

PAR FUND MANAGEMENT LIMITED

Company registration number SC338649 (Scotland)

Financial Statements

For the year ended 31 March 2020



PAR FUND MANAGEMENT LIMITED

Financial statements for the year ended 31 March 2020

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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 Audit Services
Exchange Place 3
Semple Street
Edinburgh
EH3 8BL

Bankers

Adam & Company
25 St Andrew Square
Edinburgh
EH2 1AF

PAR FUND MANAGEMENT LIMITED**Strategic Report for the year ended 31 March 2020**

The directors present the Strategic Report of the company for the year ended 31 March 2020.

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 II LP, Par Residential Investments III LP, Par Forestry Partners LP and the Par EIS Fund. It also provides investment services to the Par Investor Network, whose members make venture capital investments on a self-advised basis as business angels and represent the company's private client investment base.

The company earns investment management fees in respect of discretionary and non-discretionary investment management mandates. It also 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 EIS Fund on reaching the applicable performance trigger.

Turnover decreased by 2% to £1,360,283 (2019: £1,393,004). Fee income from residential property investment funds decreased to £173,996 (2019: £260,433) reflecting an increase in Fund distributions during the year. Fee income from Par Forestry Partners LP increased to £142,523 (2019: £132,742) following further inflows of £1,215,269 during the year. The fund is now closed to new investors and, following the end of its investment period, fees payable to the company will drop to a reduced rate reflecting the reduced workload involved in looking after the fund's portfolio once all the asset acquisitions have completed. Venture capital fees were £735,812 (2019: £799,046), a decrease of 8%, representing a small fall in the level of capital deployment during the year. EIS Fund fees have increased to £127,599 (2019: nil) reflecting the increase in capital commitments into the EIS Fund. Performance related fees of £17,273 (2019: nil) have been recognised. Shortly before the year end, the company signed an investment management agreement with British Business Investments Limited, pursuant to which the company was appointed as discretionary investment manager for a £15 million allocation from the Regional Angel Fund, an investment programme administered by British Business Investments Limited.

The company generated a surplus after tax of £5,560 (2019: £5,500).

The directors are closely monitoring the situation with regards to COVID-19 and the effects it could have on investors, the staff and the company's financial stability. All venture capital investments expected to be made post year end have successfully closed. Further investments are forecast with currently no significant decline in activity noted, so the government furlough scheme has not been required. The company's cash position is reported weekly to the directors.

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 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 monitoring 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.

PAR FUND MANAGEMENT LIMITED

Strategic Report for the year ended 31 March 2020

In accordance with the Capital Requirements Directive, Pillar 3 disclosures in respect of risk, capital and related management procedures are available from the Par Equity website at www.parequity.com. As part of the company's ongoing regulatory capital management strategy, the existing Tier 2 capital, £160,000 of unsecured subordinated loan notes, was retired and £300,000 new unsecured subordinated loan notes were issued following the year end, resulting in a net strengthening of regulatory capital of £140,000.

Future developments

The company is focused on increasing its assets under management and thus its revenues through continued growth of the Par Investor Network and the Par EIS Fund. Support from the Par Investor Network has remained strong through the Coronavirus pandemic whilst the impact on the Par EIS Fund is being closely monitored with the overall impact expected to be clearer into quarter three of the next financial year. Investment into new and existing portfolio companies continues and the forecast towards the end of 2020 is positive.

Key performance Indicators

The directors consider that the company's key performance indicators for the company are investment performance and capital position.

This report was approved by the board on 21 July 2020 and signed on its behalf by:

DocuSigned by:

Paul Munn

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Paul Munn
Director

PAR FUND MANAGEMENT LIMITED

Directors' Report for the year ended 31 March 2020

The directors present their report and the financial statements of the company for the year ended 31 March 2020.

Results and dividends

The results for the year are shown on the Statement of Income and Retained Earnings on page 9. The profit for the year after taxation was £5,560 (2019: £5,500).

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.

PAR FUND MANAGEMENT LIMITED

Directors' Report for the year ended 31 March 2020

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

The appointed auditor, Scott-Moncrieff, tendered their resignation during 2019 and were replaced by Scott-Moncrieff Audit Services. Scott-Moncrieff Audit Services have expressed their willingness to continue in office as auditor and will be proposed for re-appointment at the Annual General Meeting.

This report was approved by the board on 21 July 2020 and signed on its behalf by:

DocuSigned by:

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Paul Munn
Director

PAR FUND MANAGEMENT LIMITED

Independent Auditor's Report to the Shareholders of Par Fund Management Limited

Opinion

We have audited the financial statements of Par Fund Management Limited (the 'company') for the year ended 31 March 2020 which comprise the Statement of Income and Retained Earnings, the Balance Sheet, the Statement of Cash Flow and 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 FRS 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 company's affairs as at 31 March 2020 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.

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 company 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 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 audit opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate, or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example the ongoing effect of COVID-19 on financial stability worldwide is ever-changing and therefore it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

PAR FUND MANAGEMENT LIMITED

Independent Auditor's Report to the Shareholders of Par Fund Management Limited

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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.

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.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

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.

Responsibilities of directors

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

PAR FUND MANAGEMENT LIMITED

Independent Auditor's Report to the Shareholders of Par Fund Management Limited

In preparing the financial statements, the directors are responsible for assessing the company'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 directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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.

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

Use of our report

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.

Gareth Magee, Senior Statutory Auditor

For and on behalf of Scott-Moncrieff Audit Services, Statutory Auditor
Exchange Place 3
Semple Street
Edinburgh
EH3 8BL



21 July 2020

PAR FUND MANAGEMENT LIMITED

Statement of Income and Retained Earnings for the year ended 31 March 2020

	<u>Notes</u>	<u>2020</u> £	<u>2019</u> £
Turnover	3	1,360,283	1,393,004
Administrative expenses		<u>(1,342,146)</u>	<u>(1,374,843)</u>
Operating profit	4	18,137	18,161
Interest receivable		223	191
Interest payable		<u>(12,800)</u>	<u>(12,852)</u>
Profit on ordinary activities before taxation		5,560	5,500
Taxation on profit on ordinary activities	5	<u>-</u>	<u>-</u>
Profit for the financial year		5,560	5,500
Retained earnings at 1 April		142,661	137,161
Retained earnings at 31 March		<u>148,221</u>	<u>142,661</u>

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

The notes on pages 12 to 16 form part of these financial statements.

PAR FUND MANAGEMENT LIMITED

Balance Sheet at 31 March 2020

	<u>Notes</u>	<u>2020</u> £	<u>2019</u> £
Fixed assets			
Office equipment	6	-	-
Current assets			
Debtors	7	500,497	623,589
Cash at bank and in hand		165,806	83,212
		<u>666,303</u>	<u>706,801</u>
Creditors: amounts falling due within one year	8	<u>(108,082)</u>	<u>(154,140)</u>
Net current assets		<u>558,221</u>	<u>552,661</u>
Total assets less current liabilities		<u>558,221</u>	<u>552,661</u>
Creditors: amounts falling after more than one year	9	<u>(160,000)</u>	<u>(160,000)</u>
Net assets		<u><u>398,221</u></u>	<u><u>392,661</u></u>
Capital and reserves			
Called up share capital	10	250,000	250,000
Profit and loss account		148,221	142,661
Shareholders' funds		<u><u>398,221</u></u>	<u><u>392,661</u></u>

The financial statements were authorised for issue by the board of directors on 21 July 2020 and signed on its behalf by:

DocuSigned by:

Paul Munn

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Paul Munn
Director

Company Registration No: SC338649

The notes on pages 12 to 16 form part of these financial statements.

PAR FUND MANAGEMENT LIMITED

Statement of Cash Flows for the year ended 31 March 2020

	<u>2020</u>	<u>2019</u>
	£	£
Cash flows from operating activities		
Profit before taxation	5,560	5,500
Adjustments for:		
Interest received	(223)	(191)
Interest paid	12,800	12,852
Decrease in debtors	123,092	39,471
Decrease in creditors	<u>(46,058)</u>	<u>(156,294)</u>
Net cash flow from operating activities	95,171	(98,662)
Cash flows from investing activities		
Interest and similar income received	<u>223</u>	<u>191</u>
Net cash flow from investing activities	223	191
Cash flows from financing activities		
Interest paid	<u>(12,800)</u>	<u>(12,852)</u>
Net cash flow from financing activities	(12,800)	(12,852)
Net decrease in cash and cash equivalents	82,594	(111,323)
Cash and cash equivalents at beginning of the year	<u>83,212</u>	<u>194,535</u>
Cash and cash equivalents at the end of the year	<u><u>165,806</u></u>	<u><u>83,212</u></u>

The notes on pages 12 to 16 form part of these financial statements.

PAR FUND MANAGEMENT LIMITED

Notes to the Financial Statements for the year ended 31 March 2020

1 General information

Par Fund Management Limited (the “company”) is a private limited company limited by shares and registered in Scotland with the company number SC338649.

The presentational currency of the financial statements is the British pound (GBP), which is consistent with the functional currency of the company.

The principal activity of the company is noted on page 2.

2 Accounting policies

(a) *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. In adopting the going concern policy the directors have placed reliance on continued support from the parent company in managing inter-company charges.

(b) *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 2020.

(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.

(d) *Turnover*

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

(e) *Current and deferred taxation*

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Income and Retained Earnings, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates income.

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.

PAR FUND MANAGEMENT LIMITED

Notes to the Financial Statements for the year ended 31 March 2020

2 Accounting policies (cont'd)**(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.

(g) Cash and cash equivalents

Cash and cash equivalents in the Balance Sheet and Statement of Cash Flows comprise cash at bank and short term deposits with an original maturity date of three months or less.

(h) Financial instruments

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) 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.

3 Turnover

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

4 Operating profit

This is stated after charging:

	<u>2020</u>	<u>2019</u>
	£	£
Auditor's remuneration - audit fee	9,465	8,466
Auditor's remuneration - fees for non-audit services	2,987	4,750

PAR FUND MANAGEMENT LIMITED

Notes to the Financial Statements for the year ended 31 March 2020

5 Taxation on profit on ordinary activities

	<u>2020</u> £	<u>2019</u> £
Analysis of tax result for the year:		
UK corporation tax result		
Adjustments in respect of previous years	-	-
	<u>-</u>	<u>-</u>
Current tax result	-	-
	<u>-</u>	<u>-</u>
Factors affecting tax result for the year:		
Profit on ordinary activities for the year	5,560	5,500
Tax on profit on ordinary activities at standard corporation tax rate of 19% (2019: 19%)	1,056	1,045
Effects of:		
Prior year over-provisions	-	(48)
Expenses not deductible for tax purposes	57	5,567
Capital allowances in excess of depreciation	-	-
Group relief	(1,113)	(6,564)
Other adjustments	-	-
	<u>-</u>	<u>-</u>
Current tax result for the year	-	-
	<u>-</u>	<u>-</u>

6 Fixed assets - office equipment

	Office Equipment £
Cost	
At 1 April 2019	8,603
Disposals during the year	-
	<u>-</u>
At 31 March 2020	8,603
Accumulated depreciation	
At 1 April 2019	8,603
Disposals during the year	-
	<u>-</u>
At 31 March 2020	8,603
Net book value	
At 31 March 2020	-
	<u>-</u>
At 31 March 2019	-
	<u>-</u>

PAR FUND MANAGEMENT LIMITED

Notes to the Financial Statements for the year ended 31 March 2020

7 Debtors

	<u>2020</u> £	<u>2019</u> £
Trade debtors	59,067	69,568
Amounts owed by group undertakings	412,222	528,168
Prepayments and accrued income	15,167	6,878
Other debtors	14,041	18,975
	<u>500,497</u>	<u>623,589</u>

8 Creditors: amounts falling due within one year

	<u>2020</u> £	<u>2019</u> £
Trade creditors	16,175	38,220
Amounts owed to group undertakings	8,400	10,872
Other tax and social security	18,856	20,476
Accruals and deferred income	64,304	84,377
Other creditors	347	195
	<u>108,082</u>	<u>154,140</u>

9 Creditors: amounts falling after more than one year

	<u>2020</u> £	<u>2019</u> £
Subordinated loan notes	<u>160,000</u>	<u>160,000</u>

Subordinated loan notes comprise of £160,000 of 8% fixed rate unsecured subordinated loan notes due 2026. Unless redeemed, the earliest repayment of the notes is 30 November 2026.

10 Called-up share capital

	<u>2020</u> £	<u>2019</u> £
Allotted, called up and fully paid		
Equity shares:		
Ordinary shares of £1 each	<u>250,000</u>	<u>250,000</u>

PAR FUND MANAGEMENT LIMITED

Notes to the Financial Statements for the year ended 31 March 2020

11 Financial instruments

	<u>2020</u>	<u>2019</u>
	£	£
Financial assets		
Financial assets held at amortised cost	<u>651,136</u>	<u>699,923</u>
Financial liabilities		
Financial liabilities held at amortised cost	<u>227,479</u>	<u>287,627</u>

Financial assets measured at amortised cost comprise cash at bank, trade debtors, amounts owed to group undertakings and other debtors.

Financial liabilities measured at amortised cost comprise trade creditors, amounts owed to group undertakings, accruals, other creditors and subordinated loan notes.

12 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 Holdings Limited.

13 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 89.6% of the issued share capital of Par Equity Holdings Limited.

14 Key management personnel compensation

The directors, who are the Company's only key management personnel, received £60,000 (2019: £60,000) in respect of their services provided to the company from the parent, Par Equity Holdings Limited, during the year.