

**MILESTONE CAPITAL PARTNERS LLP**  
**MEMBERS' REPORT AND CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**31 DECEMBER 2015**



milestone  
capital

**MILESTONE CAPITAL PARTNERS LLP**

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**MILESTONE CAPITAL PARTNERS LLP  
LLP INFORMATION**

**Designated members**

C.W. Robinson  
E.R.M. Rinner

**Registered office**

c/o RSM UK Tax and Accounting Limited  
6th Floor  
25 Farringdon Street  
London  
EC4A 4AB

**Registered number**

OC330235

**Bankers**

Lloyds TSB  
1<sup>st</sup> Floor, 25 Gresham Street  
London  
EC2V 7HN

**Solicitors**

Travers Smith LLP  
10 Snow Hill  
London  
EC1A 2AL

**Auditor**

RSM UK Audit LLP  
Chartered Accountants  
25 Farringdon Street  
London  
EC4A 4AB

## REPORT OF THE MEMBERS

The members present their report and the audited, consolidated financial statements for the year ended 31 December 2015.

### Principal group activities, business review and results

The principal activities of the LLP, and the 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 Conduct Authority ("FCA").

The Group's overall performance is measured by profitability and the profit before members' remuneration and profit share for the year was £142,414 (2014: £113,486 loss). Details of the results for the year are set out on page 7.

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 business plan, evaluating information on the market place and competition, meeting management and commissioning external experts on appropriate areas of the business.

A Rationalisation of the administration and finance functions occurred during the year. Details of the rationalisation can be found in note 4 on page 23. A provision of services agreement with Milestone Capital Services Limited was terminated on 1 July 2016 and it is planned that EAC (Scotland) (GP3) Limited and EAC (Scotland) (XL3) Limited will be disposed from the group in 2016. The Group will continue to provide management and advisory services in connection with private equity investments, however it will stop making any new investment acquisitions.

### Designated members

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

C.W. Robinson  
E.R.M. 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.

## REPORT OF THE MEMBERS (CONTINUED)

### Members' drawings and the subscription and repayment of members' capital (continued)

Members' capital requirements are determined from time to time having regard 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 FCA.

### Statement of members' responsibilities

The members are responsible for preparing the Members' Report 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) requires 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws). Under the law the members must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the Group and LLP for that period. In preparing these financial statements, the members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 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 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.

### Statement of disclosure to auditors:

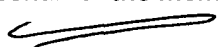
- in so far as each of the members is aware, there is no relevant audit information of which the partnership's auditor is unaware; and
- the members have taken all steps that they ought to have taken as members in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

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.

### Auditors

RSM UK Audit LLP were appointed auditor to the company and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

### On behalf of the members



2219116

C.W. Robinson  
Designated Member

## 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 2015 which comprise the consolidated profit and loss account, the consolidated statement of total recognised gains and losses, the consolidated balance sheet, the limited liability partnership balance sheet, the consolidated cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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 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 page 5, 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 (APB'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 APB's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

### Opinion on financial statements


In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent limited liability partnership's affairs as at 31 December 2015 and of its loss 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.

### 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 by the limited liability partnership, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent limited liability partnership's 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.

 30/1/2016

David Fenton  
Senior Statutory Auditor  
for and on behalf of RSM UK Audit LLP, Statutory Auditor  
Chartered Accountants  
25 Farringdon Street  
London  
EC4A 4AB

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	Notes	2015 £	2014 £
Turnover	2	500,085	931,846
Provision for rationalisation costs	3	48,084	(195,500)
Other administrative expenses	4,5	(560,576)	(1,006,717)
Total administrative expenses		(512,492)	(1,202,217)
<b>Operating loss</b>		<b>(12,407)</b>	<b>(270,371)</b>
Net profit on realised and unrealised investments and tangible fixed assets	11	227,788	90,670
<b>Profit/(loss) on ordinary activities before interest and taxation</b>		<b>215,381</b>	<b>(179,701)</b>
Interest receivable and similar income	6	579	1,635
Interest payable	7	(159)	(2,460)
<b>Profit/(loss) on ordinary activities before taxation</b>		<b>215,801</b>	<b>(180,526)</b>
Tax on profit on ordinary activities in corporate subsidiaries	8	(21,634)	67,040
<b>Profit/ (loss) for the year before members' remuneration and profit shares</b>		<b>194,167</b>	<b>(113,486)</b>
<b>Profit/ (loss) for the year before members' remuneration and profit shares</b>		<b>194,167</b>	<b>(113,486)</b>
Members' remuneration charged as an expense	9	(4,078)	(158,569)
<b>Retained profit/(loss) for the year available for discretionary division among members</b>		<b>190,089</b>	<b>(272,055)</b>

The notes on pages 16 to 37 form part of these financial statements

The profit for the year arises from the partnership's continuing operations

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	2015 £	2014 £
<b>Profit/(loss) for the financial year available for discretionary division among members</b>	<b>190,089</b>	<b>(272,055)</b>
	<hr/>	<hr/>
<b>Other comprehensive income</b>		
Exchange translation differences	<b>8</b>	<b>(3)</b>
	<hr/>	<hr/>
<b>Total comprehensive income/(loss) for the year</b>	<b>190,097</b>	<b>(272,058)</b>
	<hr/>	<hr/>

The notes on pages 16 to 37 form part of these financial statements.

The profit for the year arises from the partnership's continuing operations



# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	2015 £	2014 £
<b>Fixed assets</b>			
Intangible assets	10	-	-
Tangible assets	11	-	6,436
Investments	12	183	17,670
		<hr/>	<hr/>
		183	24,106
<b>Current assets</b>			
Debtors	13	115,392	207,753
Cash at bank and in hand		465,570	436,776
		<hr/>	<hr/>
		580,962	644,529
<b>Creditors:</b> amounts falling due within one year	14	(287,817)	(277,204)
		<hr/>	<hr/>
<b>Net current assets</b>		293,145	367,325
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		293,328	391,431
<b>Provisions for liabilities</b>	3	-	(288,419)
		<hr/>	<hr/>
<b>Net assets attributable to members</b>		293,328	103,012
		<hr/>	<hr/>
<b>Represented by</b>			
<b>Loans and other debts due to members within one year</b>		293	74
<b>Equity</b>			
Members' capital classified as equity		402,545	402,545
Members' other interests – other reserves classified as equity		(109,510)	(299,607)
		<hr/>	<hr/>
<b>Members' funds</b>		293,328	103,012
		<hr/>	<hr/>
<b>Total members' interests</b>			
Amounts due from members		-	(79)
Loans and other debts due to members		293	74
Members' other interests		293,035	102,938
		<hr/>	<hr/>
		293,328	102,933
		<hr/>	<hr/>

These financial statements were authorised and approved by the members on 22/9/16 and signed on its behalf by:

 22/9/16  
**Designated Member**

The notes on pages 16 to 37 form part of these financial statements.

**LIMITED LIABILITY PARTNERSHIP STATEMENT OF FINANCIAL POSITION**

	Notes	2015 £	2014 £
<b>Fixed assets</b>			
Tangible assets	11	-	-
Investments in subsidiary undertakings	12	397,544	397,544
		<hr/>	<hr/>
		397,544	397,544
<b>Current assets</b>			
Debtors	13	106,143	99,805
Cash at bank and in hand		131,796	148,241
		<hr/>	<hr/>
		237,939	248,046
<b>Creditors: amounts falling due within one year</b>	14	(107,299)	(55,951)
		<hr/>	<hr/>
<b>Net current assets</b>		(130,640)	192,095
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		528,184	589,639
		<hr/>	<hr/>
<b>Net assets attributable to members</b>		528,184	589,639
		<hr/>	<hr/>
<b>Represented by</b>			
<b>Loans and other debts due to members within one year</b>			
Other amounts		481,293	536,959
<b>Equity</b>			
Members' capital classified as equity		402,545	402,545
Members' other interests – other reserves classified as equity		(355,654)	(349,865)
		<hr/>	<hr/>
		528,184	589,639
		<hr/>	<hr/>
<b>Total members' interests</b>			
Amounts due from members		(412)	(19,574)
Loans and other debts due to members		481,293	536,959
Members' other interests		46,891	52,680
		<hr/>	<hr/>
		527,772	570,065
		<hr/>	<hr/>

These financial statements were authorised and approved by the members on 22/9/16 and signed on its behalf by:

 22/9/16  
**C.W. Robinson**  
**Designated Member**

The notes on pages 16 to 37 form part of these financial statements.

## CONSOLIDATED CASH FLOW STATEMENT

	Notes	2015 £	2014 £
<b>Operating activities</b>			
Transactions with non-members:			
Cash (used in)/from operations	18	(201,832)	286,597
Interest paid		(159)	(2,460)
Income taxes paid		(15,459)	(18,301)
<b>Net cash from operating activities</b>		<b>(217,450)</b>	<b>265,836</b>
<b>Investing activities</b>			
Transactions with non-members:			
Purchase of tangible fixed assets	11		(9,751)
Sale of investments	12	249,565	34,830
Interest received		749	1,635
<b>Net cash from investing activities</b>		<b>250,314</b>	<b>26,714</b>
<b>Financing activities</b>			
Transactions with members and former members:			
Payments to members		(4,078)	(158,569)
Loans and other debts due to members		-	(797)
<b>Net cash from/(used in) financing activities</b>		<b>(4,078)</b>	<b>(159,366)</b>
<b>Net increase in cash and cash equivalents</b>		<b>28,786</b>	<b>133,184</b>
<b>Analysis of changes in cash balances</b>			
Cash and cash equivalents at the beginning of the year		436,776	303,595
Increase in cash during the year		28,786	133,184
Translation difference from overseas subsidiaries		8	(3)
<b>Cash and cash equivalents at the end of the year</b>		<b>465,570</b>	<b>436,776</b>

# RECONCILIATION OF MEMBERS' INTERESTS

Group	<b>EQUITY</b> Members' Other Interests Members' Capital (classified as equity)	<b>Other reserves</b>	<b>DEBT</b> Loans and other debts due to members less any amounts due from members in debtors	<b>TOTAL MEMBERS' INTERESTS</b>
Amounts due to members	-	-	74	-
Amounts due from members	-	-	(79)	-
<b>Balance at 1 January 2015</b>	<b>402,545</b>	<b>(299,607)</b>	<b>(5)</b>	<b>102,933</b>
Members remuneration charged as an expense, including employment and retirement benefit costs			4,078	4,078
Profit for the financial year available for discretionary division among members	-	190,089	-	190,089
<b>Members interest after loss for the year</b>	<b>402,545</b>	<b>(109,518)</b>	<b>4,073</b>	<b>297,100</b>
Deficit arising on FX revaluation of foreign subsidiaries' assets and liabilities	-	8	-	8
Other divisions of profit/(loss):				
Other reserves movements:				
Introduced to members			298	298
Loans to members				
Drawings			(4,078)	(4,078)
Amounts due to members	-	-	293	-
Amounts due from members	-	-	-	-
<b>Balance at 31 December 2015</b>	<b>402,545</b>	<b>(109,510)</b>	<b>293</b>	<b>293,328</b>

## RECONCILIATION OF MEMBERS' INTERESTS

Group	<b>EQUITY</b> Members' Other Interests Members' Capital (classified as equity)	<b>Other reserves</b>	<b>DEBT</b> Loans and other debts due to members less any amounts due from members in debtors	<b>TOTAL MEMBERS' INTERESTS</b>
Amounts due to members	-	-	871	-
Amounts due from members	-	-	-	-
<b>Balance at 1 January 2014</b>	<b>402,545</b>	<b>(27,549)</b>	<b>871</b>	<b>375,867</b>
Members remuneration charged as an expense, including employment and retirement benefit costs	-	-	158,569	158,569
Loss for the financial year available for discretionary division among members	-	(272,055)	-	(272,055)
<b>Members interest after loss for the year</b>	<b>402,545</b>	<b>(299,604)</b>	<b>159,440</b>	<b>262,381</b>
Deficit arising on FX revaluation of foreign subsidiaries' assets and liabilities	-	(3)	-	(3)
Other reserves movements:				
Introduced to members			(797)	(797)
Loans to members			(79)	(79)
Drawings			(158,569)	(158,569)
Amounts due to members	-	-	74	-
Amounts due from members	-	-	(79)	-
<b>Balance at 31 December 2014</b>	<b>402,545</b>	<b>(299,607)</b>	<b>(5)</b>	<b>102,933</b>

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.

# RECONCILIATION OF MEMBERS' INTERESTS

## LLP Only

	EQUITY		DEBT	
	Members' Capital	Other	Loans and other	TOTAL
	Members' Other	reserves	debts due to	MEMBERS'
	Interests		members less	INTERESTS
	(classified as		any amounts	
	equity)		due from	
			members in	
			debtors	
Amounts due to members	-	-	536,959	-
Amounts due from members	-	-	(19,574)	-
<b>Balance at 1 January 2015</b>	<b>402,545</b>	<b>(349,865)</b>	<b>517,385</b>	<b>570,065</b>
Members remuneration charged as an expense, including employment and retirement benefit costs	-	-	-	-
Profit for the financial year available for discretionary division among members	-	(5,789)	-	(5,789)
<b>Members interest after Profit for the year</b>	<b>402,545</b>	<b>(355,654)</b>	<b>517,385</b>	<b>564,276</b>
Other divisions of profit/(loss):				
Other reserves movements:				
Amounts due to members			198,219	198,219
Repayment of debt to members			(253,885)	(253,885)
Repayment of debt by members			19,162	19,162
Amounts due to members	-	-	481,293	-
Amounts due from members	-	-	(412)	-
<b>Balance at 31 December 2015</b>	<b>402,545</b>	<b>(355,654)</b>	<b>480,881</b>	<b>527,772</b>

# RECONCILIATION OF MEMBERS' INTERESTS

## LLP Only

	<b>EQUITY</b> <b>Members' Other</b> <b>Interests</b> <b>Members' Capital</b> <b>(classified as</b> <b>equity)</b>	<b>Other</b> <b>reserves</b>	<b>DEBT</b> <b>Loans and other</b> <b>debts due to</b> <b>members less</b> <b>any amounts</b> <b>due from</b> <b>members in</b> <b>debtors</b>	<b>TOTAL</b> <b>MEMBERS'</b> <b>INTERESTS</b>
Amounts due to members	-		637,519	-
Amounts due from members			(5,363)	
<b>Balance at 1 January 2014</b>	<b>402,545</b>	<b>(355,410)</b>	<b>632,156</b>	<b>679,291</b>
Members remuneration charged as an expense, including employment and retirement benefit costs	-	-	144,000	144,000
Profit for the financial year available for discretionary division among members	-	5,545	-	5,545
<b>Members interest after Profit for the year</b>	<b>402,545</b>	<b>(349,865)</b>	<b>776,156</b>	<b>828,836</b>
Other divisions of profit/(loss):				
Other reserves movements:				
Introduced to members			536,959	536,959
Loans to members			(19,574)	(19,574)
Repayment of debt by members			(632,156)	(632,156)
Drawings			(144,000)	(144,000)
Amounts due to members	-	-	536,959	-
Amounts due from members			(19,574)	
<b>Balance at 31 December 2014</b>	<b>402,545</b>	<b>(349,865)</b>	<b>517,385</b>	<b>570,065</b>

## NOTES TO THE FINANCIAL STATEMENTS

### **General information**

Milestone Capital Partners LLP 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 2015.

Milestone Capital Partners LLP is a Limited Liability Partnership and is incorporated in Great Britain. The address of Milestone Capital Partners LLP's registered office is presented on the Members and Administrative Information page of these financial statements.

### ***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 July 2014). The financial statements have been prepared on a going concern basis using the historical cost convention.

Monetary amounts in these financial statements are rounded to the nearest whole pound.

### ***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 2015.

The wholly owned subsidiaries of Milestone Capital Holdings Limited have been consolidated using consolidation accounting principles set out in Financial Reporting Standard 19.

A number of wholly owned subsidiaries of the LLP, specifically EAC (Scotland) (GP3) Limited, EAC Scotland (XL3) 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 12. 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, as the LLP's subsidiaries acting as General Partners, have the power of control over the investments. However, the provisions of Schedule 6 to S1410 of 2008 as to how a subsidiary is consolidated can be overridden, in this case to replace full consolidation by proportional consolidation. The effect of the departure from full consolidation is to decrease both the profit before tax and the minority interest in the profit for the year by £8,525,659 (2014: £11,240,871), and to reduce fixed asset investments by £24,621,380 (2014: £50,970,452), decrease other net assets by £961,011 (2014: £9,596,252) and decrease minority interest in the balance sheet by £25,582,391 (2014: £60,566,704).

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group.

### ***Company statement of comprehensive income***

A separate statement of comprehensive income for the LLP has not been presented in accordance with the exemption given by section 408 of the Companies Act 2006 as applied to limited liability partnerships. The parent partnership's loss before members' remuneration and loss shares was £5,789 (2014: £149,545 profit).



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### General information (continued)

#### *First time adoption of FRS 102*

These financial statements are the first financial statements of Milestone Capital Partners LLP prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102). The financial statements Milestone Capital Partners LLP for the year ended 31 December 2014 were prepared in accordance with previous UK GAAP.

Some of the FRS 102 recognition, measurement, presentation and disclosure requirements and accounting policy choices differ from previous UK GAAP. Consequently, the members have amended certain accounting policies to comply with FRS 102. The members have also taken advantage of certain exemptions from the requirements of FRS 102 permitted by FRS 102 Chapter 35 'Transition to this FRS'.

Comparative figures have been restated to reflect the adjustments made, except to the extent that the members have taken advantage of exemptions to retrospective application of FRS 102 permitted by FRS 102 Chapter 35 'Transition to this FRS'. Adjustments are recognised directly in retained earnings at the transition date.

Under FRS 102, the Statement of Cash Flows presents changes in cash and cash equivalents (which include cash in hand, deposits repayable on demand and overdrafts and short-term, highly liquid investments), showing changes arising from operating activities, investing activities and financing activities separately. Under previous UK GAAP, the Cash Flow Statement presented changes in cash (which includes cash in hand, deposits repayable on demand and overdrafts) under the headings of operating activities, returns on investments and servicing of finance, taxation, capital expenditure and financial investment, acquisitions and disposals, management of liquid resources, and financing.

#### *Reduced disclosures*

In accordance with FRS 102, the Company has taken advantage of the exemptions from the following disclosure requirements:

- Section 7 'Statement of Cash Flows' – Presentation of a Statement of Cash Flow and related notes and disclosures
- Section 33 'Related Party Disclosures' – Compensation for key management personnel
- Section 11 'Basic Financial Instruments' & Section 12 'Other Financial Instrument Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income.

The financial statements of the Company are consolidated in the financial statements of Milestone Capital Partners LLP. The consolidated financial statements of Milestone Capital Partners LLP are available from Companies House, 4 Abbey Orchard Street, Westminster, London SW1P 2HT.

#### *Going concern*

The LLP has net current assets and net assets and is trading profitably. The members expect the LLP to be able to continue to trade profitably and to generate net cash and therefore consider it appropriate to prepare the financial statements on a going concern basis.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### Accounting policies

#### *Investments in Limited Partnerships*

The group share of the investments in the Limited Partnerships, the share of net income or expenses incurred by the Limited Partnerships and the share of any current assets or liabilities held by the Limited Partnerships have been proportionately consolidated in these accounts. The investments are stated at cost of the underlying investments less any provision for permanent impairment in value of those investments.

#### *Turnover*

Turnover comprises management fees, director's fees, and transaction fees. These are recognised on an earned basis to the extent that the LLP has earned the right to consideration exchange for services rendered, excluding VAT.

#### *Employee benefits*

The costs of short-term employee benefits are recognised as a liability and an expense.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

#### *Retirement benefits*

The LLP makes 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 and LLP**

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 and Swiss Franc transactions and balances in these financial statements are as follows:

	<b>2015 Euro Rate</b>	<b>2015 SFr Rate</b>
Profit and loss account (average rate)	1.3758	1.4758
Balance sheet (year end rate)	1.3605	1.4726

Other exchange differences arising from foreign currency transactions are included in profits before taxation. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### Accounting policies (continued)

#### **Goodwill**

Goodwill on consolidation is capitalised and written off evenly over 3 years as, in the opinion of the directors, this represents the period over which the goodwill is expected to give rise to economic benefits (see note 10).

#### **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:

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

#### **Investments in subsidiary undertakings (in the parent LLP)**

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 the higher of the net realisable value and the value in use. This reflects the greatest value of an asset in terms of the cash flows that can be derived from it, either by selling it or by continuing to use it in the business. Where the net realisable value or value in use is less than the carrying value, an impairment is recognised.

Investments are reviewed periodically to compare investment cost with estimated market values taking into account all relevant market and trading data known at the time. Where a market valuation below cost is perceived as long term, an impairment against the investment is recognised.

Where the reasons for impairment have ceased to apply, the impairment is written back to the extent it is no longer necessary.

#### **Financial instruments**

The LLP has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial assets and financial liabilities are recognised when the LLP becomes party to the contractual provisions of the instrument and are offset only when the LLP currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or realise the asset and settle the liability simultaneously.

#### **Financial assets**

Basic financial assets which are receivable within one year and which do not constitute a financing transaction include trade and other receivables, amounts due from inter-companies and cash and bank balances. These are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method less any amounts settled and any impairment losses.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### Accounting policies (continued)

#### *Financial assets (continued)*

When the arrangement constitutes a financing transaction, the transaction is measured at the present value of the future receipts discounted at a market rate of interest

Trade debtors, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'.

Financial assets are assessed for indicators of impairment at each reporting end date. These assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. The impairment loss is recognised in profit or loss.

#### *Financial liabilities and equity*

Financial instruments are classified as liabilities and equity instruments according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the LLP after deducting all of its liabilities.

Basic financial liabilities which are payable within one year and which do not constitute a financing transaction include trade and other payables and accruals. These are initially measured at transaction price, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to the net carrying amount on initial recognition.

#### *Derecognition of financial assets and financial liabilities*

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

Financial liabilities are derecognised when, and only when, the group's obligations are discharged, cancelled, or they expire.

### **Leases**

The LLP has not entered into any finance leases. Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to the profit and loss account on a straight-line basis over the life of the lease.

Rent free periods or other incentives received for entering into an operating lease are accounted for as a reduction to the expense, and are recognised on a straight line basis.

### **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.

The taxation payable on the partnership profits is solely the personal liability of the individual members. Consequently neither partnership taxation nor deferred taxation arising in respect of the partnership are accounted for in these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### **Accounting policies (continued)**

#### ***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.

#### ***Members' participation rights***

Members' participation rights are the rights of a member against the LLP that arise under the members' agreement (for example, in respect of amounts subscribed or otherwise contributed remuneration and profits).

Members' participation rights in the earnings or assets of the LLP are analysed between those that are, from the LLP's perspective, either a financial liability or equity, in accordance with section 22 of FRS 102. A member's participation rights including amounts subscribed or otherwise contributed by members, for example members' capital, are classed as liabilities unless the LLP has an unconditional right to refuse payment to members.

Profits are automatically divided as they arise, so the LLP does not have an unconditional right to refuse payment and the amounts arising that are due to members are in the nature of liabilities. They are therefore treated as an expense and presented as members remuneration charged as an expense in arriving at the result for the relevant year. To the extent that they remain unpaid at the period end, they are shown as liabilities.

Losses are automatically divided as they arise giving the LLP the right to seek payment from members, therefore they are presented within members' remuneration charged as an expense.

The LLP cannot demand additional contributions from members, and as a result does not have an unconditional right to demand further payments from members for losses. Therefore, to the extent that losses exceed the balance on capital and current accounts, they are not recognised as a recoverable asset and so remain within equity until such time as.

All amounts due from members that are classified as debtors and are presented within 'amounts due from members' within members' interests. Where such an amount relates to current year profits, they are recognised within 'Members' remuneration charged as an expense' in arriving at the relevant year's result.

#### ***Dividends paid***

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

#### ***Related party transactions***

Details of the principal subsidiary companies are shown in note 10. In accordance with FRS 102, Section 33, transactions or balances between Group entities that have been eliminated on consolidation are not reported as all subsidiaries are wholly owned by the Group. Transactions and balances with limited partnerships which have been proportionately consolidated are disclosed in note 19.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 1. Critical accounting estimates and judgements

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

#### ***Critical accounting estimates and assumptions***

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

#### ***Impairment of assets***

Financial and non-financial assets are subject to impairment reviews based on whether current or future events and circumstances suggest that their recoverable amount may be less than their carrying value. Recoverable amount is based on the higher of the value in use and fair value less costs to dispose. Value in use is calculated from expected future cash flows using suitable discount rates and includes management assumptions and estimates of future performance.

#### ***Leases***

In categorising leases as finance leases or operating leases, management makes judgements as to whether significant risks and rewards of ownership have transferred to the company as lessee, or the lessee, where the LLP is a lessor.

### 2. Turnover

The Group's turnover is derived from its principal activity, being the provision of management and 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, as follows:

	2015 £	2014 £
United Kingdom	500,085	868,181
Mainland Europe	-	63,665
	<u>500,085</u>	<u>931,846</u>

### 3. Provisions for liabilities

	2015 Group £	2015 LLP £	2014 Group £	2014 LLP £
Provision for deferred tax (note 8)	-	-	92,919	-
Provision for rationalisation costs:				
At the beginning of the year	195,500	-	-	-
Reversal of provision	(48,084)	-	-	-
(Utilised)/provided for in the year	(147,416)	-	195,500	-
	<u>-</u>	<u>-</u>	<u>288,419</u>	<u>-</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 3. Provisions for liabilities (continued)

A provision of £195,000 was made in 2014 to cover impending redundancy costs, potential office dilapidations and the costs to vacate the firm's Floral Street Offices. The provision was utilised when the group's employees were made redundant and its offices were formally shut on 30 June 2015.

### 4. Operating profit

	2015 £	2014 £
<i>Operating profit is stated after charging:</i>		
Current auditor's remuneration for:		
Audit services:		
- Audit of the current parent undertaking financial statements pursuant to legislation	10,000	10,600
- Audit of consolidated financial statements pursuant to legislation	10,750	10,900
Other services:		
- Audit of subsidiaries' financial statements pursuant to legislation	18,423	18,500
- Other services relating to taxation	20,430	21,000
Other taxation services	-	7,204
Other accounts fees:		
FRS 102 conversion project relating to all entities in the group	20,000	-
Outsourcing	85,179	-
Accountancy preparation of the group	28,450	-
Depreciation on tangible fixed assets (note 11)	2,145	9,460
Loss on disposal of tangible fixed assets	4,291	-
Operating lease rentals – buildings	34,657	71,801
Operating lease rentals – other	1,934	7,027
Amortisation of goodwill (note 10)	-	-
Foreign exchange (gain) /loss	(17,532)	8,996
Foreign exchange (gain)/loss on translation of investment in Limited Partnerships	-	(1,064)
Net share of expenditure arising from investment in Limited Partnerships	-	1,024

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 5. Staff numbers and costs

The average number of persons employed by the group (excluding executive members) was 3 (2014: 5). All employees of the group were made redundant on 30 June 2015. The aggregate payroll costs of these people were as follows:

	2015 £	2014 £
Wages and salaries	99,826	356,859
Social security costs	13,502	45,219
Other pension costs	16,317	44,932
	<u>129,645</u>	<u>447,010</u>

### 6. Interest income

	2015 £	2014 £
<i>Interest income receivable comprises:</i>		
Interest earned on bank deposits and current accounts	-	1,607
Other interest receivable	579	28
	<u>579</u>	<u>1,635</u>

### 7. Interest payable

	2015 £	2014 £
<i>Interest payable comprises:</i>		
Other interest payable	159	2,460
	<u>159</u>	<u>2,460</u>

### 8. Taxation

<i>Analysis of credit in the year</i>	2015 £	2014 £
Current tax:		
UK corporation tax on profits of the year	114,384	18,301
Adjustment to corporation tax in respect of prior years	169	
<b>Total current tax</b>	<u>114,553</u>	<u>18,301</u>
Deferred tax:		
Current year movement to deferred tax	(92,919)	(85,564)
Adjustment to deferred tax in respect of prior years	-	223
<b>Total deferred tax</b>	<u>(92,919)</u>	<u>(85,341)</u>
<b>Tax on profit on ordinary activities</b>	<u>21,634</u>	<u>(67,040)</u>



**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**8. Taxation (continued)**

	2015 £	2014 £
(Loss)/profit on ordinary activities before tax	<u>215,801</u>	<u>(180,526)</u>
(Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax in the UK 20.25% (2014: 21.49%)	43,700	(38,795)
<i>Effects of:</i>		
Capital allowances in excess of depreciation	-	(1,659)
Tax losses utilised in the year	-	(187,012)
Expenses/(Income) not deductible for tax purposes	(17,555)	408,364
Other timing differences	-	488,450
Non-taxable income	-	(611,155)
Small profits relief	(82)	(456)
Differences in tax rates	3,826	287
Profits not chargeable to corporation tax	-	(32,142)
Limited Liability Partnership accounting adjustments	-	(3,132)
Adjustments in respect of prior years	169	-
Adjustments to brought forward values	41,915	-
Holiday pay accrual	10,839	(4,443)
Group tax relief surrendered	254	-
Deferred tax adjustments	<u>(61,432)</u>	<u>(85,347)</u>
<b>Total tax charge for the year</b>	<u>21,634</u>	<u>(67,040)</u>
 <i>Analysis of deferred tax provision</i>	 2015 £	 2014 £
Other timing differences	-	322,535
Tax losses carried forward	-	(241,709)
Tax effect of revaluation of investments on acquisition	-	12,093
 <b>Provision for deferred tax at 20.25% (2014: 20%)</b>	 -	 92,919
 <i>Group deferred tax provision</i>	 2015 £	 2014 £
At beginning of the year	92,919	178,260
Prior year adjustment	-	223
Current year movement	<u>(92,919)</u>	<u>(85,564)</u>
 <b>Deferred tax provision at the end of the year</b>	 -	 92,919

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 8. Taxation (continued)

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

There is a tax loss of £268,699 available (2014: £228,699) and depreciation in excess of capital allowances at the end of year of £4,897 (2014: £5,348). A deferred tax asset has not been provided for as the group is unlikely to make profits in the foreseeable future.

### 9. Members' remuneration charged as an expense

	2015 £	2014 £
Share of highest remunerated member (prior to loss allocation)	-	66,344
Average number of executive members during the year	3	3
Average number of members during the year	4	4

### 10. Intangible fixed assets

The LLP had no intangible fixed assets. Details that follow relate to the intangible fixed assets of the group:

Group	2015 Goodwill arising on consolidation £	2014 Goodwill arising on consolidation £
<i>Cost</i>		
At 1 January 2015	150,000	150,000
Acquisition	-	-
<b>At 31 December 2015</b>	<b>150,000</b>	<b>150,000</b>
<i>Accumulated amortisation</i>		
At 1 January 2015	150,000	150,000
Amortisation charge	-	-
<b>At 31 December 2015</b>	<b>150,000</b>	<b>150,000</b>
<b>Net Book Value at 31 December 2014</b>	<b>-</b>	<b>-</b>

Consolidated goodwill on the acquisition of subsidiary undertakings is being amortised on a straight line basis over 36 months which is considered to be the period over which the economic benefits will be consumed.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. Tangible fixed assets

**Group**

	Computers £	Fixtures & Fittings £	Total £
<b>Cost</b>			
At 1 January 2015	293,528	136,981	430,509
Additions	-	-	-
Disposal	(293,528)	(136,981)	(430,509)
<b>At 31 December 2015</b>	-	-	-
<b>Depreciation</b>			
At 1 January 2015	287,092	136,981	424,073
Charge for the year	2,145	-	2,145
Disposal	(289,237)	(136,981)	(426,218)
<b>At 31 December 2015</b>	-	-	-
<b>Net Book Value at 31 December 2015</b>	-	-	-
<i>Net Book Value</i> at 31 December 2014	6,436	-	6,436

**LLP**

	Computers £	Total £
<b>Cost</b>		
At 1 January 2015	19,050	19,050
<b>At 31 December 2015</b>	19,050	19,050
<b>Accumulated depreciation</b>		
At 1 January 2015	19,050	19,050
Charge for the year	-	-
<b>At 31 December 2015</b>	19,050	19,050
<b>Net book value at 31 December 2015</b>	-	-
At 31 December 2014	-	-

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 12. Investments

#### *Investments in subsidiary undertakings*

#### LLP

The LLP's cost of investment in subsidiaries is £397,544 (2014: £397,544). The LLP's direct and intermediary subsidiaries, all of which are included within the group consolidation, are as follows:

<b>Name of Company</b>	<b>Nature of business</b>	<b>Incorporated</b>
Milestone Capital Holdings Limited	Intermediate Holding Company	England and Wales
EAC Holdings Limited	Intermediate Holding Company	England and Wales
Milestone GP Limited	General Partner <sup>(1)</sup>	England and Wales
Milestone (Scotland) GP Limited	General Partner <sup>(2)</sup>	Scotland
Milestone Capital Services Limited	Group Service Company	England and Wales
EAC (Scotland) (GP3) Limited	General Partner and Managing Limited Partner <sup>(3)</sup>	Scotland
EAC Scotland (XL3) Limited	General Partner <sup>(4)</sup>	Scotland
EAC German GP GmbH	General Partner <sup>(5)</sup>	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. Milestone Capital Holdings Limited owns 100% of the Ordinary Share Capital of all other subsidiaries.

<sup>(1)</sup> General Partner of Milestone Parallel 2010 Limited Partnership, Milestone 2008 Limited Partnership, Milestone 2010 Limited Partnership, Milestone 2012 Limited Partnership and Milestone Link Fund Limited Partnership

<sup>(2)</sup> General Partner of Milestone Carried Interest Limited Partnership

<sup>(3)</sup> General Partner of EAC Fund III Limited Partnership and the Managing Limited Partner of EAC Fund III GmbH & Co. Beteiligungs KG

<sup>(4)</sup> General Partner of EAC Fund III (Scotland) Limited Partnership

<sup>(5)</sup> General Partner of EAC Fund III GmbH & Co. Beteiligungs KG

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. Investments (continued)

*Investments in subsidiary undertakings (continued)*

LLP	2015 LLP £	2014 LLP £
<b>Cost</b>		
At 1 January	397,544	397,544
<b>At 31 December</b>	397,544	397,544
<b>Provision</b>		
At 1 January	-	-
<b>At 31 December</b>	-	-
<b>Net Book Value at 31 December</b>	397,544	397,544
<b>Group's proportion of investments held by the Limited Partnerships</b>	<b>2015 Group £</b>	<b>2014 Group £</b>
<b>Historical cost</b>		
At 1 January	118,824	205,955
Additions	-	-
Disposals	(118,641)	(87,131)
<b>At 31 December</b>	183	118,824
Foreign exchange revaluation (cumulative)	-	-
<b>FX revalued cost at 31 December</b>	-	118,824
<b>Provision</b>		
At 1 January	101,154	225,814
Released	(101,154)	(124,660)
<b>At 31 December</b>	-	101,154
<b>Net Book Value at 31 December</b>	183	17,670

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 12. Investments (continued)

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 market value, where a provision has been made for any permanent diminution in value. At 31 December 2015, the above investments had a market value of £183 (2014: £17,670). No (2014: £nil) additional corporation tax charge would arise on realisation of the above investments at market value on 31 December 2015.

#### *Limited Partnerships Disposals*

##### Group

##### Net profit/(loss) on realised and unrealised investments in Limited Partnerships

	2015 Group £	2014 Group £
Proceeds from sale of investments	249,565	71,453
Cost of investments sold	(58,173)	(105,443)
Loss on sale of investments	191,392	(33,990)
Release of permanent impairment of value	40,686	124,660
<b>Net profit on realised investments and unrealised in Limited Partnerships</b>	<b>232,078</b>	<b>90,670</b>

### 13. Debtors

	2015 Group £	2015 LLP £	2014 Group £	2014 LLP £
Amounts due from limited partnerships (note 19)	28,752	28,751	15,037	11,631
Amounts due from portfolio companies (note 19)	58,870	58,870	62,861	62,505
Amounts owed by subsidiary undertakings	-	-	-	754
Amounts due from members	-	412	79	19,574
Prepayments and accrued income	15,220	15,220	61,148	5,341
Other debtors including taxation and social security	12,550	2,889	68,628	-
	<b>115,392</b>	<b>106,143</b>	<b>207,753</b>	<b>99,805</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 14. Creditors: amounts falling due within one year

	2015 Group £	2015 LLP £	2014 Group £	2014 LLP £
Trade creditors	27,585	27,585	41,217	29,146
Accruals and deferred income	150,307	79,714	185,607	26,805
Taxation and social security	109,925		50,380	-
	<u>287,817</u>	<u>107,299</u>	<u>277,204</u>	<u>55,951</u>

### 15. Financial Instruments

The carrying amounts of the Group's financial instruments at 31 December 2015 were:

	2015 £	2014 £
Financial assets:		
Debt instruments measured at amortised cost:		
Amounts due from limited partnerships (note 19)	28,752	15,037
Amounts due from portfolio companies (note 19)	58,870	62,861
Amounts owed by subsidiary undertakings	-	-
Amounts due from members	-	79
Debtors-other	6,347	
	<u>93,969</u>	<u>77,977</u>
Cash at bank and in hand	<u>465,570</u>	<u>436,776</u>
Financial liabilities:		
Measured at amortised cost:		
Trade creditors	27,585	41,217
Accruals and deferred income	150,307	185,607
	<u>177,892</u>	<u>226,824</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 16. Commitments

#### LLP

- (i) There were no capital commitments at the end of the year (2014: none).

#### Group

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

	Land and Buildings 2015 £	Other 2015 £	Land and buildings 2014 £	Other 2014 £
Operating leases which expire:				
- Within one year	-	-	95,735	7,027

### 17. Defined contribution pension scheme

The group makes contributions to certain employees' personal pension plans. The pension cost for the year was £16,317 (2014: £44,932). Contributions of £nil (2014: £nil) were outstanding at the year end.

### 18. Reconciliation of operating profit to net cash inflow from operating activities

	2015 £	2014 £
Loss for the year before members' remuneration	194,167	(113,486)
Depreciation charge on tangible fixed assets	2,145	9,460
Foreign exchange loss on investment translation	-	38,355
Foreign exchange gain on operating translation	(17,532)	-
Profit on realised and unrealised investments	(232,078)	(90,670)
Loss on disposal of tangible fixed assets	4,291	-
Interest receivable	(579)	(1,635)
Interest payable	159	2,460
Taxation	21,634	(67,040)
<b>Operating cash flows before movements in working capital</b>	<b>(27,793)</b>	<b>(222,556)</b>
Decrease in debtors	109,722	441,332
Increase/(decrease) in creditors	(283,761)	67,821
<b>Net cash (used in)/from operating activities</b>	<b>(201,832)</b>	<b>286,597</b>
<b>Cash and cash equivalents</b>		
Cash and cash equivalents represent:		
Cash at bank	465,570	436,776



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 19. 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 2010 LP, Milestone 2008 LP, Milestone 2010 LP, Milestone 2012 LP and Milestone Link Fund LP, 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 2-3% of the overall investment transaction (dependent on the Limited Partnership) in the absence of prior consent by the investors, except for Milestone Link Fund, LP which is not restricted.

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, 50% of the arrangement fees received and 100% of directors' fees received.

During the year the Group and the LLP received investment management related fees from the limited partnerships' portfolio companies, as follows:

	<b>2015 Group £</b>	<b>2015 LLP £</b>	<b>2014 Group £</b>	<b>2014 LLP £</b>
Compre (1) Limited	-	-	56,683	56,683
Debt Line Topco Limited	-	-	60,656	60,656
ENS France SAS	-	-	-	-
Interfloor Group Limited	-	-	50,000	50,000
ITX S.A.	-	-	34,499	34,499
WinnCare S.A.	-	-	21,317	21,317
	-	-		
	-	-	223,155	223,155

At 31 December 2015 the following amounts were due to the Group and LLP from portfolio companies:

	<b>2015 Group £</b>	<b>2015 LLP £</b>	<b>2014 Group £</b>	<b>2014 LLP £</b>
Compre (1) Limited	-	-	475	325
Debt Line Topco Limited	-	-	-	-
ENS France SAS	58,870	58,870	62,155	62,155
Interfloor Group Limited	-	-	231	25
	-	-		
	58,870	58,870	62,861	62,505

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 19. Related party transactions (continued)

During the year the Group and LLP also received the following management fees from the limited partnerships it manages, as follows:

	2015 Group £	2015 LLP £	2014 Group £	2014 LLP £
EAC Fund III	-	-	91,754	57,900
Milestone Parallel 2010 LP	131,517	131,517	159,066	159,066
Milestone 2008 LP	9,148	9,148	13,316	13,316
Milestone 2010 LP	147,260	147,260	178,521	178,521
Milestone 2012 LP	211,160	211,160	215,361	215,361
Milestone Link Fund LP	-	-	100	100
Milestone Carried Interest LP	1,000	1,000	1,000	1,000
	<hr/>	<hr/>	<hr/>	<hr/>
	500,085	500,085	659,118	625,264
	<hr/>	<hr/>	<hr/>	<hr/>

At 31 December 2015 the following amounts were due to the Group and LLP from the limited partnerships as follows:

	2015 Group £	2015 LLP £	2014 Group £	2014 LLP £
EAC Fund III	6,863	6,863	10,689	8,037
EAC Fund III GmbH	1,377	1,377	-	-
Milestone Parallel Private Equity LP	-	-	-	-
Milestone Parallel 2010 LP	11,197	11,197	525	525
Milestone 2007 LP	-	-	-	-
Milestone 2008 LP	1,578	1,578	535	535
Milestone 2010 LP	1,653	1,653	462	462
Milestone 2012 LP	1,268	1,268	925	925
Milestone Link Fund LP	2,404	2,404	1,147	1,147
Milestone Carried Interest LP	2,412	2,411	754	-
	<hr/>	<hr/>	<hr/>	<hr/>
	28,752	28,751	15,037	11,631
	<hr/>	<hr/>	<hr/>	<hr/>

During the year the LLP purchased advisory services for £49,500 from Moksha Advisory Services Limited, a company owned by Erick Rinner, and owed them £9,900 (2014 : £nil) at the year end.

#### Remuneration of key management personnel

The total remuneration of the members of the LLP who are considered to be the key management personnel of the LLP was £nil (2014: £146,175) of which £nil (2014: £2,175) has been recognised as employee remuneration.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 20. Members' interest

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

#### **Reserves**

The reserves of the LLP represent the following:

#### *Member's capital classified as equity*

Member's contributions per the LLP partnership agreement

#### *Member's other interests*

Cumulative profit and loss available to the members

### 21. Ultimate controlling party

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

### 22. Transition to FRS 102

Reconciliations and descriptions of the effect of the transition to FRS 102 on: (i) equity at the date of transition to FRS 102; (ii) equity at the end of the comparative period; and (iii) profit or loss for the comparative period reported under previous UK GAAP are given below.

Under FRS 102, the Statement of Cash Flows presents changes in cash and cash equivalents (which include cash in hand, deposits repayable on demand and overdrafts and short-term, highly liquid investments), showing changes arising from operating activities, investing activities and financing activities separately. Under previous UK GAAP, the Cash Flow Statement presented changes in cash (which includes cash in hand, deposits repayable on demand and overdrafts) under the headings of operating activities, returns on investments and servicing of finance, taxation, capital expenditure and financial investment, acquisitions and disposals, equity dividends paid, management of liquid resources, and financing.

Reconciliation of equity		1 January 2014 £	31 December 2014 £
	Notes		
Total members' interests as previously reported under previous UK GAAP		429,395	135,790
Holiday pay accrual	A	(53,528)	(32,857)
Total members' interests reported under FRS 102		375,867	102,933
Reconciliations of profit or loss			31 December 2014 £
	Notes		
Loss as previously reported under previous UK GAAP			(292,726)
Holiday pay accrual	A		20,671
Profit or loss report under FRS 102			(272,055)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 22. Transition to FRS 102 (continued)

#### A – Holiday pay accrual

Under FRS 102, the LLP has recognised a liability for holiday pay at the end of each accounting period. This is measured as the value of untaken holiday costs accrued by staff.

<b>Reconciliation of non-controlling interests in the balance sheet for departure from full consolidation</b>	<b>Notes</b>	<b>1 January 2014 £</b>	<b>31 December 2014 £</b>
Non-controlling interests in the balance sheet as previously reported under previous UK GAAP		36,079,120	28,987,122
Unrealised revaluation reserves	B	32,743,336	31,579,582
Non-controlling interests in the balance sheet under FRS 102		<u>68,822,456</u>	<u>60,566,704</u>

<b>Reconciliations of non-controlling interests in the fixed assets investments for departure from full consolidation</b>	<b>Notes</b>	<b>31 December 2014 £</b>
Non-controlling interests in the fixed assets investments as previously reported under previous UK GAAP		28,497,582
Unrealised revaluation reserves	B	22,472,870
Non-controlling interests in the fixed assets investments report under FRS 102		<u>50,970,452</u>

<b>Reconciliations of non-controlling interests in other net assets for departure from full consolidation</b>	<b>Notes</b>	<b>31 December 2014 £</b>
Non-controlling interests in other net assets as previously reported under previous UK GAAP		489,540
Unrealised revaluation reserves	B	9,106,712
Non-controlling interests in other net assets report under FRS 102		<u>9,596,252</u>

<b>Reconciliations of non-controlling interests in the profit before tax and the minority interest in the profit for departure from full consolidation</b>	<b>Notes</b>	<b>31 December 2014 £</b>
Non-controlling interests in the profit before tax and non-controlling interests in the profit as previously reported under previous UK GAAP		14,584,702
Unrealised revaluation reserves	B	(3,343,831)
Non-controlling interests in the profit before tax and non-controlling interests in the profit report under FRS 102		<u>11,240,871</u>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**22. Transition to FRS 102 (continued)**

**B – Unrealised revaluation reserves**

Under FRS 102, the fair value movements on fixed asset investments have been recognised in the statement of comprehensive income rather than in the revaluation reserve.

During the year ended 31 December 2014 a decrease in the fair value of investments of £3,343,831 was reflected in the unrealised revaluation reserve of the Balance Sheet under previous UK GAAP. Upon adoption of FRS 102 this movement is now reflected in the statement of comprehensive income.