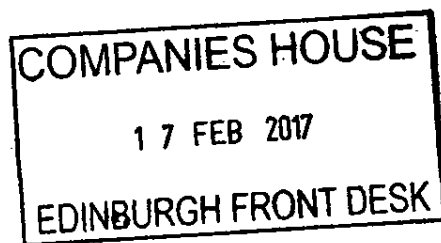


PENTECH FUND II GP LIMITED

Report and Financial Statements
For the year ended
31 May 2016

**PENTECH FUND II GP
ACCOUNTS**



Pentech Fund II GP Limited

DIRECTORS' REPORT

The directors present their report and financial statements for the year ended 31 May 2016.

REVIEW OF THE BUSINESS

The company acts as the general partner for Pentech Fund II Limited Partnership. At 31 May 2016, Pentech Fund II Limited Partnership had total funds committed of £47.2 million (2015 - £45.2 million).

DIRECTORS

The directors of the company during the year ended 31 May 2016 were as follows:

C Anderson
E Anderson
A McKinnon
M Moens

RESULTS AND DIVIDENDS

The loss before tax for the year ended 31 May 2016 was £506,195 (2015 – profit of £2,001,248). There were no dividends paid during the year (2015 - £610,116).

DIRECTORS' AND OFFICERS' INSURANCE

Directors benefited from qualifying third party directors' and officers' liability insurance in place during the year and at the date of this report.

DISCLOSURE OF INFORMATION TO AUDITORS

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

AUDITOR

The board has approved the re-appointment of KPMG LLP as auditor to the company.

By order of the Board



C Anderson
Company Secretary

26 September 2016

Pentech Fund II GP Limited

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards 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 company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

REPORT OF THE AUDITORS

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PENTECH FUND II GP LIMITED

We have audited the financial statements of Pentech Fund II GP Limited for the year ended 31 May 2016 set out on pages 4 to 11. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's 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 company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 May 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

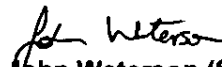
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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 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 directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.


John Waterson (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG
26 September 2016

Pentech Fund II GP Limited

STATEMENT OF INCOME AND RETAINED EARNINGS for the year ended 31 May 2016

	<i>Note</i>	2016 £	2015 £
TURNOVER	2	437,217	588,572
Administrative expenses		(1,159,654)	(257,249)
OPERATING (LOSS) PROFIT		(722,437)	331,323
Other interest receivable and similar income	3	216,242	1,669,925
(LOSS) PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(506,195)	2,001,248
Tax credit (charge) on (loss) profit on ordinary activities	4	17,776	(370,070)
(LOSS) PROFIT FOR THE YEAR		(488,419)	1,631,178
Retained profits at 1 June		2,348,504	1,327,442
		1,860,085	2,958,620
Dividends paid		-	(610,116)
RETAINED PROFITS AT 31 MAY		1,860,085	2,348,504
		=====	=====

All results relate to continuing operations.

There were no recognised gains or losses in the year ended 31 May 2016 other than the loss for the year of £488,419 (2015 – profit of £1,631,178).

The notes on pages 6 to 11 together with the accounting policies on pages 6 to 8 form part of these accounts.

Pentech Fund II GP Limited

STATEMENT OF FINANCIAL POSITION at 31 May 2016

	Note	2016 £	2015 £
FIXED ASSETS			
Investments	5	2,435,466	2,907,415
		-----	-----
CURRENT ASSETS			
Debtors	6	287,151	287,151
Cash at bank and in hand		44,923	396,023
		-----	-----
		332,074	683,174
CREDITORS: amounts falling due within one year	7	(122,004)	(438,858)
		-----	-----
NET CURRENT ASSETS		210,070	244,316
		-----	-----
TOTAL ASSETS LESS CURRENT LIABILITIES		2,645,536	3,151,731
PROVISION FOR LIABILITIES			
Deferred tax liability	8	(785,450)	(803,226)
		-----	-----
NET ASSETS		1,860,086	2,348,505
		=====	=====
CAPITAL AND RESERVES			
Called up share capital	9	1	1
Profit and loss account		1,860,085	2,348,504
		-----	-----
SHAREHOLDERS' FUNDS		1,860,086	2,348,505
		=====	=====

The financial statements were approved and authorised for issue by the Board of Directors on 26 September 2016 and signed on its behalf by:



C Anderson

Director

Company Number: SC328064

The notes on pages 6 to 11 together with the accounting policies on pages 6 to 8 form part of these accounts.

Pentech Fund II GP Limited

NOTES TO THE ACCOUNTS at 31 May 2016

1. COMPANY INFORMATION

Pentech Fund II GP Limited was incorporated on 20 July 2007 and is registered as a limited company in Scotland with a registered office at 39 Melville Street, Edinburgh. The company acts as the general partner for Pentech Fund II Limited Partnership.

2. ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Accounting convention

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102, – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'), and with the Companies Act 2006. The financial statements have been prepared on the historical cost basis except for the modification to a fair value basis for certain financial instruments as specified in the accounting policies below. The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

The company acts as the general partner for Pentech Fund II Limited Partnership (the Fund) and holds a small minority interest in the Fund in the form of capital contribution amounting to £208 (2015: £208). The attributable proportions of the assets and income of the Funds are consolidated. The Fund is a subsidiary undertaking and under the terms of the Companies Act 2006 should be consolidated in full. However, the directors consider the financial statements would not give a true and fair view if the assets and income as a whole were to be consolidated since the company's interest in these assets is, except to the extent that they are proportionally consolidated, merely that of an investment manager.

The effect of this departure is to reduce both profit after tax and the minority interest in the profit for the year by £6,002,231 (2015: £34,786,428), and to increase fixed asset investments by £208 (2015: £208), reduce other net assets by £65,539,986 (2015: £67,371,321), and the minority interest in the balance sheet by £65,539,986 (2015: £67,371,321).

In addition to above, the company also holds a direct investment in the Fund amounting to a cost of £488,079 (2015 £1,176,253). This has been accounted for at fair value through the profit and loss account under the requirements of FRS 102.

Turnover

Turnover represents the amounts derived from the provision of services which fall within the company's ordinary activities, stated net of value added tax. Fees are credited to income when they are earned and the fee has been agreed. None of the turnover was derived from overseas.

Taxation

Corporation tax payable is provided on the taxable profits at the current rate.

NOTES TO THE ACCOUNTS
at 31 May 2016

2. ACCOUNTING POLICIES (CONTINUED)

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more, or right to pay less, tax in future have occurred at the balance sheet date. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the underlying timing differences can be deducted. Timing differences are differences arising between the company's taxable profits and its results as stated in the financial statements which are capable of reversal in one or more subsequent periods.

Valuation of investments

Financial Instruments

Financial Instruments can include fixed asset investments, derivative assets and liabilities and long-term debt instruments. Investments are classified as financial assets at fair value through profit or loss on initial recognition. Accounting Standards recognise a hierarchy of fair value measurements for Financial Instruments which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and lowest priority to unobservable inputs (Level 3). The classification of Financial Instruments depends on the lowest significant applicable input, as follows:

Level 1 - The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date. The company held no such securities during the year under review.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable (ie developed using market data) for the asset or liability, either directly or indirectly. The company held no such securities during the year under review.

Level 3 - Inputs are unobservable (ie for which market data is unavailable) for the asset or liability. Value is at the Investment Manager's best estimate and prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines.

The company's investments (except for capital contributions in the Fund) are all deemed Level 3 during the year under review.

Fixed Asset Investments

Purchases or sales of investments are recognised at the date of transaction. Investments are valued at fair value. For listed securities this is either bid price or the last traded price, depending on the convention of the exchange on which the investment is quoted. In respect of unquoted investments, these are recognised initially at cost and subsequently fair valued by the underlying funds using methodology which is consistent with the International Private Equity Guidelines ("IPEG"). In accordance with IPEG this means that investments may be valued using an earnings multiple, which has been discounted or premium applied which adjusts for points of difference to appropriate stock market or comparable transaction multiples. Alternative methods of valuation may include application of an arm's length third party valuation, a provision on cost or a net asset value basis. Unrealised gains on investments are included in the Statement of Income and Retained Earnings for the year. Realised gains are recorded when capital distributions from an unquoted partnership exceed contributions made.

Pentech Fund II GP Limited

NOTES TO THE ACCOUNTS at 31 May 2016

2. ACCOUNTING POLICIES (CONTINUED)

Dividends on shares presented within equity

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

Going Concern

No material uncertainties that may cast significant doubt about the ability of the company to continue as a going concern have been identified by the directors.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Gains and losses on sale of investments

As required by sections 5,6 and 10 of FRS 102 "Reporting financial performance", gains and losses arising on the disposal of investments, being the difference between the carrying value and net proceeds, are taken to the Statement of income and retained earnings.

Income

Deposit interest and loan interest are accounted for on an accruals basis. Dividends are accounted for on an accruals basis provided there is no reasonable doubt that payment will be received in due course.

Expenses

All expenses are accounted for on an accruals basis.

3. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	2016	2015
	£	£
Interest income	17	2,627
Unrealised gain on investments	216,225	1,667,298
	<hr/>	<hr/>
	216,242	1,669,925
	=====	=====

Pentech Fund II GP Limited

NOTES TO THE ACCOUNTS at 31 May 2016

4. TAX ON PROFITS ON ORDINARY ACTIVITIES

(a) Provision for UK Corporation Tax based on the profit for the year

	2016 £	2015 £
Current tax		
Corporation Tax	-	(28,151)
Deferred tax		
Short term timing differences	(78,960)	47,602
Capital gains and losses	4,302	332,824
Tax losses carried forwards and other deductions	56,882	17,795
Total deferred tax (credit) charge	(17,776)	398,221
Total tax (credit) charge for the year	(17,776)	370,070

(b) Reconciliation of effective tax rate:

	2016 £	2015 £
(Loss) Profit on ordinary activities before taxation	(506,195)	2,001,248
Corporation tax at standard rate of 20.00% (2015 – 20.83%)	(101,239)	416,860
Effects of:		
Income not taxable for tax purposes	(43,245)	(708,244)
Other short term timing differences	(80,952)	(78,502)
Chargeable gains and other deductions	207,660	768,107
Tax on Participator Loan	-	(28,151)
Total taxation (credit) charge for the year	(17,776)	370,070

Pentech Fund II GP Limited

NOTES TO THE ACCOUNTS at 31 May 2016

5. INVESTMENTS

<i>Unlisted Investments:</i>	<i>2016</i>	<i>2015</i>
	<i>£</i>	<i>£</i>
<u>Cost:</u>		
At 1 June	1,176,461	296,378
Additions in year	61,697	1,015,426
Disposals in year	(749,871)	(135,343)
	-----	-----
At 31 May	488,287	1,176,461
	-----	-----
<u>Investment uplifts</u>		
At 1 June	1,730,954	63,656
	-----	-----
Investment uplift	216,225	1,667,298
	-----	-----
At 31 May	1,947,179	1,730,954
	-----	-----
Net book value at 31 May	2,435,466	2,907,415
	=====	=====

Investments at cost represent capital contributions and direct investments made by the company in Pentech Fund II Limited Partnership amounting to £208 (2015 - £208) and £488,079 (2015 - £1,176,253) respectively. These have been accounted for as explained in note 2 of these financial statements.

6. DEBTORS

	<i>2016</i>	<i>2015</i>
	<i>£</i>	<i>£</i>
Amounts due from fellow group companies	287,151	287,151
	-----	-----
	287,151	287,151
	=====	=====

7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<i>2016</i>	<i>2015</i>
	<i>£</i>	<i>£</i>
Accruals and deferred income	33,834	41,438
Other creditors	-	341,621
Amounts due to fellow group companies	88,170	55,799
	-----	-----
	122,004	438,858
	=====	=====

Pentech Fund II GP Limited

NOTES TO THE ACCOUNTS at 31 May 2016

8. DEFERRED TAX LIABILITY

	2016	2015
	£	£
Short term timing difference	1,511,319	1,590,279
Chargeable gains	350,493	346,191
Tax losses carried forward and other deductions	(1,076,362)	(1,133,244)
	=====	=====
	785,450	803,226
Beginning of year	803,226	405,005
(Credit) Charge for the year at closing rate of 18% (2015 – 20%)	(17,776)	416,871
Effect of change of tax rate on opening balances	-	(18,650)
	=====	=====
End of year	785,450	803,226

The deferred tax liability has been calculated at a Corporation Tax rate of 18% (2015 – 20%). It is estimated that the deferred tax liability will be realised when the Corporation Tax rate of 18% becomes effective in April 2020.

9. CALLED UP SHARE CAPITAL

	Authorised	Allotted called up and fully paid
	£	£
At 31 May 2016 and 31 May 2015		
Ordinary shares of £1 each	100	1
	=====	=====

10. RELATED PARTY TRANSACTIONS

The consolidated financial statements of the company's ultimate parent undertaking are publicly available and include the balance of all transactions with group members who are related parties of the group. Under the provisions of Financial Reporting Standard No.102, transactions with related parties of this company have not therefore been disclosed other than as required under the Companies Act 2006.

11. CASH FLOW STATEMENT

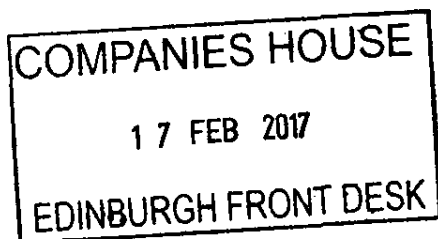
The company has taken advantage of the exemption under Financial Reporting Standard No. 102 not to prepare a Cash Flow Statement as the consolidated financial statements of its ultimate parent undertaking include a consolidated Cash Flow Statement dealing with the cash flows of the group.

12. PARENT UNDERTAKING

The company's immediate parent undertaking is Pentech GP Holdings Limited and the ultimate parent undertaking is Pentech Ventures LLP. Pentech GP Holdings Limited is a wholly owned subsidiary undertaking of Pentech Ventures LLP. Copies of the accounts of Pentech Ventures LLP and Pentech GP Holdings Limited can be obtained from 39 Melville Street, Edinburgh EH3 7JF.

PENTECH FUND II LIMITED PARTNERSHIP

Report and Accounts
For the year ended 31 December 2015



Registered Limited Partnership No. 6306

Pentech Fund II Limited Partnership

CONTENTS

	<i>Page</i>
General Partner's Report	1
Statement of General Partner's Responsibilities in respect of the General Partner's Report and the Accounts	2
Auditor's Report	3
Statement of Comprehensive Income	4
Statement of Financial Position	5
Cash Flow Statement	6
Notes to the Accounts	7 – 12

Pentech Fund II Limited Partnership

GENERAL PARTNER'S REPORT

The General Partner presents the annual report and accounts of the Partnership for the year ended 31 December 2015.

ACTIVITY

The Partnership was incorporated on 6 November 2007 and is due to terminate on 27 November 2017. Its objective is to invest in unlisted technology companies within the UK and Ireland. The aggregate Limited Partner Commitments at 31 December 2015 totalled £45.2 million (2014 - £45.2 million).

RESULTS

In the year ended 31 December 2015, the Partnership made a profit for the financial year of £42,298,688 (2014 - £16,137,637).

DRAWDOWNS FROM LIMITED PARTNERS

During the year ended 31 December 2015, £1,479,613 (2014 - £3,561,024) has been drawn from Limited Partners to meet Partnership commitments.

DISTRIBUTIONS TO LIMITED PARTNERS


During the year ended 31 December 2015, £17,376,210 (2014 - £8,020,672) was distributed to Limited Partners from the sale of portfolio companies.

DIRECTORS

The directors of the General Partner, Pentech Fund II GP Limited, during the year ended 31 December 2015 were as follows:

C Anderson
E Anderson
A McKinnon
M Moens

By order of the General Partner



C Anderson
Director - General Partner
14 March 2016

Pentech Fund II Limited Partnership

STATEMENT OF GENERAL PARTNER'S RESPONSIBILITIES IN RESPECT OF THE GENERAL PARTNER'S REPORT AND THE ACCOUNTS

The General Partner is responsible for preparing the General Partner's Report and the financial statements in accordance with applicable law and regulations.

The Partnerships (Accounts) Regulations 2008 require the General Partner to prepare financial statements for each financial year in accordance with Part 15 and Chapter 1 of Part 16 of the Companies Act 2006. Under that law the General Partner has elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the General Partner must not approve the financial statements unless it is satisfied that they give a true and fair view of the state of affairs of the Partnership and of the profit or loss 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 judgments and estimates that are reasonable and prudent; 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 has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the Partnership and to prevent and detect fraud and other irregularities.

Pentech Fund II Limited Partnership

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PENTECH FUND II LIMITED PARTNERSHIP

Independent auditor's report to the members of Pentech Fund II Limited Partnership

We have audited the financial statements of Pentech Fund II Limited Partnership for the year ended 31 December 2015 set out on pages 4 to 12. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK 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 qualifying partnership's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, as required by regulation 4 of the Partnerships (Accounts) Regulations 2008. Our audit work has been undertaken so that we might state to the partnership's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the partnership and the partnership's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the General Partner and auditor

As explained more fully in the General Partner's Responsibilities Statement, the General Partner is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

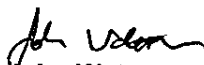
In our opinion the financial statements:

- give a true and fair view of the state of the qualifying partnership's affairs as at 31 December 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to qualifying partnerships by The Partnerships (Accounts) 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 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 members' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the members were not entitled to take advantage of the small companies exemption, as applied to qualifying partnerships, from the requirement to prepare a strategic report.



John Waterson (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
20 Castle Terrace
Edinburgh
EH1 2EG
14 March 2016

Pentech Fund II Limited Partnership

STATEMENT OF COMPREHENSIVE INCOME for the year ended 31 December 2015

	Note	2015 £	Restated 2014 £
TURNOVER		4,583	-
Administrative expenses	3	(499,245)	(744,296)
Profit on sale of fixed asset investments		19,718,777	3,160,103
Net gain on fixed asset investments at fair value	4	22,570,361	13,721,830
Foreign currency gain		503,069	-
		-----	-----
OPERATING PROFIT		42,297,545	16,137,637
<hr/>			
Interest receivable and similar income		1,143	-
		-----	-----
PROFIT FOR THE FINANCIAL YEAR		42,298,688	16,137,637
		=====	=====
Allocation of Profit to Partners:			
General Partner:			
Income account	6	(493,519)	(744,296)
		=====	=====
Limited Partners:			
Movement in value of fixed asset investments	6	42,792,207	16,881,933
		=====	=====

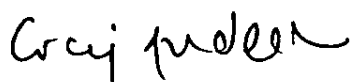
There are no recognised gains or losses other than the profit for the year to 31 December 2015 of £42,298,688 (2014 – £16,137,637).

Pentech Fund II Limited Partnership

STATEMENT OF FINANCIAL POSITION at 31 December 2015

	Note	2015 £	Restated 2014 £
FIXED ASSETS			
Investments	4	57,827,461	38,619,451
CURRENT ASSETS			
Debtors	5	5,119,291	2,130,075
(including £4,188,040 (2014 - £804,642) due after more than one year)			
Cash and short term deposits		4,397,746	192,322
		9,517,037	2,322,397
CREDITORS: amounts falling due within one year			
Accrued expenses		(7,666)	(5,472)
Other creditors		(3,676)	(5,311)
		(11,342)	(10,783)
NET CURRENT ASSETS		9,505,695	2,311,614
NET ASSETS		67,333,156	40,931,065
GENERAL PARTNER'S ACCOUNTS			
Capital commitments	6	13	13
Income account	6	(8,234,784)	(7,741,265)
		(8,234,771)	(7,741,252)
LIMITED PARTNERS' ACCOUNTS			
Capital commitments	6	9,272,545	25,169,142
Investment surplus	6	66,295,382	23,503,175
		75,567,927	48,672,317
PARTNERS' FUNDS		67,333,156	40,931,065

The financial statements were approved and authorised for issue by the General Partner on 14 March 2016 and signed on its behalf by:



C Anderson

Director of the General Partner

Pentech Fund II Limited Partnership

CASH FLOW STATEMENT for the year ended 31 December 2015

	2015 £	Restated 2014 £
Cash flows from operating activities:		
Operating profit	42,297,545	16,137,637
Adjustments for:		
Profit on sale of fixed asset investments	(19,718,777)	(3,160,103)
Net gain on fixed asset investments at fair value	(22,570,361)	(13,721,830)
Foreign currency gain	(503,069)	-
Interest receivable and similar income	1,143	-
Decrease (increase) in other debtors	73,713	(81,950)
Increase in creditors	559	1,224
Net cash outflow from operating activities	(419,247)	(825,022)
Financial investment:		
Cost of investments	(978,369)	(2,990,919)
Investment disposal proceeds	21,283,217	8,020,672
Loan commitment drawdowns:		
Limited Partners	1,489,718	3,546,984
Distributions:		
Limited Partners	(17,376,210)	(8,020,672)
Movement in cash during year	3,999,109	(268,957)
Cash at beginning of year	192,322	461,279
Effect of exchange rate movements on cash	206,315	-
Cash at end of year	4,397,746	192,322

Pentech Fund II Limited Partnership

NOTES TO THE ACCOUNTS

for the year ended 31 December 2015

1. PARTNERSHIP AGREEMENT

Pentech Fund II Limited Partnership was established on 6 November 2007 and is registered as a limited partnership in Scotland with a registered office at 39 Melville Street, Edinburgh. The General Partner is Pentech Fund II GP Limited. The operation of the Partnership is governed by the Partnership Agreement dated 6 November 2007 as subsequently amended and restated.

2. ACCOUNTING POLICIES

Basis of preparation of accounts

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102, – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'), and with the Companies Act 2006. The financial statements have been prepared on the historical cost basis except for the modification to a fair value basis for certain financial instruments as specified in the accounting policies below. The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Carried Interest

In the current year, the accounting policy with respect to the accounting treatment of carried interest changed. Carried interest is disclosed as a contingent liability in accounting periods where net assets exceed Limited Partners' net drawn commitments (plus a hurdle). Prior to this change in policy, carried interest was accrued as an expense in accounting periods where net assets exceed Limited Partners' net drawn commitments (plus a hurdle).

The new policy more closely aligns the accounting for carried interest in line with the requirements of FRS 102. The impact of this change in accounting policy on the financial statements is primarily to increase prior year profit and net assets by £3,152,382 and reduce creditors by the same amount.

Valuation of investments

Financial Instruments

Financial Instruments include fixed asset investments, derivative assets and liabilities and long-term debt instruments. Investments are classified as financial assets at fair value through profit or loss on initial recognition. Accounting Standards recognise a hierarchy of fair value measurements for Financial Instruments which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Category (a)) and lowest priority to unobservable inputs (Category (c)). The classification of Financial Instruments depends on the lowest significant applicable input, as follows:

Category (a) The quoted price for an identical asset in an active market. The Partnership held no such securities during the year under review.

Category (b) When quoted prices are unavailable, the price of a recent transaction for an identical asset adjusted if necessary. The Partnership held no such securities during the year under review.

Pentech Fund II Limited Partnership

NOTES TO THE ACCOUNTS

for the year ended 31 December 2015

Category (c) Where a quoted price is not available and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is determined by using a valuation technique which uses:

- c (i) observable market data; or
- c (ii) non-observable data.

The Partnership's investments are all deemed Category c (ii) during the year under review.

Fixed Asset Investments

Purchases or sales of investments are recognised at the date of transaction. Investments are valued at fair value. For listed securities this is either bid price or the last traded price, depending on the convention of the exchange on which the investment is quoted. In respect of unquoted investments, these are recognised initially at cost and subsequently fair valued by the underlying funds using methodology which is consistent with the International Private Equity Guidelines ("IPEG"). In accordance with IPEG this means that investments may be valued using an earnings multiple, which has been discounted or premium applied which adjusts for points of difference to appropriate stock market or comparable transaction multiples. Alternative methods of valuation may include application of an arm's length third party valuation, a provision on cost or a net asset value basis. Unrealised gains on investments are included in the Statement of Comprehensive Income for the year. Realised gains are recorded when capital distributions from an unquoted partnership exceed contributions made.

Gains and losses on sale of investments

As required by sections 5,6 and 10 of FRS 102, gains and losses arising on the disposal of investments, being the difference between the carrying value and net proceeds, are taken to the Statement of Comprehensive Income. Any previously unrealised deficiency on revaluation is then transferred from unrealised losses to partners' capital accounts.

General Partner's Priority Profit Share

General Partner's Priority Profit Share is treated as an expense of the Partnership.

Income

Deposit interest and loan interest are accounted for on an accruals basis. Dividends are accounted for on an accruals basis provided there is no reasonable doubt that payment will be received in due course.

Expenses

All expenses are accounted for on an accruals basis.

Taxation

As a partnership, taxable income and chargeable gains and losses are passed through to the individual partners. Accordingly, no provision for taxation is made in these accounts.

Pentech Fund II Limited Partnership

NOTES TO THE ACCOUNTS for the year ended 31 December 2015

Foreign Currency Translation

The Partnership has determined that Sterling is its functional currency, as this is the currency of the primary economic environment in which the Partnership predominantly operates. Transactions in currencies other than Sterling are recorded at the rate of exchange prevailing on the date of the transaction.

At each reporting date, monetary assets and liabilities denominated in currencies other than Sterling are retranslated at the rate of exchange prevailing at the reporting date. Non-monetary assets and liabilities carried at fair value that are denominated in currencies other than Sterling are also translated at the rate of exchange prevailing at the reporting date. Gains and losses arising on translation are included in profit or loss and are reported on a net basis.

3. ADMINISTRATIVE EXPENSES

	2015	2014
	£	£
Auditor's remuneration		
Audit of these financial statements	5,700	3,600
Other services relating to taxation	1,060	960
Insurance costs	12,190	12,800
Bank charges	475	596
General Partner's Priority Profit Share	479,820	726,340
	-----	-----
	499,245	744,296
	=====	=====

4. INVESTMENTS

<i>Unlisted Investments:</i>	2015	2014
	£	£
<u>Cost:</u>		
At 1 January	20,361,731	24,269,401
Additions in year	978,369	2,990,919
Disposals in year	(4,340,720)	(6,898,589)
	-----	-----
At 31 December	16,999,380	20,361,731
	-----	-----
<u>Investment uplifts and (provisions)</u>		
At 1 January	18,257,720	4,535,890
	-----	-----
Uplift in fair value	26,678,649	12,856,629
Realised in year	(4,108,288)	1,918,723
Other movements in provisions	-	(1,053,522)
	-----	-----
	22,570,361	13,721,830
	-----	-----
At 31 December	40,828,081	18,257,720
	-----	-----
Net book value at 31 December	57,827,461	38,619,451
	=====	=====

Pentech Fund II Limited Partnership

NOTES TO THE ACCOUNTS for the year ended 31 December 2015

5. DEBTORS

	2015 £	2014 £
Due after one year:		
Sale proceeds receivable	4,188,040	804,642
Due within one year:		
Sale proceeds receivable	923,014	1,233,378
Due from Limited Partners	-	10,105
Due from General Partner	7,416	81,950
Other debtors	821	-
	<u>5,119,291</u>	<u>2,130,075</u>
At 31 December	5,119,291	2,130,075

6. PARTNERS' ACCOUNTS

<i>Commitments:</i>	<i>General Partner</i>		<i>Limited Partners</i>	
	<i>Capital Contribn.</i>	<i>Loan Contribn.</i>	<i>Capital Contribn.</i>	<i>Loan Contribn.</i>
	£	£	£	£
At 1 January 2014	13	-	4,774	29,624,016
Loans drawn in the year	-	-	-	3,561,024
Amounts distributed in the year	-	-	-	(8,020,672)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
At 1 January 2015	13	-	4,774	25,164,368
Loans drawn in the year	-	-	-	1,479,613
Amounts distributed in the year	-	-	-	(17,376,210)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
At 31 December 2015	13	-	4,774	9,267,771
	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>
Partners' undrawn commitments at 31 December 2015	-	-	-	3,323,162
	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>

Pentech Fund II Limited Partnership

NOTES TO THE ACCOUNTS

for the year ended 31 December 2015

6. PARTNERS' ACCOUNTS (CONTINUED)

<i>Capital and Income Accounts Restated</i>	<u><i>General Partner</i></u>		<u><i>Limited Partners</i></u>		<i>Realised & Unrealised M'ment in Value of Investments £</i>
	<i>Capital Account £</i>	<i>Income Account £</i>	<i>Capital Account £</i>	<i>Income Account £</i>	
At 1 January 2014	-	(6,996,969)	-	-	6,621,242
(Loss) allocated to partners	-	(744,296)	-	-	-
Realised gain allocated to partners	-	-	-	-	3,160,103
Unrealised gain allocated to partners	-	-	-	-	13,721,830
At 1 January 2015	-	(7,741,265)	-	-	23,503,175
(Loss) allocated to partners	-	(493,519)	-	-	-
Realised gain allocated to partners	-	-	-	-	19,718,777
Unrealised gain allocated to partners	-	-	-	-	22,570,361
Movement in exchange rates	-	-	-	-	503,069
At 31 December 2015	-	(8,234,784)	-	-	66,295,382
	=====	=====	=====	=====	=====

7. CONTINGENT LIABILITIES

Carried Interest

If all of the assets and liabilities of the Partnership were realised at their fair values on 31 December 2015, profits of £11,612,120 (2014 £3,152,382) would be reallocated from the Limited Partners to the Carried Interest Partner. No allocation has been made to the Carried Interest Partner at 31 December 2015 or 31 December 2014 as the total distributions to Limited Partners had not exceeded total drawn commitments (plus a hurdle) at those dates.

Pentech Fund II Limited Partnership

NOTES TO THE ACCOUNTS

for the year ended 31 December 2015

8. FINANCIAL RISK

As an Investment Partnership, the Partnership invests in unlisted securities so as to meet its investment objective of achieving long term capital growth. In pursuing its investment objective, the Partnership is exposed to various types of risk that are associated with the financial instruments and markets in which it invests.

These risks are categorised here as market risk, currency risk, interest rate risk and liquidity risk. The General Partner monitors closely the Partnership's exposures to these risks but does so in order to reduce the likelihood of a permanent loss of capital rather than to minimise the short term volatility.

Market Risk

The fair value or future cash flows of a financial instrument or other investment held by the Partnership may fluctuate because of changes in the value of an unquoted investment. The General Partner reviews and agrees policies for managing this risk and the General Partner both assesses the exposure to market risk when making individual investment decisions and monitoring the overall level of market risk across the investment portfolio on an ongoing basis.

Currency Risk

The Partnership is exposed to currency exchange rate risk due to a significant proportion of its Current Assets being denominated in non-Sterling currencies. The General Partner monitors the Partnership's exposure to foreign currencies and assesses the risk to the Partnership of the foreign currency exposure by considering the effect on the Partnership's net asset value and income of a movement in the rates of exchange to which the Partnership's assets are exposed.

Interest Rate Risk

Interest rate movements may affect directly the level of income receivable on cash deposits. The Partnership holds minimal cash balances and as this is not a significant risk no active management of this risk is undertaken.

Liquidity Risk

The objective of the Partnership in managing liquidity risk is to ensure that it can meet its financial obligations as and when they fall due. The Partnership expects to meet its financial obligations through operating cash flows and drawdowns of loan commitments from the Limited Partners.