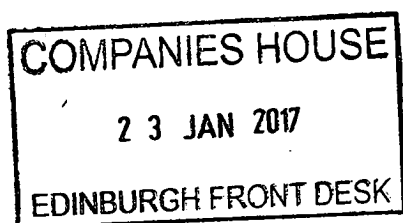


PAR FUND MANAGEMENT LIMITED

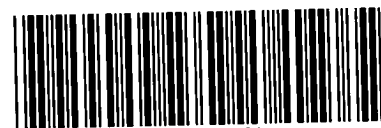
Company registration number SC338649 (Scotland)

Financial Statements

For the year ended 31 March 2016



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PAR FUND MANAGEMENT LIMITED

Financial statements for the year ended 31 March 2016

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PAR FUND MANAGEMENT LIMITED

Directors, Officers and Advisers

Directors

Paul Atkinson
Andrew Castell
Robert Higginson
Paul Munn

Secretary

Andrew Ley

Registered Office

3a Dublin Meuse
Edinburgh
EH3 6NW

Registered number

SC338649 (Scotland)

Auditor

Scott-Moncrieff
Exchange Place 3
Semple Street
Edinburgh
EH3 8BL

Bankers

Adam & Company
25 St Andrews Square
Edinburgh
EH2 1AF

The directors present the strategic report of the company for the year ended 31 March 2016.

Review of the business

The principal activity of the company in the year under review was investment management. The company acts as discretionary investment manager for Par Innovation Fund I LP, Par Residential Investments LP, Par Residential Investments II LP and the the Par Syndicate EIS Fund. It also provides investment services to the Par Syndicate, whose members make venture capital investments on a self-advised basis as business angels.

The company earns investment management fees in respect of discretionary investment management mandates. It also generates arrangement fees from venture capital investments made on behalf of its clients and recovers third party professional costs and other expenses from investee companies. The company is entitled to receive performance-related fees in connection with the Par Syndicate EIS Fund on reaching the applicable performance trigger.

Turnover increased during the year to £615,825 (2015: £503,390). Fee income from residential property investment funds increased materially to £321,944 (2015: £152,723), reflecting solid inflows to our second fund. Venture capital arrangement fees were down slightly at £225,074 (2015: £250,486). Whereas two significant investment rounds closed on 31st March 2015, two comparable rounds slipped from March 2016 into April. No performance-related fees have been recognised to date.

Risk and uncertainties

The directors keep under review the uncertainties faced by the company, which include changes in the investment markets, changes in legislation and investment performance. Investment management fees from the company's non-venture capital funds are reasonably predictable over the medium term, reducing over time as capital is returned to investors. Fee income arising from venture capital investments is split between the company and Par Advisers Limited, a fellow subsidiary. The company receives arrangement fees in on conclusion of investment transactions. The responsibility for ongoing monitoring of portfolio companies and the provision of board observers and investor directors lies with Par Advisers Limited, which typically receives fees from investee companies. Accordingly, the company is exposed to the risk of a material fall in revenues as a consequence of a drop in venture capital activity, either as a result of a loss of investors or a dearth of suitable investment opportunities.

In accordance with the Capital Requirements Directive, Pillar 3 disclosures in respect of risk, capital and related management procedures are available from Par Fund Management Limited's registered office.

Future developments

The company is focused on increasing its assets under management and thus its revenues through continued growth of the Par Syndicate and the Par Syndicate EIS Fund. The company has launched Par Forestry Partners LP, a fund whose purpose is to invest in commercial forestry assets, but the fund has yet to reach a first close (the point at which a specified minimum level of investor commitments is reached).

PAR FUND MANAGEMENT LIMITED

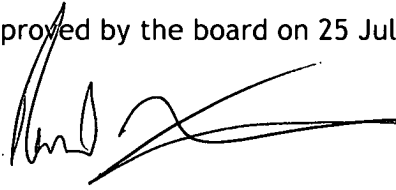
Strategic Report for the year ended 31 March 2016

Key performance Indicators

Key performance indicators for the company considered by the directors are investment performance and capital position.

This report was approved by the board on 25 July 2016 and signed on its behalf by:

Paul Atkinson
Director

A handwritten signature in dark ink, appearing to be 'Paul Atkinson', written over a horizontal line.

PAR FUND MANAGEMENT LIMITED

Directors' report for the year ended 31 March 2016

The directors present their report and the financial statements of the company for the year ended 31 March 2016.

Results and dividends

The results for the year are shown on the Statement of Income and Retained Earnings on page 8. The loss for the year after taxation was £18,471 (2015 profit: £12,300).

No dividends were paid during the year.

Directors

The directors who served during the year were:

Paul Atkinson
Andrew Castell
Robert Higginson
Paul Munn

Par Equity LLP holds indemnity insurance for the company directors.

Directors' responsibilities statement

The directors are responsible for preparing the Strategic Report, 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to the auditor

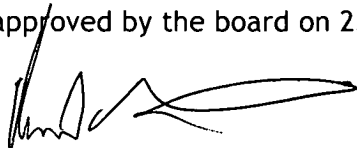
To the knowledge and belief of each of the persons who are directors at the time the report is approved:

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

Auditors

Scott-Moncrieff, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

This report was approved by the board on 25 July 2016 and signed on its behalf by:

A handwritten signature in black ink, appearing to be 'Paul Atkinson', written over a horizontal line.

Paul Atkinson
Director

PAR FUND MANAGEMENT LIMITED

Independent auditor's report to the members of Par Fund Management Limited

We have audited the financial statements of Par Fund Management Limited for the year ended 31 March 2016, which comprise the Statement of Income and Retained Earnings, the Balance Sheet, Statement of Cash Flows and related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 4, 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 Practice's 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 web-site 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 March 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

PAR FUND MANAGEMENT LIMITED

Independent auditor's report to the members of Par Fund Management Limited

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.



Gareth Magee (Senior Statutory Auditor)
for and on behalf of Scott-Moncrieff, Statutory Auditor
Chartered Accountants
Exchange Place 3
Semple Street
Edinburgh
EH3 8BL

25 July 2016

PAR FUND MANAGEMENT LIMITED

Statement of Income and Retained Earnings for the year ended 31 March 2016

	<u>Notes</u>	<u>2016</u> £	<u>2015</u> £
Turnover	2	615,825	503,390
Administrative expenses		<u>(630,299)</u>	<u>(478,351)</u>
Operating (loss)/profit	3	(14,374)	25,039
Interest receivable		312	117
Interest payable		<u>(1,800)</u>	<u>(554)</u>
(Loss)/profit on ordinary activities before taxation		(15,962)	24,602
Taxation on profit on ordinary activities	4	<u>(2,509)</u>	<u>(12,302)</u>
(Loss)/profit for the financial year		(18,471)	12,300
Retained earnings at 1 April		127,855	115,555
Retained earnings at 31 March		<u>109,384</u>	<u>127,855</u>

None of the company's activities were acquired or discontinued during the year.

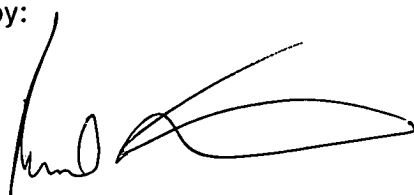
The notes on pages 11 to 15 form part of these financial statements.

PAR FUND MANAGEMENT LIMITED

Balance sheet at 31 March 2016

	<u>Notes</u>	<u>2016</u> £	<u>2015</u> £
Fixed assets			
Office equipment	5	981	4,146
Current assets			
Debtors	6	248,018	160,136
Cash at bank and in hand		294,418	47,455
		<u>542,436</u>	<u>207,591</u>
Creditors: amounts falling due within one year	7	<u>(154,033)</u>	<u>(28,882)</u>
Net current assets		<u>388,403</u>	<u>178,709</u>
Total assets less current liabilities		<u>389,384</u>	<u>182,855</u>
Creditors: amounts falling after more than one year	8	<u>(30,000)</u>	<u>(30,000)</u>
Net assets		<u><u>359,384</u></u>	<u><u>152,855</u></u>
Capital and reserves			
Called up share capital	9	250,000	25,000
Profit and loss account		109,384	127,855
Shareholders' funds		<u><u>359,384</u></u>	<u><u>152,855</u></u>

The financial statements were authorised for issue by the board of directors on 25 July 2016 and signed on its behalf by:



Paul Atkinson
Director

Company Registration No: SC338649

The notes on pages 11 to 15 form part of these financial statements.

PAR FUND MANAGEMENT LIMITED

Cash flow statement for the year ended 31 March 2016

	<u>Notes</u>	<u>2016</u> £	<u>2015</u> £
Cash flows from operating activities			
(Loss)/profit for the financial year		(18,470)	12,300
Adjustments for:			
Interest received		(312)	(117)
Interest paid		1,800	554
Taxation		2,509	12,302
Depreciation		3,165	3,166
(Increase) in debtors		(87,882)	(31,365)
Increase/(decrease) in creditors		133,059	(7,552)
Corporation tax paid		(10,417)	(5,709)
Net cash flow from operating activities		<u>23,451</u>	<u>(16,421)</u>
Cash flows from investing activities			
Interest and similar income received		<u>312</u>	<u>117</u>
Net cash flows from investing activities		312	117
Cash flows from financing activities			
Interest paid		(1,800)	(554)
Issue of shares		225,000	-
Net cash flow from financing activities		<u>223,200</u>	<u>(554)</u>
Increase/(decrease) in cash and cash equivalents		<u><u>246,963</u></u>	<u><u>(16,858)</u></u>

The notes on pages 11 to 15 form part of these financial statements.

1 Accounting policies

(a) Statement of compliance

The financial statements have been prepared in compliance with FRS 102 as it applies to the financial statements of the Company for the year ended 31 March 2016.

The Company made the transition from previously extant UK GAAP to FRS 102 as at 1 April 2014. An explanation of how the transition to FRS 102 has affected the reported financial position and financial performance is given in note 12.

(b) Going concern

The Directors have assessed a period of 12 months from the date of approval of the financial statements and are satisfied that no material uncertainties exist that cast significant doubt about the ability of the Company to continue as a going concern. The Directors have adopted the going concern basis of accounting in preparing the financial statements.

(c) Basis of accounting

The financial statements are prepared on the historical cost basis of accounting and have been prepared in accordance with applicable accounting standards.

The financial statements are prepared in sterling which is the functional currency of the Company.

(d) Turnover

Turnover shown in the profit and loss account represents revenue earned during the period, exclusive of value added tax.

(e) Deferred taxation

Deferred tax is provided in respect of the tax effect of all timing differences that have originated but not reversed at the balance sheet date.

A deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on a non-discounted basis, at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

(f) Significant judgements and estimates

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. The nature of estimation means, however, that actual outcomes could differ from those estimates. There are no judgements (apart from those involving estimates) that have had a significant effect on amounts recognised in the financial statements.

PAR FUND MANAGEMENT LIMITED

Notes to the financial statements for the year ended 31 March 2016

1 Accounting policies (cont'd)

(g) Cash and cash equivalents

Cash and cash equivalents in the balance sheet and statement of cash flows comprise cash at banks and short term deposits with an original maturity date of three months or less.

(h) Short-term debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the statement of income and retained earnings in other operating expenses.

(i) Financial instruments

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method.

(j) Property, plant and equipment

The value of all items of property, plant and equipment is measured at the balance sheet date using the cost method. Depreciation is provided at rates calculated to write off the full cost or valuation less estimated residual value of each asset over its estimated useful life. The principal rate in use is 33.33% straight line depreciation, which is applied to office equipment.

2 Turnover

All turnover, which was wholly generated in the UK, related to the company's principal activity of investment management.

3 Operating profit

This is stated after charging:

	<u>2016</u> £	<u>2015</u> £
Auditors' remuneration - audit fee	2650	2,575
Auditors' remuneration - fees for non audit services	620	600
Depreciation	<u>3,165</u>	<u>3,166</u>

PAR FUND MANAGEMENT LIMITED

Notes to the financial statements for the year ended 31 March 2016

4 Taxation on profit on ordinary activities

	<u>2016</u> £	<u>2015</u> £
Analysis of tax charge for the year:		
UK corporation tax charge	2,509	10,328
Adjustments in respect of previous years		1,974
Current tax charge/(credit)	<u>2,509</u>	<u>12,302</u>
Factors affecting tax charge for the year:		
(Loss)/profit on ordinary activities for the year	(15,962)	24,602
Tax on (loss)/profit on ordinary activities at standard corporation tax rate of 20% (2015: 21%)	(3,192)	5,166
Effects of:		
Prior year over-provisions	-	1,974
Expenses not deductible for tax purposes	4953	4,993
Capital allowances in excess of depreciation	632	665
Marginal relief	116	(496)
Current tax charge for the year	<u>2,509</u>	<u>12,302</u>

5 Fixed assets - office equipment

Cost	
At 1 April 2015	9,497
Additions during the year	-
At 31 March 2016	<u>9,497</u>
Accumulated depreciation	
At 1 April 2015	5,351
Depreciation charge	3,165
At 31 March 2016	<u>8,516</u>
Net book value	
At 31 March 2016	<u>981</u>
At 31 March 2015	<u>4,146</u>

PAR FUND MANAGEMENT LIMITED

Notes to the financial statements for the year ended 31 March 2016

6 Debtors

	<u>2016</u> £	<u>2015</u> £
Trade debtors	68,063	68,004
Amounts owed by group undertakings	168,221	83,361
Prepayments and accrued income	11,734	8,771
	<u>248,018</u>	<u>160,136</u>

Amounts owed by group undertakings are detailed in note 10. As at the year end, £47,028 (2015: £44,723) of the intra-group receivables were amounts owed by Par Innovation Fund I (General Partner) Limited, Par Property GP Limited and Par Property (General Partner) Limited as the general partners of Par Innovation Fund I LP, Par Residential Investments LP and Par Residential Investments II LP respectively, in respect of investment management fees and recharged expenses. The balance of the intra-group receivable, of £47,924 (2015: £38,638) relates to recharges of expenses between group entities, along with the operation of a group treasury arrangement whereby the majority of group companies do not maintain their own bank accounts. All intra-group balances are repayable on demand.

7 Creditors: amounts falling due within one year

	<u>2016</u> £	<u>2015</u> £
Trade creditors	23,539	6,180
Corporation tax	2,339	10,247
Other tax and social security	11,222	9,443
Accruals and deferred income	52,141	3,012
Miscellaneous creditor	64,792	-
	<u>154,033</u>	<u>28,882</u>

8 Creditors: amounts falling after more than one year

	<u>2016</u> £	<u>2015</u> £
Subordinated loan notes	30,000	30,000

The £30,000 6% fixed rate unsecured subordinated loan notes due 2018 were issued on 1 October 2012. The earliest repayment of the notes is 30 June 2018.

PAR FUND MANAGEMENT LIMITED

Notes to the financial statements for the year ended 31 March 2016

9 Called-up share capital

	<u>2016</u> £	<u>2015</u> £
Allotted, called up and fully paid		
Equity shares:		
Ordinary shares of £1 each	<u>250,000</u>	<u>25,000</u>

During the year, 225,000 ordinary shares of £1 each were issued at par value.

10 Related party transactions

Exemption has been taken under FRS 102 section 33 from disclosing group related transactions with other wholly owned subsidiaries of Par Equity Holding Limited.

11 Ultimate parent entity

Par Fund Management Limited is a wholly-owned subsidiary of Par Equity Holdings Limited (registered in Scotland SC337533).

The ultimate parent entity is Par Equity LLP, which is registered in Scotland (SO301563) and holds 89.9% of the issued share capital of Par Equity Holdings Limited.

12 Transition to FRS 102

The company made the transition to FRS 102 from previously extant UK GAAP as at 1 April 2014. The transition to FRS 102 has had no impact on Shareholders' Funds as at 1 April 2014 or 31 March 2015, nor on the profit and loss for the year ended 31 March 2015.