

Company Registration No. 09496557 (England and Wales)

PI LABS MANAGER LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

PAGES FOR FILING WITH REGISTRAR



PI LABS MANAGER LIMITED

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PI LABS MANAGER LIMITED

BALANCE SHEET

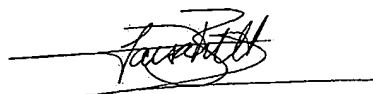
AS AT 30 JUNE 2021

	Notes	2021 £	£	2020 £	£
Current assets					
Debtors	3	-		2,074	
Cash at bank and in hand		101		131	
		<u>101</u>		<u>2,205</u>	
Creditors: amounts falling due within one year	4	(14)		(2,117)	
Net current assets			87		88
			<u>87</u>		<u>88</u>
Capital and reserves					
Called up share capital	5		100		100
Profit and loss reserves			(13)		(12)
Total equity			87		88
			<u>87</u>		<u>88</u>

The director of the company has elected not to include a copy of the profit and loss account within the financial statements.

These financial statements have been prepared and delivered in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements were approved and signed by the director and authorised for issue on 28 October 2021



F S Butt
Director

Company Registration No. 09496557

PI LABS MANAGER LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

1 Accounting policies

Company information

Pi Labs Manager Limited is a private company limited by shares incorporated in England and Wales. The registered office is 151 Wardour Street, London, United Kingdom, W1F 8WE.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006 as applicable to companies subject to the small companies regime. The disclosure requirements of section 1A of FRS 102 have been applied other than where additional disclosure is required to show a true and fair view.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £1.

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

1.2 Going concern

The directors have reviewed the cash position of the company, the performance of the company and the forecasts for the 12 months subsequent to the approval of the financial statements. The expenses of the company are covered by Pi Labs Limited, the entity's parent company. The parent company regularly monitors risks that the business might face, such as the recent uncertainty around Covid-19, but do not currently consider these to be a risk to the company's ability to continue as a going concern for a period of at least twelve months from the date of signing their financial statements. Based on these reviews the directors are of the opinion the company has sufficient financial resources and parent company support to continue as a going concern and as such have prepared the financial statements on a going concern basis.

1.3 Turnover

Turnover is measured at the fair value of the consideration received or receivable net of VAT.

The nature of the business activity is to channel this turnover through the trade of the parent entity, resulting in a nil gross profit.

1.4 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

PI LABS MANAGER LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2021

1 Accounting policies

(Continued)

1.5 Financial instruments

The company 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 instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Classification of financial liabilities

Financial liabilities and equity instruments are classified 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 company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

1.6 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

PI LABS MANAGER LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

2 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2021 Number	2020 Number
Total	1	1

3 Debtors

	2021 £	2020 £
Amounts falling due within one year:		
Other debtors	-	2,074

4 Creditors: amounts falling due within one year

	2021 £	2020 £
Other creditors	14	2,117

5 Called up share capital

	2021 Number	2020 Number	2021 £	2020 £
Ordinary share capital Issued and fully paid				
Ordinary Shares of £1 each	100	100	100	100

6 Audit report information

As the income statement has been omitted from the filing copy of the financial statements, the following information in relation to the audit report on the statutory financial statements is provided in accordance with s444(5B) of the Companies Act 2006:

The auditor's report was unqualified.

The senior statutory auditor was James Astley and the auditor was UHY Hacker Young.

PI LABS MANAGER LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

7 Events after the reporting date

There were no subsequent events which required disclosure in these financial statements.

8 Related party transactions

Directors' remuneration for the period was £nil (2020: £nil).

During the year, Pi Labs Limited paid various administrative expenses on behalf of Pi Labs Manager Limited. The total amount due to Pi Labs Limited as at the year end is £14 (2020: £2,117).

There are no other material related party transactions which have not been concluded under normal market conditions.

9 Parent company

The immediate parent company is Pi Labs Limited, a private company, limited by shares, registered in England and Wales. Pi Labs Limited's registered office address is 151 Wardour Street, London, W1F 8WE.



PI LABS II LIMITED PARTNERSHIP
ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

PI LABS II LIMITED PARTNERSHIP

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PI LABS II LIMITED PARTNERSHIP

KEY FACTS

Establishment date:	12 May 2016
Date of first closing:	6 June 2016
Date of termination:	5 June 2023

		£
Committed capital		8,119,046
Capital subscribed		
Transaction date	Description	£
1 July 2020	Opening balance	6,526,785
10 July 2020	Drawdown 12	239,165
30 September 2020	Drawdown 13	440,601
5 May 2021	Drawdown 14	214,032
Total capital subscribed at 30 June 2021		7,420,583
Distributions		
Transaction date	Description	£
June 2018	Drawdown 6 Distribution 1	137,480
May 2021	Drawdown 14 Distribution 2	114,493
Total distributions		251,973
Outstanding commitment		698,463
Reconciliation of capital account		
Capital and loan contributions		7,420,583
Distributions		(251,973)
Unrealised gains on investments		5,625,128
Realised loss on investments		(898,974)
General Partner's share		(1,028,730)
Other income and expenses		(608,765)
Finance attributable to partners		10,257,269

PI LABS II LIMITED PARTNERSHIP

MANAGEMENT AND ADMINISTRATION INFORMATION

Registered office:	151 Wardour Street London W1F 8WE
General Partner:	Pi Labs Manager Limited 151 Wardour Street London W1F 8WE
Director of the General Partner:	Faisal Shahid Butt
Manager:	Midmar Capital LLP Hudson House 8 Albany Street Edinburgh Scotland EH1 3QB
Administrator:	Mainspring Fund Services Limited 27 Furnival Street London EC4A 1JQ
Independent Auditor:	UHY Hacker Young LLP Quadrant House 4 Thomas More Square London E1W 1YW

PI LABS II LIMITED PARTNERSHIP

REPORT OF THE GENERAL PARTNER FOR THE YEAR ENDED 30 JUNE 2021

The General Partner presents its Annual Report and the Audited Financial Statements of Pi Labs II Limited Partnership (the “Partnership”) for the year ended 30 June 2021.

Principal activity

The Partnership is a closed ended investment fund registered on 12 May 2016 as a limited partnership in England under the Limited Partnerships Act 1907. The Limited Partnership Agreement (“LPA”) was amended on 14 July 2020 to reflect an increase in committed capital of £716,216.

The principal activity of the Partnership is to invest, either directly or indirectly, in early stage and growth businesses in the technology sector.

The impact of Covid-19

The General Partner regularly monitors risks that the business might face, such as the uncertainty around Covid-19. Given the amounts still available to drawdown from the Limited Partners, as well as the additional commitments made from some Limited Partners to the partnership subsequent to the reporting date, the General Partner does not consider there to be a risk to the partnership’s ability to continue as a going concern for a period of at least twelve months from the date of signing these financial statements.

General Partner’s responsibilities for the financial statements

The LPA requires the General Partner to prepare financial statements for the Partnership for each financial period.

Company law, as applied to qualifying partnerships by the Partnership (Accounts) Regulations 2008 (the “regulations”) requires the General Partner to prepare financial statements for each financial year. Under that law, the General Partner has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including Financial Reporting Standard 102 “The Financial Reporting Standard Applicable in the UK and Republic of Ireland (“FRS 102”).

Under company law, as applied to qualifying partnerships, the General Partner must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Partnership and the profit of the Partnership for that period. In preparing these financial statements, the General Partner is required to:

- Select suitable accounting policies and then apply them consistently;
- make judgements and account estimates that are reasonable and prudent;
- state whether applicable UK accounting standards, including FRS 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland”, have been followed subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Partnership will continue in business.

The General Partner is responsible for keeping adequate accounting records that are sufficient to show and explain the Partnership’s transactions and disclose, with reasonable accuracy, at any time, the financial position of the Partnership and enable them to ensure that the financial statements comply with the Companies Act 2006 as applied to qualifying partnerships by the Regulations. The General Partner is also responsible for safeguarding the assets of the Partnership and hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities.

PI LABS II LIMITED PARTNERSHIP

REPORT OF THE GENERAL PARTNER FOR THE YEAR ENDED 30 JUNE 2021

Provision of information to auditor

The General Partner, at the time when this report is approved, has confirmed that:

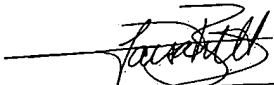
- So far as the General Partner is aware, there is no relevant audit information of which the Partnership's auditor is unaware; and
- the General Partner has taken all the steps that ought to have been taken in order to be aware of any information needed by the Partnership's auditor in connection with preparing their report and to establish that the Partnership's auditor is aware of that information.

Independent auditor

During the year ended 30 June 2021, UHY Hacker Young LLP were re-appointed as auditors. A resolution to reappoint UHY Hacker Young LLP as auditor will be proposed at a subsequent meeting of the partners.

Small companies note

In preparing this report, the General Partner has taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.



.....
Faisal Shahid Butt
As director of Pi Labs Manager Limited
General Partner

Date: 28 October 2021.....

**INDEPENDENT AUDITOR'S REPORT
TO PI LABS II LIMITED PARTNERSHIP**

Opinion

We have audited the financial statements of Pi Labs II Limited Partnership (the "Partnership") for the year ended 30 June 2021 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Net Assets Attributable to Partners' Capital, the Statement of Cash Flows and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice)'.

In our opinion the financial statements:

- give a true and fair view of the state of the Partnership's affairs as at 30 June 2021 and of its incoming resources and application of resources, including its income and expenditure, 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 qualifying partnerships.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the qualifying partnership in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the General Partner's use of the going concern basis of accounting in the preparation of the financial statement is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Partnership's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the General Partner with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The General Partner is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

**INDEPENDENT AUDITOR'S REPORT
TO PI LABS II LIMITED PARTNERSHIP**

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006 as applied to qualifying partnerships

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Report of the General Partner for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Report of the General Partner has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the qualifying partnership and its environment obtained in the course of the audit, we have not identified material misstatements in the Report of the General Partner.

We have nothing to report in respect of the following matters where the Companies Act 2006 as applied to qualifying partnerships requires us to report to you if, in our opinion:

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of the General Partner's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the General Partner

As explained more fully in the statement of General Partner's Responsibilities set out on page 3, the General Partner is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the General Partner determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the General Partner is responsible for assessing the qualifying partnership's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the General Partner either intends to liquidate the qualifying partnership or to cease operations, or have no realistic alternative but to do so.

**INDEPENDENT AUDITOR'S REPORT
TO PI LABS II LIMITED PARTNERSHIP**

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Partnership and the industry in which it operates, we identified that the principal risks of non-compliance with laws and regulations related to the acts by the Partnership, which were contrary to applicable laws and regulations including fraud, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risk related to overstated assets.

Audit procedures performed included: review of the financial statement disclosures to underlying supporting documentation, review of correspondence with and reports to the regulators, review of correspondence with legal advisors, enquiries of management and testing of journals and evaluating whether there was evidence of bias by management that represented a risk of material misstatement due to fraud.

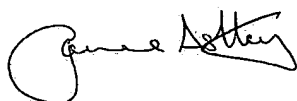
There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

**INDEPENDENT AUDITOR'S REPORT
TO PI LABS II LIMITED PARTNERSHIP**

Use of our report

This report is made solely to the qualifying partnership's partners, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 as applied to qualifying partnerships. Our audit work has been undertaken so that we might state to the qualifying partnership's partners those matters we are required to state to them in an auditors' 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 qualifying partnership and the qualifying partnership's partners as a body, for our audit work, for this report, or for the opinions we have formed.



James Astley (Senior Statutory Auditor)
for and on behalf of
UHY Hacker Young
Chartered Accountants

Quadrant House
4 Thomas More Square
London
E1W 1YW

Date: 28 October
Date: 2021

PI LABS II LIMITED PARTNERSHIP

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2021

	Notes	2021	2020
Net realised loss on investments	6	(45,793)	(890,447)
Unrealised profits on the revaluation of investments	6	1,228,084	1,308,644
Total investment return		<u>1,182,291</u>	<u>418,197</u>
Expenses			
Legal and professional fees		23,868	12,788
Fund and administration fees		45,340	42,438
Audit fees		17,400	15,100
Other expenses		39,969	(7,729)
Total operating expenses		<u>126,577</u>	<u>62,597</u>
Profit for the year		1,055,714	355,600
Other comprehensive income		8,679	-
Total comprehensive income for the year		<u>1,064,393</u>	<u>355,600</u>
Allocated as follows:			
General Partner – General Partner's share		53,228	242,530
Limited Partners		1,011,165	113,070
Total allocated		<u>1,064,393</u>	<u>355,600</u>

The notes on pages 13 to 19 form part of these financial statements.

All the items in the above statement derive from continuing operations.

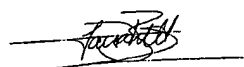
PI LABS II LIMITED PARTNERSHIP

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

	Notes	2021 £	2020 £
Assets			
Non-current assets			
Investments at fair value through through profit or loss	6	10,228,129	8,424,567
Total non-current assets		10,228,129	8,424,567
Current assets			
Trade and other receivables	7	9,212	27,785
Cash and cash equivalents		47,711	118,260
Total current assets		56,923	146,045
Total assets		10,285,052	8,570,612
Liabilities			
Current liabilities			
Trade and other payables	8	(27,783)	(103,814)
Total current liabilities		(27,783)	(103,814)
Total net assets attributable to partners		10,257,269	8,466,798
Represented by:			
Capital contributions		8,085	8,085
Loan contributions		7,412,498	6,518,699
Distributions		(251,973)	(137,480)
General Partner's share		(1,028,730)	(975,502)
Income account		4,117,389	3,052,996
Total net assets attributable to partners		10,257,269	8,466,798

The notes on pages 13 to 19 form part of these financial statements.

The financial statements on pages 9 to 19 were approved and authorised for issue on 28 October 2021 and signed on their behalf by:



Faisal Shahid Butt
As director of Pi Labs Manager Limited
General Partner

PI LABS II LIMITED PARTNERSHIP

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO PARTNERS' CAPITAL
FOR THE YEAR ENDED 30 JUNE 2021

	Capital contributions £	Distributions £	Loan contributions £	General Partner's share allocation £	Income Account			Total £
					Unrealised profits on the revaluation of investments £	Net realised losses on investments £	Operating losses excluding unrealised and realised gains on investments £	
Balance as at 1 July 2019	8,897	(137,480)	5,691,831	(732,972)	3,088,400	37,266	(428,270)	7,527,672
Movement during the year								
Capital contributions	(812)	-	-	-	-	-	-	(812)
Loan contributions	-	-	826,868	-	-	-	-	826,868
Distributions	-	-	-	-	-	-	-	-
Unrealised profits on the revaluation of investments	-	-	-	-	1,308,644	-	-	1,308,644
General Partner's share	-	-	-	(242,530)	-	-	-	(242,530)
Income account	-	-	-	-	-	-	(62,597)	(62,597)
Realised loss	-	-	-	-	-	(890,447)	-	(890,447)
Balance as at 30 June 2020	<u>8,085</u>	<u>(137,480)</u>	<u>6,518,699</u>	<u>(975,502)</u>	<u>4,397,044</u>	<u>(853,181)</u>	<u>(490,867)</u>	<u>8,466,798</u>
Balance as at 1 July 2020	8,085	(137,480)	6,518,699	(975,502)	4,397,044	(853,181)	(490,867)	8,466,798
Movement during the year								
Capital contributions	-	-	-	-	-	-	-	-
Loan contributions	-	-	893,799	-	-	-	-	893,799
Distributions	-	(114,493)	-	-	-	-	-	(114,493)
Unrealised profits on the revaluation of investments	-	-	-	-	1,228,084	-	-	1,228,084
General Partner's share	-	-	-	(53,228)	-	-	-	(53,228)
Income account	-	-	-	-	-	-	(117,898)	(117,898)
Realised loss	-	-	-	-	-	(45,793)	-	(45,793)
Balance as at 30 June 2021	<u>8,085</u>	<u>(251,973)</u>	<u>7,412,498</u>	<u>(1,028,730)</u>	<u>5,625,128</u>	<u>(898,974)</u>	<u>(608,765)</u>	<u>10,257,269</u>

PI LABS II LIMITED PARTNERSHIP

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021

	Notes	2021 £	2020 £
Cash flows from operating activities			
Total comprehensive income for the year		1,064,393	355,600
Unrealised profits on the revaluation of investments	6	(1,228,084)	(1,308,644)
Net realised loss on investments	6	45,793	890,447
(Decrease) / Increase in trade and other payables		(76,031)	69,164
Decrease / (Increase) in trade and other receivables		18,573	(18,577)
Cost of new investments	6	(744,976)	(457,001)
Proceeds on disposal of investments	6	123,705	-
Net cash flow used in operating activities:		(796,627)	(469,011)
Cash flows from financing activities:			
Capital and loan contributions received		893,799	826,055
General Partner's share distribution		(53,228)	(242,530)
Distributions to Members		(114,493)	-
Net cash inflow from financing activities		726,078	583,525
Cash and cash equivalents			
Net change in cash and cash equivalents		(70,549)	114,514
Cash and cash equivalents at the beginning of the year		118,260	3,746
Cash and cash equivalents at the end of the year		47,711	118,260

The notes on pages 13 to 19 form part of these financial statements.

PI LABS II LIMITED PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

1. Principal activity and general information

- 1.1 Pi Labs II Limited Partnership (the “Partnership”) is a closed ended investment fund registered on 12 May 2016 as a limited partnership in England under the Limited Partnerships Act 1907, with number LP017411. The General Partner of the Partnership is Pi Labs Manager Limited, a limited company, registered in England and Wales. The General Partner is responsible for the operation of the Partnership and the conduct and management of its business carried on in accordance with the terms of the Second Amended and Restated Limited Partnership Agreement (“LPA”) dated 14 July 2020.
- 1.2 The Partnership’s registered office is at 151 Wardour Street, London, W1F 8WE.
- 1.3 The General Partner has appointed Midmar Capital LLP as Manager of the Partnership.
- 1.4 The principal activity of the Partnership is to invest, either directly or indirectly, in early stage and growth businesses in the technology sector.
- 1.5 The Partnership will be dissolved and its affairs wound-up six years from the date of the Original Amended and Restated LPA, dated 5 June 2017. The life of the Partnership may be extended by the General Partner, with the approval of the advisory committee, for a further period of a year on three occasions.

2. Basis of preparation

- 2.1 The financial statements have been prepared in accordance with Financial Reporting Standard 102 (“FRS 102”) as issued by the Financial Reporting Council and as allowed by the requirements of the Second Amended and Restated LPA. The financial statements have also been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities held at fair value.
- 2.2 The financial statements have been prepared on the going concern basis which assumes that the Partnership will continue in operational existence for the foreseeable future. The General Partner regularly monitors risks that the business might face, such as the uncertainty around Covid-19. Given the amounts still available to drawdown from the Limited Partners, as well as the additional commitments made from some Limited Partners to the partnership subsequent to the reporting date, the General Partner is of the opinion that the Partnership is able to call sufficient capital from the partners’ undrawn commitments to meet its day-to-day liabilities as they fall due.
- 2.3 These financial statements are prepared for the year ended 30 June 2021 in accordance with the terms of the Second Amended and Restated LPA.

3. Summary of significant accounting policies

- 3.1 The following accounting policies have been applied consistently in dealing with the items which are considered material in relation to Pi Labs II Limited Partnership’s Financial Statements.

3.2 Financial assets and liabilities at fair value through profit or loss

Classification

The Partnership has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

Financial assets or liabilities designated at fair value through profit or loss at inception are financial instruments that are not classified as held for trading but are managed as part of an investment portfolio, and their performance is evaluated on a fair value basis in accordance with the Partnership’s investment activity.

PI LABS II LIMITED PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

Recognition/de-recognition

Purchases and sales of investments are recognised on trade date – the date on which the Partnership commits to purchase or sell the asset. Investments are initially recognised at fair value. All transaction costs for such investments are recorded directly in the Statement of Comprehensive Income. Investments are de-recognised when the rights to receive cash flows from the investments have expired or the Partnership has transferred substantially all risks and rewards of ownership.

Subsequent to initial recognition, all financial assets at fair value through profit or loss are measured at fair value.

Gains and losses arising from changes in fair value of the financial assets at fair value through profit or loss are included in the Statement of Comprehensive Income in the period in which they arise.

Measurement

Investments are measured at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of financial instruments not traded in active markets is determined using valuation techniques as the General Partner considers appropriate, given the performance of each investee company and after taking into account the effect of dilution, the exercise of ratchets, options or other incentive schemes.

The Partnership uses a variety of methods and assumptions that are based on market conditions existing at the Statement of Financial Position date. Valuation techniques used include the use of comparable recent arm's length transactions, discounted cash flows analysis, earnings multiple methods, price of recent investment and other valuation techniques commonly used by market participants.

Notwithstanding the above, the variety of valuation bases adopted and quality of management information provided by the underlying investee companies means there are inherent difficulties in determining the value of these investments. Amounts realised on the sale of those investments will inevitably differ from the values reflected in these financial statements and the differences may be significant.

3.3 Income and expenses

Income and expenses are recognised in the Statement of Comprehensive Income on an accruals basis. Expenses incidental to the acquisition or disposal of an investment are included within the cost of the investment or deducted from the disposal proceeds as appropriate.

3.4 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently stated at amortised cost using the effective interest method.

3.5 Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently stated at amortised cost using the effective interest method.

3.6 Cash and cash equivalents

Cash and cash equivalents include cash in hand, cash in current accounts and other short term highly liquid investments with an original maturity of three months or less. For the purpose of the Statement of Cash Flows, the cash and cash equivalents comprise cash at bank.

PI LABS II LIMITED PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

3.7 Functional and presentational currency

Items included in the Partnership's financial statements are measured and presented in British Pounds "GBP", the currency of the primary economic environment in which it operates ("the functional currency"), due to all capital calls and distributions being made in GBP. Monetary amounts in these financial statements are rounded to the nearest £.

3.8 Distributions

Distributions are allocated pro rata in accordance with the terms of the Second Amended and Restated Limited Partnership Agreement.

3.9 Capital and preferred capital contributions

Capital and preferred capital contributions are classified as financial liabilities as the contractual right per the Amended and Restated Limited Partnership Agreement is that partners receive cash at the end of the life of the Partnership as defined in the Amended and Restated Limited Partnership Agreement.

3.10 Critical accounting estimates and judgements in applying accounting policies

The Partnership makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Partnership holds investments that are not quoted in active markets. Fair values of such investments are determined using valuation techniques. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by the General Partner.

Models use observable data, to the extent practicable. However, volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of the investments.

3.11 Taxation

The Partnership is domiciled in England, United Kingdom. Under the current laws there are no income, estate, corporation, capital gains or taxes payable by the Partnership. Any other tax liability arising on the activities of the Partnership itself will be borne by the individual partners.

4. Unfunded committed capital

- 4.1 Unfunded committed capital from the Limited Partners is not shown on the Statement of Financial Position, as the Partnership has no unconditional right to receive cash as long as it has not identified an investment to invest in.

5. Material agreements

General Partner's Share

Under the terms of the Second Amended and Restated Limited Partnership Agreement dated 14 July 2020, Pi Labs Manager Limited was appointed as the General Partner of the Partnership and is entitled to receive a General Partner's Share, payable semi-annually in advance, in accordance with paragraph 12.2 General Partner's Share.

PI LABS II LIMITED PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

5. Material agreements (continued)

Distributions

Under the terms of the Second Amended and Restated Limited Partnership Agreement dated 14 July 2020, after payment of the expenses and liabilities of the Partnership, all income proceeds and capital proceeds shall be distributed to the partners in accordance with paragraph 11 Distributions.

Management agreement

Under the terms of the Management Agreement dated August 2019, Midmar Capital LLP was appointed as Alternative Investment Fund Manager ("AIFM") and provides management and advisory service to the Partnership.

Administration agreement

Under the terms of the Service Level Agreement dated May 2016, Mainspring Fund Services Limited provides administrative services and is entitled to receive administration fees and reimbursement of expenses as may be determined from time to time by the parties.

6. Investments at fair value through profit or loss

Movements in the value of the Partnership's investments for the year ended 30 June are as follows:

	2021	2020
	£	£
Fair value at beginning of the year	8,424,567	7,549,369
Additions	744,976	457,001
Impairments	(45,793)	(890,447)
Disposals	(123,705)	-
Changes in fair value of investments	1,228,084	1,308,644
	<u>10,228,129</u>	<u>8,424,567</u>

Fair value hierarchy

The three levels of the fair value hierarchy are described below:

- Level (1): Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level (2): Inputs other than quoted prices included within Level (1) that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- Level (3): Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The levels in the fair value hierarchy, within which the fair value measurement is categorised in its entirety, are determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level (3) measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability. In evaluating the level at which the Partnership's investments have been classified, the Partnership has assessed factors including but not limited to, price transparency, the ability to redeem at NAV at the measurement date and the existence or absence of certain restrictions at the measurement date.

PI LABS II LIMITED PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

6. Investments at fair value through profit or loss (continued)

All the Partnership's financial assets measured at fair value through profit and loss are Level (3) and as a result, the Level (3) reconciliation of movements in investments is equivalent to the reconciliation provided at the beginning of the note.

7. Trade and other receivables

	2021 £	2020 £
Due from Partners	9,212	27,785

The fair value of trade and other receivables due within one year approximates to their carrying amounts as presented above.

8. Trade and other payables

	2021 £	2020 £
Accrual for audit fees	17,400	17,700
Other creditors	10,383	86,114
	27,783	103,814

The fair value of trade and other payables due within one year approximate to their carrying amounts as presented above.

9. Capital risk management

The capital of the Partnership is represented by the net assets attributable to the partners. The Partnership's objective when managing the capital is to safeguard the ability to continue as a going concern in order to provide returns for the partners and benefits for other stakeholders and to maintain a strong base to support the development of the investment activities of the Partnership.

The General Partner monitors capital on the basis of the value of the net assets attributable to the partners.

PI LABS II LIMITED PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

10. Financial risk management

As an integral part of the Partnership's strategy, it intentionally exposes itself to various financial risks in order to enhance the potential for return. The Partnership's investing activities expose it to various types of risks that are associated with the financial investments and markets in which they invest. The significant types of financial risks to which the Partnership is exposed are market price risk, currency risk, credit risk and liquidity risk:

Market price risk

The Partnership takes on exposure to market risk, which is the risk that the value of the investments held will fluctuate as a result of uncertain future changes in market values.

Currency risk

The Partnership takes on exposure to currency risk, which is the risk that the value of assets or international financial transactions may fluctuate due to movements in foreign currencies against GBP, the functional currency. The Partnership mitigates this risk by entering into advance spot agreements.

Credit risk

The Partnership takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Impairment provisions are provided for losses that have been incurred by the Statement of Financial Position date, if any.

Financial assets exposed to counterparty credit risk are cash and cash equivalents of £47,711 (2020: £118,260) and trade and other receivables of £9,212 (2020: £27,785).

Liquidity risk

The Partnership takes on exposure to liquidity risk, which is the risk that the Partnership will encounter difficulties in raising funds to meet the commitments of the agreements it has entered. The majority of investments undertaken are unlisted and as a result, the Partnership may not be able to liquidate these at an amount close to the fair value in order to meet specific obligations that may arise. The Partnership has the ability to call additional capital from investors to fund investment activities up to their maximum commitment.

The manner in which the Partnership exposes itself to such risks is consistent with other partnerships which provide funds for the promotion and growth of private equity investments.

Asset allocation is determined by the General Partner of the Partnership which manages the allocation of assets to achieve its investment objectives. Achievement of the investment objectives involves taking risks. The General Partner exercises judgement based on analysis, research and risk management techniques when making investment decisions.

The Partnership's capital management objectives are:

- To ensure the Partnership's ability to continue as a going concern; and
- to provide appropriate risk adjusted returns to investors.

PI LABS II LIMITED PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

11. Outstanding commitments and guarantees

As at the Statement of Financial Position date, the Partnership has no outstanding commitments or guarantees (2020: £nil).

12. Ultimate controlling party

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

13. Subsequent events

There were no subsequent events that require disclosure in the financial statements.