax on profits for the year	-	-
Overseas tax	-	2,191
Adjustments in respect of previous periods	-	(582,183)
Total current tax	-	(579,992)
Deferred tax		
Current year movement to deferred tax	49,218	116,022
Adjustment to deferred tax in respect of prior years	88,490	(17,702)
Total deferred tax	137,708	98,320
Tax on (loss) / profit on ordinary activities	137,708	(481,672)
	2009 £	2008 £
(Loss) / profit on ordinary activities before tax	(183,629)	20,979
(Loss) / profit on ordinary activities multiplied by the standard rate of corporation tax in the UK 28% (2008 28.5%)	(51,416)	5,979
<i>Effects of</i>		
Capital allowances in excess of depreciation	(5,081)	(2,483)
Other short term timing differences	(404,012)	(400,178)
Increase of trading losses	404,522	339,252
Non-taxable loss / (income)	55,082	16,673
Disallowable intra-group investment provision	-	38,261
Expenses not deductible for tax purposes	5,154	48,266
Unrelieved foreign tax losses	7,983	50,617
Increase in non-recourse loan	(366)	(54,807)
Provisions on consolidation	17,502	20,707
Overseas tax charges	-	2,191
Consolidated goodwill amortisation	-	26,571
Difference in tax rates	(1,804)	(31,081)
Capital losses recognised on consolidation	(12,498)	-
Adjustments in respect of previous periods	-	(582,183)
Limited Liability Partnership accounting adjustments	(15,066)	(57,777)
Total current tax charge / (credit) for the year	-	(579,992)

NOTES TO THE FINANCIAL STATEMENTS continued

8 Taxation continued

<i>Analysis of deferred tax provision</i>	2009 £	2008 £
Accelerated capital allowances	(13,855)	(18,935)
Other timing differences	901,274	446,945
Tax losses carried forward	(637,342)	(346,995)
Tax effect of revaluation of investments on acquisition	20,374	51,728
	<hr/>	<hr/>
Provision for deferred tax at 28% (2008 28%)	270,451	132,743
	<hr/>	<hr/>

<i>Group deferred tax provision</i>	2009 £	2008 £
At beginning of the year	132,743	34,423
Prior year adjustment	7,525	(17,702)
Current year movement	49,218	116,022
Consolidation journal to reserves	80,965	-
	<hr/>	<hr/>
Deferred tax provision at the end of the year	270,451	132,743
	<hr/>	<hr/>

The corporation tax in these financial statements arises through the consolidation of subsidiary undertakings

NOTES TO THE FINANCIAL STATEMENTS continued

9 Investments

Investments in subsidiary undertakings

LLP

The LLP's cost of investment in the group is £397,544 (2008 £397,544). The LLP's direct and intermediary subsidiaries, all of which are included within the group consolidation, are as follows

Name of Company	Nature of business	Incorporated
Milestone Capital Holdings Limited	Intermediate Holding Company	England and Wales
EAC Holdings Limited*	Intermediate Holding Company	England and Wales
EAC Group Limited"	Intermediate Holding Company	Guernsey
Milestone GP Limited *	General Partner ⁽¹⁾	England and Wales
Milestone (Scotland) GP Limited *	General Partner ⁽²⁾	Scotland
Milestone Capital Services Limited	Service Company ⁽³⁾	England and Wales
EAC Fund II GP Limited	Dormant	England and Wales
EAC (Scotland) GP Limited	Dormant	Scotland
EAC (Scotland) (GP3) Limited	General Partner and Managing Limited Partner ⁽⁴⁾	Scotland
EAC Scotland (XL3) Limited	General Partner ⁽⁵⁾	Scotland
EAC German GP GmbH	General Partner ⁽⁶⁾	Germany

Milestone Capital Partners LLP owns 100% of the Ordinary Share Capital of Milestone Capital Holdings Limited and is the ultimate controlling party of the group from 15 May 2008. Subsidiaries marked with an asterisk (*) are owned through the intermediate holding company, Milestone Capital Holdings Limited. Subsidiaries marked with a quotation mark (") are owned through the intermediate holding company EAC Holdings Limited. All other subsidiaries are owned through the intermediate holding company EAC Group Limited. In each case, the intermediate holding company owns 100% of the Ordinary Share Capital.

- ⁽¹⁾ General Partner of Milestone Parallel Private Equity Limited Partnership, Milestone Parallel 2008 Limited Partnership, Milestone Parallel 2010 Limited Partnership (formerly Milestone Parallel 2009 Limited Partnership), Milestone 2007 Limited Partnership, Milestone 2008 Limited Partnership and Milestone Link Fund Limited Partnership
- ⁽²⁾ General Partner of Milestone Carried Interest Limited Partnership
- ⁽³⁾ Investment Manager from 1 January to 14 May 2008, Service Company from 15 May 2008 to 31 December 2009
- ⁽⁴⁾ General Partner of EAC Fund III Limited Partnership and the Managing Limited Partner of EAC Fund III GmbH & Co. Beteiligungs KG
- ⁽⁵⁾ General Partner of EAC Fund III (Scotland) Limited Partnership
- ⁽⁶⁾ General Partner of EAC Fund III GmbH & Co. Beteiligungs KG

NOTES TO THE FINANCIAL STATEMENTS continued

9 Investments continued

Investments in subsidiary undertakings continued

LLP	2009 LLP £	2008 LLP £
<i>Cost</i>		
At 1 January	397,544	-
Additions	-	397,544
	<hr/>	<hr/>
At 31 December	397,544	397,544
	<hr/>	<hr/>
<i>Provision</i>		
At 1 January	-	-
	<hr/>	<hr/>
At 31 December	-	-
	<hr/>	<hr/>
<i>Net Book Value at 31 December</i>	397,544	397,544
	<hr/>	<hr/>

Disposals of subsidiary undertakings

Group

During the year ended 31 December 2009, the following undertakings have ceased being subsidiaries of intermediate holding companies

Name of Company	Nature of business	Incorporated
Milestone Capital SAS	Advisory services	France
EAC Fund I GP Limited	Dormant	England and Wales
EAC Bridge Finance GP Limited	Dormant	England and Wales
EAC Opco Limited	Investment company	Guernsey
EAC Limited	Dormant	England and Wales

<i>Profit on realised subsidiary undertakings</i>	2009 Group £	2008 Group £
Proceeds from disposal of subsidiary undertakings	-	-
Group share of net liabilities disposed of	17,959	-
Foreign exchange reserve gains on disposal	61,762	-
	<hr/>	<hr/>
Net profit on disposal of subsidiary undertakings	79,721	-
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS continued

9 Investments continued

<i>Group's proportion of investments held by the Limited Partnerships</i>	2009 Group £	2008 Group £
<i>Cost</i>		
At 1 January	959,171	918,808
Additions	7,545	47,446
Foreign exchange revaluation (cumulative)	29,883	122,215
Disposals	(611,183)	(7,083)
	<hr/>	<hr/>
At 31 December	385,416	1,081,386
	<hr/>	<hr/>
<i>Provision</i>		
At 1 January	533,940	266,317
(Released) / charged	(379,268)	267,623
	<hr/>	<hr/>
At 31 December	154,672	533,940
	<hr/>	<hr/>
<i>Net Book Value</i>		
At 31 December	230,744	547,446
	<hr/>	<hr/>

All of the investments listed above relate to unlisted private equity investments in Limited Partnerships which are managed by the LLP. Investments are shown at the lower of cost or net realisable value. At 31 December 2009, the above investments had a market value of £230,744 (2008 £591,362). No (2008 nil) additional corporation tax charge would arise on realisation of the above investments at market value on 31 December 2009.

Disposals of Limited Partnerships

Group

Net (loss) / profit on realised and unrealised investments in Limited Partnerships	2009 Group £	2008 Group £
Proceeds from sale of investments	58,115	8,953
Cost of investments sold	(662,032)	(7,083)
	<hr/>	<hr/>
(Loss) / profit on sale of investments	(603,917)	1,870
Release / (charge) for permanent impairment of value	379,268	(267,623)
	<hr/>	<hr/>
Net loss on realised and unrealised investments in Limited Partnerships	(224,649)	(265,753)
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS continued

10 Tangible fixed assets

The LLP had no tangible fixed assets. Details that follow relate to the tangible fixed assets of the Group

<i>Group</i>	Leasehold Improvements £	Computer Equipment £	Fixtures & Fittings £	Total £
<u><i>Cost</i></u>				
At 1 January 2009	11,247	249,601	148,423	409,271
Additions	-	12,716	-	12,716
Disposals	-	(8,176)	-	(8,176)
Disposals – subsidiary undertakings	(9,909)	(3,874)	(14,866)	(28,649)
Foreign exchange revaluation	(1,338)	(522)	(2,008)	(3,868)
At 31 December 2009	-	249,745	131,549	381,294
<u><i>Depreciation</i></u>				
At 1 January 2009	2,250	235,899	68,909	307,058
Charge for the year	763	8,319	20,274	29,356
Disposals	-	(7,837)	-	(7,837)
Disposals – subsidiary undertakings	(3,075)	(2,110)	(4,305)	(9,490)
Foreign exchange revaluation	62	41	70	173
At 31 December 2009	-	234,312	84,948	319,260
<u><i>Net Book Value</i></u>				
At 31 December 2009	-	15,433	46,601	62,034
<u><i>Restated Net Book Value</i></u>				
At 31 December 2008	8,998	13,702	79,513	102,213
Net (loss) / profit on sale of fixed assets		2009 Group £	2008 Group £	
Proceeds from sale of fixed assets		-	243	
Net book amount of fixed assets sold		(339)	(225)	
Net (loss) / profit on sale of fixed assets*		(339)	18	

* For the year ended 31 December 2009, the loss on sale of fixed assets excludes a loss of £19,159 regarding assets disposed of as part of the winding up of the subsidiary company, Milestone Capital SAS. This loss is shown within net profit on disposal of subsidiary undertakings (see note 9)

NOTES TO THE FINANCIAL STATEMENTS continued

11 Debtors

	2009 Group £	2009 LLP £	2008 Group £	2008 LLP £
Trade debtors	2,593	-	924,989	-
Amounts owed by subsidiary undertakings	-	2,403	-	972,024
Amounts due from members (note 13)	270	17,309	-	-
Prepayments and accrued income	93,782	25,301	126,960	6,897
Other debtors	435,596	172,524	377,588	40,985
	<hr/>	<hr/>	<hr/>	<hr/>
	532,241	217,537	1,429,537	1,019,906
	<hr/>	<hr/>	<hr/>	<hr/>

12 Creditors amounts falling due within one year

	2009 Group £	2009 LLP £	2008 Group £	2008 LLP £
Amounts owed to subsidiary undertakings	-	-	-	82,173
Trade creditors	128,265	96,506	570,579	235,977
Accruals and deferred income	409,067	315,888	320,819	52,475
Provision for deferred tax (note 8)	270,451	-	132,743	-
Other creditors including taxation and social security	(11,091)	-	129,119	-
	<hr/>	<hr/>	<hr/>	<hr/>
	796,692	412,394	1,153,260	370,625
	<hr/>	<hr/>	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS continued

13 Members' interests

Group	Members' capital classified as equity £	Other reserves £	Total £	Loans and other debts due to members less any amounts due from members in debtors £	Total £
Amounts due to members			-	11,148	
Amounts due from members			-	-	
Members' interests at 1 January 2009	402,545	1,368,145	1,770,690	11,148	1,781,838
Dividends paid (note 14)	-	(3,000)	(3,000)	-	(3,000)
Members' remuneration charged as an expense, including employment and retirement benefit costs	-	-	-	544,396	544,396
(Loss) for the financial year available for discretionary division among members	-	(865,733)	(865,733)	-	(865,733)
Members' interests after loss for the year	402,545	499,412	901,957	555,544	1,457,501
Other divisions of profits / (loss)	-	-	-	-	-
Deficit arising on FX revaluation of foreign subsidiaries' assets and liabilities	-	(67,827)	(67,827)	-	(67,827)
Other reserve movements	-	749	749	-	749
Loan to members	-	-	-	(270)	(270)
Repayments of debt	-	-	-	(11,148)	(11,148)
Drawings	-	-	-	(544,396)	(544,396)
Amounts due to members				-	
Amounts due from members				(270)	
Members' interests at 31 December 2009	402,545	432,334	834,879	(270)	834,609

NOTES TO THE FINANCIAL STATEMENTS continued

13 Members' interests continued

LLP	Members' capital classified as equity £	Other reserves £	Total £	Loans and other debts due to members less any amounts due from members in debtors £	Total £
Amounts due to members			-	1,060,553	
Amounts due from members			-	-	
Members' interests at 1 January 2009	402,545	(396,819)	5,726	1,060,553	1,066,279
Members' remuneration charged as an expense, including employment and retirement benefit costs	-	-	-	490,589	490,589
Profit for the financial year available for discretionary division among members	-	3,619	3,619	-	3,619
Members' interests after profit for the year	402,545	(393,200)	9,345	1,551,142	1,560,487
Allocated profits		-	-	-	-
Introduced by members	-	-	-	450,000	450,000
Loans to members				(17,309)	(17,309)
Loan repayments	-	-	-	(1,060,553)	(1,060,553)
Drawings	-	-	-	(490,589)	(490,589)
Amounts due to members				450,000	
Amounts due from members				(17,309)	
Members' interests at 31 December 2009	402,545	(393,200)	9,345	432,691	442,036

Members' other reserves rank after unsecured creditors and loans and other debts due to members rank *pari passu* with unsecured creditors in the event of winding up

14 Dividends paid

The directors of EAC Opco Limited, a group subsidiary company, declared and paid, to The Opco Trust, a final dividend of £12 per preference share totalling £3,000 (2008 £nil) during the year

NOTES TO THE FINANCIAL STATEMENTS continued

15 Commitments

LLP

- (i) There were no capital commitments at the end of the year (2008: none)

Group

- (i) Annual commitments under non-cancellable operating leases are as follows

	Land and Buildings 2009 £	Other 2009 £	Land and buildings 2008 £	Other 2008 £
Operating leases which expire				
- Within one year	99,627	12,032	192,396	23,772
- Between two and five years	95,735	8,980	114,471	14,551
- More than five years	95,735	-		
	<u>291,097</u>	<u>21,012</u>	<u>306,867</u>	<u>38,323</u>

16 Defined contribution pension scheme

The group makes contributions to certain employees' personal pension plans. The pension cost for the year was £35,668 (2008: £40,816). Contributions of £nil (2008: £nil) were outstanding at year end.

17 Reconciliation of operating (loss) / profit to net cash inflow from operating activities

	2009 £	2008 £
Operating (loss) / profit	(7,863)	377,087
Foreign exchange loss / (gain) on investment translation	41,483	(96,925)
Foreign exchange loss / (gain) on overseas subsidiaries' tangible fixed assets	3,088	(4,284)
Bad debts	13,048	33,966
Depreciation charge on tangible fixed assets	29,356	41,207
Amortisation of purchased goodwill	-	93,233
Withholding Tax benefit received in lieu of management fees	-	(130,292)
Decrease in debtors	855,631	1,095,921
(Decrease) / increase in creditors	(447,683)	495,754
Net cash inflow from operating activities	<u>487,060</u>	<u>1,905,667</u>

NOTES TO THE FINANCIAL STATEMENTS continued

18 Related party transactions

The terms of the various limited partnership and co-investment agreements ("the Agreements") state that the Investment Manager is entitled to charge an arrangement fee to a portfolio company, provided that the fee is negotiated on an arm's length basis at normal market rates

As per the terms of the Agreements with Milestone Parallel Private Equity LP, Milestone Parallel 2008 LP, Milestone Parallel 2010 LP (formerly Milestone Parallel 2009 LP), Milestone 2007 LP, Milestone 2008 LP, and Milestone Link Fund the Investment Manager is entitled to charge and retain any transaction, corporate finance and underwriting fees, including transactions which don't complete, plus directors' fees in connection with the appointment of a director or observer to the board of directors of a portfolio company. Retained transaction fees are capped at 2% of the overall investment transaction in the absence of prior consent by the investors

Under the terms of the Agreement for EAC Fund III, the priority profit share and investment management fees payable by the Funds in the year following receipt of such fees are reduced by an amount equivalent to the total project fees written off by the Fund and 50% of the arrangement fees received

During the year the Group received investment management related fees totalling £93,932, of which the LLP acting as the investment manager received £82,482, as follows

	2009 Group £	2009 LLP £	2008 Group £	2008 LLP £
Cadum International S A	43,932	32,482	39,146	10,783
Coffee Nation Holdings Limited	50,000	50,000	444,500	25,000
	<u>93,932</u>	<u>82,482</u>	<u>483,646</u>	<u>35,783</u>

In addition, a Group subsidiary company received £1,908 (2008 £3,911) from WinnCare S A for use of its premises. At 31 December 2009, £nil (2008 £3,911) was due from WinnCare S A for use of the Group subsidiary's premises

At 31 December 2009 £88,307 (2008 £nil) was due to the LLP from investee companies in relation to out of pocket expenses incurred on their behalf. At 31 December 2009, £88,472 (2008 £50,002) was due to the Group from investee companies in relation to out of pocket expenses incurred on their behalf

	2009 Group £	2009 LLP £	2008 Group £	2008 LLP £
Coffee Nation Holdings Limited	-	-	207	-
GES International S A	-	-	47,728	-
Interfloor Group Limited	-	-	564	-
WinnCare S A	88,472	88,307	1,503	-
	<u>88,472</u>	<u>88,307</u>	<u>50,002</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS continued

19 Contingent liabilities

During 2006 the Milestone group was restructured and a new management team put in place. Arrangements were made with the previous owners of the business to share in the proceeds from portfolio company sales, held through Private Equity Partnerships, in which the group had a small stake. An amount may become payable dependent on the future sale of an investment in EAC Fund III.

In addition, the Sale and Purchase Agreement ("SPA") associated with the group reorganisation in 2006 provides for a potential adjustment to the Sale Price, payable to the previous owners, based on a recalculation of the deferred tax estimate used to value the business at the time of sale. A re-computation is triggered when Priority Profit Share loans, to General Partners in the group, which existed at the time of purchase, are subsequently discharged following profit allocations from underlying Private Equity Partnerships. The loans were fully discharged during 2007 and the former owners have claimed an amount is due. The Group considers that the deferred tax estimate used to value the business at the time of sale is not affected and that there is no merit to any claims against the business, having taken legal advice.

20 Ultimate controlling party

There is no ultimate controlling party of Milestone Capital Partners LLP as the economic interest of the LLP is divided between the three executive members such that no one member alone has control.