Editor
Martin Churchill
BSc (Econ) FCA

February 2020

Tax Efficient Review

Issue No:	381
Product:	Par EIS Fund
Tax Status:	Enterprise Investment Scheme
Fund Group:	Par Fund Management Limited

www.taxefficientreview.com

RISK WARNINGS AND DISCLAIMERS

This communication is provided for informational purposes only. This information does not constitute advice on investments within the meaning of Article 53 of the Financial Services and Markets Act (Regulated Activities) Order 2001. Should investment advice be required this should be sought from a FCA authorised person.

The information and opinions expressed and contained in Tax Efficient Review ("TER") are proprietary to TER and are not intended to represent investment advice or recommendation to buy or sell any security. TER is not responsible for any damages or losses arising from any use of this information.

GENERAL RISK WARNINGS

Your attention is drawn to the following risk warnings which identify some of the risks associated with the investments which are mentioned in the Review:

Fluctuations in Value of-Investments

The value of investments and the income from them can go down as well as up and you may not get back the amount invested.

Suitability

The investments may not be suitable for all investors and you should only invest if you understand the nature of and risks inherent in such investments and, if in doubt, you should seek professional advice before effecting any such investment.

Past performance

Past performance is not a guide to future performance.

Legislation

Changes in legislation may adversely affect the value of the investments.

Taxation

The levels and the bases of the reliefs from taxation may change in the future. You should seek your own professional advice on the taxation consequences of any investment.

ADDITIONAL RISK WARNINGS

Enterprise Investment Schemes

1. EIS companies are unquoted
2. The value of EIS Shares can fluctuate and Investors may not get back their investment;
3. There is no market for EIS Shares and Shareholders may not be able to realise their shareholding unless the EIS company is sold or floated on a recognised Stock Exchange. Dividends may not be paid.
4. Potential Investors should consider that past performance of the EIS Manager is no indication of future performance and there can be no guarantees that the EIS Company will meet its objectives.
5. Investment in unquoted companies can offer good investment returns, but, by its uncertain nature involves a much higher degree of risk than investment in a quoted portfolio.
6. Whilst it is the intention of the EIS Directors that the EIS company will be managed so as to qualify as an EIS, there can be no guarantee that it will maintain such status. A failure to qualify could result in the Company losing the tax reliefs previously obtained, resulting in adverse tax consequences for Investors, including a requirement to repay the 30 per cent. income tax relief.
7. Levels and bases of, and relief from, taxation are subject to change. Such changes could be retrospective.
8. A company can raise no more than £5m in any 12 month period after 5 April 2012 from any or all of the Enterprise Investment Scheme, the Corporate Venturing Scheme and Venture Capital Trusts.
9. The 2015 Finance No2 Act made the following changes:
   - The 'age limit' of an investee company must be less than seven years (but ten years for 'knowledge intensive' companies)
   - The 'lifetime limit' of tax advantaged funds that an investee company can receive is £12 million (but £20 million for 'knowledge intensive companies)
   - Since 6 April 2012 it has not been possible to fund management buyout (MBO) transactions using EIS money or VCT funds raised after that date. That rule also affects buy and build strategies and EIS money cannot be used to acquire shares in another company or the trade of another company (including goodwill and other intangibles).
10. Autumn Statement 2017 - from Royal Assent of Finance Bill 2017-18, a principles-based test will be introduced into the tax-advantaged venture capital schemes area. Tax-motivated investments, where the tax relief provides all or most of the return for an investor with limited risk to the original investment (i.e. preserving an investors' capital) will no longer be eligible. The new test will ensure that the schemes are focused towards investment in companies seeking investment for their long-term growth and development. The new test will not affect independent, entrepreneurial companies seeking to expand. Anew 'risk to capital' condition depends on taking a 'reasonable' view as to whether an investment has been structured to provide a low risk return for investors. The condition has two parts: whether the company has objectives to grow and develop over the long-term (which mirrors an existing test with the schemes); and whether there is a significant risk that there could be a loss of capital to the investor of an amount greater than the net return

Tax Efficient Review is published by
Tax Efficient Review Ltd
35 The Park
London
NW11 7ST
Tel: +44 (0)20 8458 9003

Scheme Type	Unapproved EIS Fund
Business	Investing in innovative UK growth companies with a focus on opportunities in the North
Size	Unlimited
Promoter	Kin Capital Ltd
Fund Manager	Par Fund Management Limited
Minimum Subscription	£20,000
Minimum to proceed	None
Custodian	Kin Capital Partners LLP
Closing date	Evergreen
Facilitation payment	The Manager can facilitate payment of adviser charges as agreed between investor and adviser
Commission	Adviser charges (both initial and ongoing) can be facilitated

Table 1: Tax Efficient Review summary of offering Pros and Cons

PROS	CONS
• A track record of a significant number of EIS investments made to date with several profitable exits	• Investments to date have been relatively small in size and increasing AUM will see if earlier successes can be replicated
• Relatively low fees and a good hurdle rate before the performance fee kicks in	• Average investee company size to date has been relatively small compared to the EIS peer group
• Small Team of investment managers who have worked together for many years	• Flexible co-investment model requires careful management to reduce or eliminate potential conflicts of interest

This communication is provided for informational purposes only. This information does not constitute advice on investments within the meaning of Article 53 of the Financial Services and Markets Act (Regulated Activities) Order 2001. Should investment advice be required this should be sought from a FCA authorised person.

Key Information Document (KID):

Any investor looking to invest into an EIS must be furnished with a Key Information Document (KID). In the opinion of Tax Efficient Review, the use of KIDs when comparing EIS offers is not straightforward as EISs do not easily lend themselves to the prescriptive handling required by the Packaged Retail and Insurance-based Investment Products (PRIIPs) Regulations.

Rule changes:

The Finance Act 2017-19 contained important changes to the EIS rules regarding the types of companies which would qualify for EIS relief. The Act introduced a principles-based test for assessing which companies would qualify for EIS/VCT tax relief. The effect of this test is that tax-motivated investments, where the tax relief provides most, or all, of the return for an investor, or if there is limited risk to the original investment, will no longer be eligible. The test does not affect independent, entrepreneurial companies seeking to expand.

Now that the new rules have had time to bed in, what this means for investors and their advisers is that significant risk has to be taken on when investing in EIS companies. Asset-based EIS companies, in which a company traded from a property and which provided a degree of downside mitigation, now longer qualify for EIS relief. Consequently, a number of EIS managers have had to significantly change their investment process over the past two years from asset backed investments to those focussed on growth companies.

Adviser/client relationship

In BR & EIS market there are two arrangements for the Discretionary Fund Manager/Adviser/Client relationship.

- The 'agent as client' model whereby:
  - the adviser establishes themselves as the client of the DFM
  - there is no direct contact between the DFM and the end investor
  - the financial planner assumes all responsibility for suitability
- "Reliance on others" whereby:
  - both the financial planner and DFM have a legal and regulatory duty of care to the same client.
  - a third-party DFM can treat the adviser as a professional client. This mean they could make investment decisions that are only suitable for professional clients, but not suitable for the end retail client.

Par Fund Management Limited tells us that it operates the "Reliance on others" model.

Classification

Tax Efficient Review, in the light of the changes to the EIS rules, has had to amend how it segments the EIS market. In previous years, the market could be split between those EIS managers seeking growth, and the asset backed EIS managers seeking lower returns. This classification no longer applies due to the new EIS rules.
We currently classify EIS managers using the following three categories:

1. Established EIS managers with a track record in growth return EIS investments (e.g. Draper, MMC, Parkwalk)
2. Established EIS managers who have had to change their investment strategy to making growth return investments (e.g. Puma, Great Point Media)
3. Newer EIS managers who make growth return EIS investments, but are without a significant track record of exiting these investments

When considering what constitutes a relevant EIS investment for track record purposes, we include all investments made into companies selected by the manager by:

- the manager using EIS funds raised
- the manager using discretionary funds it manages
- employees of the manager (eg investment team) who claim EIS relief
- any outside investors who are part of a network of business angel co-investors run by the manager and who claim EIS relief

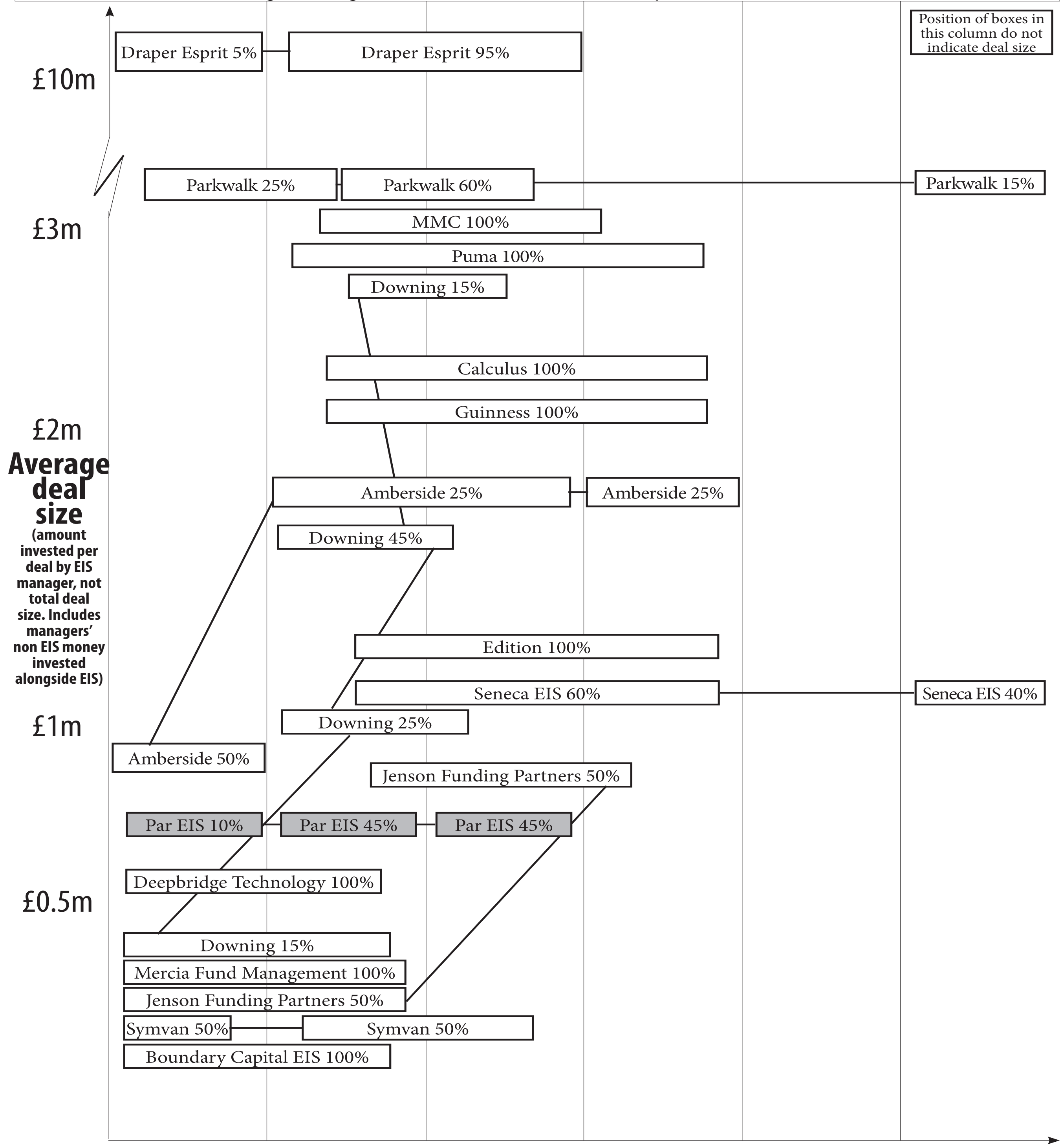
Selected companies are those:

- which were EIS qualifying at the time of investment
- where the share structure of the investment made would have been EIS qualifying
- where the investment would meet the current EIS strategy
- more importance is attached to exits

TER classify the Par EIS Fund offer as "EIS Growth fund from an established provider with track record".

Diagram 1: Investment strategies of main Growth EIS managers raising funds in 2019/20

Source: Fund Managers (% figures refer to funds invested in companies, not funds raised) 16/11/2019



Seed capital/ Early stage	Pre-Profit / Post-Profit Early Stage High Growth and Development capital	Later Stage Development Capital Deals	Asset backed opportunities	AIM stocks
- high risk with hopefully high return - all equity investment - should have potential for rapid growth	- should have potential for rapid growth and exit within 3-5 years - usually no bank debt because of lack of assets for security and companies may not be able to support interest payments - focus on high growth market sectors in which company growth should be less dependent on the performance of the whole economy	- relatively low returns but should be lower risk - companies usually profitable - companies should be able to sustain loan interest payments - profitable companies seeking capital for expansion	- low return and should be low risk - should be able to support interest on debt	-some stocks are dividend paying - limited liquidity - potential volatility

Review Process

Tax Efficient Review has enhanced the contents of the EIS reviews to focus more on the areas of investment performance and underlying fees. To increase the comparison of performance, we now include Table 3 which detail and amalgamates how many investments the EIS manager has held across the following categorisations:

1. **Exited above cost** (EAC - creating a profit for investors)
2. **Exited below cost** (EBC – creating a loss for investors)
3. **Completely written-off** (CWO – resulting in no return for investors)
4. **Partial Exit (Part)**
5. **Still Held** (SH)

We have also asked EIS managers being reviewed whether any performance fee has been earned on any of their EIS investments. This is typically 24% of the total return in excess of the full amount of an investor's original contribution into an EIS company, and is a key metric of successful exits and satisfied investors.

Structure

This offering is classified by the provider as a non-UCIS discretionary managed investment service. TER by reviewing the product does not validate, ratify, endorse or confirm its classification.

Advance Assurance

Companies that are hoping to attract subscriptions under the EIS can seek an assurance from HMRC, in advance of inviting applications for shares, to the effect that it is accepted that the conditions of the scheme will be satisfied. The response to a request for an assurance will take the form of a statement as to whether, on the basis of the information provided, HMRC would be able to authorise the company to issue certificates under ICTA/S306 (2) or ITA/S204 in respect of the shares to be issued, following receipt of a form EIS1 satisfactorily completed. For this Fund, we are told that no investment will be made into a company unless advance assurance has been received prior to the date of investment.

The Par EIS Fund is an unapproved fund so tax relief will only be available from the date of the underlying EIS investments. The risk for investors in an unapproved fund is that they cannot be sure how much tax relief will be available in a certain tax year, as it is driven by the investment rate of the provider, nor when they will become fully invested. Please note Tax Efficient Review does not give tax advice.

The Par EIS Fund programme has been managed from inception in 2012 by Par Equity, which is independently regulated and authorised by FCA.

The Offer

This is the first review of the Par EIS Fund by Tax Efficient Review. The investment focus of the Par EIS Fund is on EIS qualifying companies which have the following characteristics:

- The Fund is focused on innovative companies. These are companies which are developing new technologies for sale or using advances in technology to disrupt existing markets.
- At revenue or significantly generating revenue
- Predominantly business to business ("B2B") companies
- Companies typically in NE England, Scotland and Northern Ireland, avoiding expensive locations or high overhead bases

This EIS Fund aims to offer investors a spread of 6-8 companies (with a minimum of 5 companies) per investment tranche, with the aim of full deployment within 12 months. The historical average has been 7-8 companies per investor and an average deployment time of 10.2 months. Diagram 1 shows where Par Equity sit in relation to their EIS peer group in terms of the size and stage of development of EIS company they tend in invest into.

The team at Par Equity started working together in 2008 and started off as a network of approximately 80 business angels who would club together to fund investments in companies of interest. This network acts as an important source of deal flow, accounting for 33% of new opportunities received in 2019.

Par have been making EIS qualifying investments since 2009, but the EIS Fund was not launched until 2012. The effect of this is that Par have only raised £10m from retail EIS Fund investors (from £305,000 in calendar year 2012 rising to £4.3m in calendar year 2019) but the IM on page 5, which includes Par's total performance since 2009, claims:

- there is £180m invested in the "portfolio", funded £48m from "Par Equity", £110m from "third parties" and £22m from "authorised co-investment partner"
- £56m "returns for Par Investors" from 18 exits

We reconcile these figures below under Track Record, but part of the difference is down to the management team at Par having developed a partnership with the Scottish Investment Bank ("SIB"). This is unusual for a "State" investment bank in that it takes pure equity stakes in the underlying companies it backs, as opposed to the usual "cheap" loans. Par can draw down up to an equivalent amount of the investment from the SIB that they are investing from the EIS Fund and their network of business angel co-investors. The SIB then also stands pari passu with the other investors, in that they participate in the same upside on success exits and in any losses which are incurred.

Two key differentiators of Par's investment strategy is that Par is an experienced investor in the North of the UK, where nearly 90% of their 57 investments to date are located. Par claim that few other EIS Fund managers have focused on the North as much as they have and that they are able to attract opportunities at lower valuations as a result. Secondly, over the past 11 years Par has developed an investor network of 200 members, who assist Par with deal flow, due diligence, portfolio management and exit management. Indeed, 70% of the 39 live portfolio companies have appointed members of Par's investor network to their boards.

Table 2: Par EIS Funds under management Source: Par Fund Management Limited, December 2019

	Net assets £m	Annual administration fee	Still to be invested £m	Notes
EIS FUNDS				
Par EIS Fund	£7.40	£53,696	£1.50	
NON EIS funds than can co-invest with EIS Funds				
Par Syndicate	£32.00	See Notes		Not a fund, fee income primarily transactional
Par Innovation Fund	£2.00			Fully-invested in 2012. In exit mode.
Scottish Investment Bank	£17.00			Not a fund, fee income entirely transactional
NON EIS funds than cannot co-invest with EIS Funds				
Par Residential Investments II LP	£3.00	See Notes		Fully-invested, capital being returned
Par Residential Investments III LP	£19.00			Fully-invested, capital being returned
Par Forestry Partners LP	£5.50			Fund reached final close in December 2019. Investment Period nearing completion
Forestry Partnership 1	£2.60			Fully-invested
TOTAL	**£88.46m**		**£1.5m**	

Par EIS Fund

The historical deal size on average of the EIS Fund investments made by Par has been below £200,000, which is relatively small compared to their peer group, but this has been a function of growing AUM from a small start. However, Par has advised us that in 2019 the average of new investments made by the EIS Fund were at the £300,000 mark and that as they start to gain traction, they say they will look to make EIS investments of £750,000, as part of a larger total deal size of £2-3m on average.

The other participants to help them get to this level being the SIB and the Par Equity co-investor network of business angels. Par has advised us that they have the ability to scale back SIB and the co-investor network, in favour of the Par EIS Fund, enabling some flexibility in their fundraising and deployment strategy.

Par typically lead the investee deals and insist on a board seat on investee companies. This board seat may be held by a partner of Par, or a close member of the co-investor network if they have a particular specialism in the area of the investee company. Par is a small EIS player at present. Looking at 2019 investments, only £3.3m was from EIS fund investors, £5.4m from other Par investors and £3.3m was from the Scottish Investment Bank.

Dealflow of potential investee companies has, historically, come from Par Equity's investor network members but Par say that over more recent years they have been approached directly by companies and corporate financiers, as they have been based in Dublin Meuse in Edinburgh for 10 years. The investment team meets on a weekly basis to review new opportunities, and reject the following sectors:

- No drug discovery or expensive pharma companies
- No games publishing
- Typically avoid business to consumer companies and prefer business to business companies
- Companies based in the south with unattractive price expectations

Track Record/Performance

Performance measurement in the Generalist EIS area is difficult to measure and this is down to a number of factors:

- Generalist EIS providers have moved away from raising funds in tranches where all investors received holdings in the same set of investee companies (and where performance of the set of companies could be measured) and have moved to multiple closings. This means that investors have more individual portfolios.
- Some providers are reluctant to provide data on individual portfolio performance claiming that, in some instances, poor performance can be down to pressure from investors to invest quickly and therefore ending up with little diversification which can lead to poor performance.
- With very few exits, performance becomes driven by manager valuation of unquoted holdings.
- There are multiple variations to performance measurement, for instance methodology (Internal Rate of Return, multiple of cost) and whether fees and tax breaks can be included or excluded from the calculation.

As part of our review process, we compile a performance measure as follows:

- Initially it will be based on investment cash flows to provide a current valuation compared to initial cost.
- The data will be compiled by year of investment.
- Follow-on investments will be shown in the year the follow-on investment is made, whereas in the Holdings table any follow-on investment is included in the initial cost figure.
- Fees and tax breaks will not be accounted for.
- The output will be a table showing, for each year of investment since 2013, figures for "Cost", "Total Value (Realised & Unrealised)" and "Gross Multiple of investments purchased in the year" as a % of Cost.

Table 3 (1 of 2): Summary of EIS Performance by Year - Gross multiple of investments purchased in the year

Source: Annual numbers of investments include new and follow-on, Return calculations from providers, analysis by Tax Efficient Review 02/01/2020

	Boundary Capital as at 31/08/2019		Calculus as at 31/12/2019		Deepbridge as at 20/11/2019		Downing as at 30/06/2019		Draper Esprit as at 30/04/2019	
2013			0.65x	↓	2.56x	–			2.47x	↑
			12 (1 EAC, 3 CWO, 7 SH, 1 PART)		3 (1 SH, 1 EAC, 1 PART)				10 (4 EAC, 2 CWO, 3 SH, 1 PART)	
2014	2.41x	↓	1.72x	↑	2.13x	–	1.93x	↑	2.01x	↑
	4 (1 EAC, 1 CWO, 2 SH)		16 (5 CWO, 10 SH, 1 PART)		4 (2 SH, 1 EAC, 1 PART)		7 (1 CWO, 6 SH)		10 (1 EAC, 2 EBC, 1 CWO, 6 SH)	
2015	1.15x	→	1.39x	↑	2.37x	–	1.26x	↑	2.70x	↓
	4 (1 CWO, 3 SH)		13 (2 EAC, 3 CWO, 7 SH, 1 PART)		6 (4 SH, 1 EAC, 1 PART)		20 (1 EAC, 4 CWO, 15 SH)		13 (3 EAC, 1 EBC, 1 CWO, 8 SH)	
2016	0.96x	↓	0.57x	↓	2.34x	–	1.20x	→	4.19x	↑
	4 (4 SH)		12 (1 EBC, 1 CWO, 10 SH)		7 (5 SH, 1 EAC, 1 PART)		21 (1 EBC, 1 CWO, 19 SH)		6 (6 SH)	
2017	0.97x	→	1.34x	→	1.25x	–	1.21x	→	1.84x	↑
	4 (01 CWO, 3 SH)		14 (1 EAC, 1 EBC, 1 CWO, 11 SH)		11 (10 SH, 1 PART)		29 (29 SH)		8 (1 EAC, 7 SH)	
2018	1.00x	–	0.96x	–	1.23x	–	1.05x	–	1.40x	–
	2 (2 SH)		14 (1 EBC, 13 SH)		13 (13 SH)		23 (23 SH)		14 (14 SH)	
2019		–	1.14x	–		–	1.00x	–		–
			10 (10 SH)				12 (12 SH)			

Table 3 (2 of 2): Summary of EIS Performance by Year - Gross multiple of investments purchased in the year

Source: Annual numbers of investments include new and follow-on, Return calculations from providers, analysis by Tax Efficient Review 03/01/2020

	Jenson as at 30/09/2019		Mercia as at 30/09/2019		MMC as at 30/09/2019		Parkwalk as at 22/11/2019		Par as at 24/12/2019	
2013			1.74x	↑	1.45x	↓	2.11x	→	3.17x	–
			6 (1 CWO, 1 EBC, 2 PART, 4 SH)		10 (3 EAC, 5 CWO, 2 SH)		19 (4 EAC, 1 CWO, 2 PART, 12 SH)		5 (1 EAC, 1 CWO, 2 SH)	
2014			2.26x	↑	1.45x	↓	1.77x	↓	2.29x	–
			10 (2 CWO, 2 PART, 9 SH)		9 (2 EAC, 2 CWO, 5 SH)		24 (2 EAC, 1 EBC, 3 CWO, 1 PART, 17 SH)		4 (4 SH)	
2015	1.90x	–	0.88x	↓	1.36x		2.17x	↑	1.45x	–
	5 (4 SH, 1 CWO)		17 (5 CWO, 12 SH)		12 (1 EAC, 3 CWO, 8 SH)		35 (4 EAC, 2 EBC, 1 PART, 2 CWO, 26 SH)		4 (1 CWO, 3 SH)	
2016	1.56x	–	1.21x	↑	1.79x	↑	1.70x	↑	1.11x	–
	6 (1 CWO, 5 SH)		27 (4 CWO, 23 SH)		10 (2 EAC, 2 CWO, 6 SH)		37 (1 EAC, 1 PART, 1 CWO, 34 SH)		4 (1 EBC, 3 SH)	
2017	0.81x	–	0.88x	↓	1.13x	→	1.15x	↑	0.91x	–
	6 (1 CWO, 5 SH)		13 (1 CWO, 12 SH)		12 (1 EAC, 3 CWO, 8 SH)		34 (34 SH)		7 (7 SH)	
2018	1.38x	–	1.15x	–	1.10x	–	1.13x	–	0.89x	–
	6 (6 SH)		21 (21 SH)		15 (2 CWO, 13 SH)		58 (1CWO, 57SH)		7 (7 SH)	
2019		–		–		–		–	1.00x	–
									13 (13 SH)	

IMPORTANT NOTE: The main constituent in the valuation is the manager's view of their investments (as there are few exits) - where an investee company is still held then the manager has provided the valuation. As a result of this element of discretion, valuations can vary materially, so a detailed analysis of the manager's valuation methodology is recommended in order to make meaningful comparisons.

HOW TO READ THIS TABLE: This table seeks to provide some performance data related to unquoted investments made by the EIS managers in each calendar year. It does not imply that all investors investing in the calendar year received holdings in each investee company so it will not reflect individual portfolio performance.

Gross Valuation multiple → 1.23x ↑ ← Direction of travel from gross multiple calculated a year ago ↓= Down indicates valuations have declined at least 5% over last year ↑= Up indicates valuations have improved at least 5% over last year →= Less than 5% change from last year –= No previous data or no previous TER review

10(1 EBC,2 CWO,,7 SH) ← Number of investments and current status **CWO** Complete Write-off where proceeds are less than 5% of cost **EAC** Exit Above Cost **EBC** Exit Below Cost **PART** Partial Exit **SH** Still Held

Provider fees have not been accounted for nor have any EIS tax breaks such as up-front tax relief or Loss Relief.

For each calendar year in column 1, the numbers in columns for each provider show the current value of all the investments made by the provider in that year followed by the number of holdings. So for example, a figure of 1.4x means that the value of the investments made that year are now valued by the manager at 1.4 times cost. A figure below 1 means the current value has declined below cost. As this is not the first year we are producing the table, the arrows indicate the direction of travel of the valuations either up, down or no change.

Past performance is no guide to future performance

Par EIS Fund

The data will help to compare performance between providers but suffers from the following restrictions:

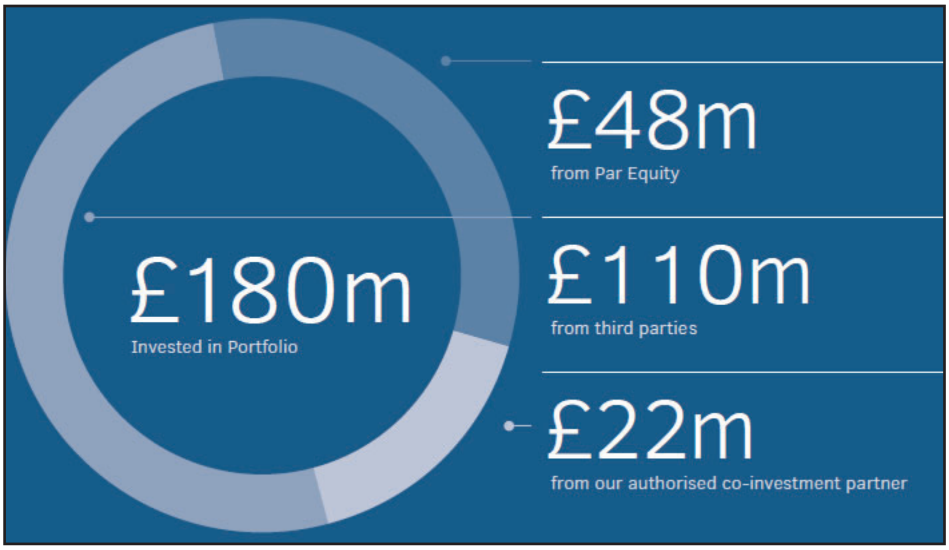
- The performance measure will not reflect any individual investor unless they happened to participate in all investments made by the provider in any one calendar year and in exactly the same proportions.
- Individual performance will need to reflect fees which will not be included in the measurement and so the TER measure will show a higher return number.
- The measure will be heavily dependent upon provider valuations of current holdings.
- It will not differentiate between performance based on realisations and that based on provider valuation of holdings.
- It will not recognise early return of capital in the way that an Internal Rate of Return based calculation does.

So what does the data show for Par?
The first question to ask is what track record data is relevant as the Information Memorandum contains a wide selection of data. Key to understanding the Par track record is to recognise it has several sources of funds for its portfolio of investments and we need to segregate out those investments that are relevant to potential EIS investors.

Par has three pools of funds available to invest in companies that it identifies as worthy of investment:

1. "Par EIS Funds" - funds invested from the EIS Fund since inception in 2012 - as at 31 December 2019 these total £7.4m.
2. "Par Other" - this includes the Par investment team/Par management and "Par Syndicate" members (a group of c.200 High Net Worth individuals who help Par with Due Diligence and also may co-invest on an execution-only basis, confusingly also referred to in the IM as the "Par Investor Network") - funds invested by this group since inception in 2009 total £41m.
3. "Scottish Investment Bank" - they have £22m co-invested with Par since inception from 2012.

Together pools 1 & 2 form the £48m slice in the pie below marked "from Par Equity". Pool 3 is the £22m marked in the IM as "authorised co-investment partner".



Excerpt from Par EIS Fund 2020 Information Memorandum page 4

The £180m invested in the "portfolio" as referred to in page 4 of the IM (reproduced above with permission) implies that Par has invested £180m in its portfolio of holdings. But this figure includes co-investors in deals, so in fact Par has only been responsible for 40% or £70m (the £48m Par Equity slice and £22m from Scottish Investment Bank called the "authorised co-investment partner") and the bulk of the £180m, £110m, has been invested by other unrelated third parties in the funding rounds. Whilst we applaud sparrows yearning to become eagles, we think stating numbers in this way is not the best way to achieve that.

Table 4: Par EIS performance comparison Source Par December 2019						
					A	**B**
Year	Number of investments	Total Invested £m	Unrealised Multiple	Realised Multiple	**Total multiple**	**EIS Fund multiple (in isolation)**
2013	8	1.7	1.28x	2.15x	**3.43x**	**3.17x**
2014	19	4.4	1.11x	1.05x	**2.17x**	**2.29x**
2015	20	4.3	1.37x	1.19x	**2.56x**	**1.45x**
2016	22	6.1	0.94x	0.15x	**1.09x**	**1.11x**
2017	20	8.2	1.07x	0.32x	**1.38x**	**0.91x**
2018	25	10.9	0.90x	0.00x	**0.90x**	**0.89x**

So in summary we believe that the two sets of figures in Table 4 are worth considering in trying to place Par's EIS performance and apart from one year (2015) the two sets of multiples are very close.
The difference in return between the two columns is that column B measures only EIS funds raised and column A adds in the EIS qualifying investments made by the Par team and "Par Syndicate" members). Any difference in return is part explained because the EIS Fund and the Par investment team/Par management/"Par Syndicate" members co-invest on most deals, except where either the deal is too early-stage for the EIS Fund or where a follow-on investment is considered to be too close to a possible exit (so that investors in later rounds might not have held shares for the minimum three years and so could lose their tax relief).

Compared to other providers (and recognising the problem with the use of manager valuations of their own holdings), Par's valuations rank from Table 3 (reproduced as column B in Table 4) are as follows:

Year	**Par EIS fund only (column B in Table 4)**
2013	First out of seven
2014	Second out of nine
2015	Sixth out of ten
2016	Eighth out of ten
2017	Eighth out of ten

Overall we think the earlier years results are good but latter years do not place Par Equity high up in their years in competition with their peers. Par disagree as they place more importance on actual funds returned to investors and comment as follows:

> *"Overall we think Par's realised returns are good, having returned more money than that invested for tax year cohorts of 2011/12 and 2012/13. Of the 5 realisations made by the EIS Fund to date, Par has sold two above cost, 1 below cost and had 2 complete write-offs. The amount returned from these 5 realisations is a total of 2.0x money invested, and an IRR of 15% ,which is in line with our benchmark return."*

However, their unrealised returns and carried value across the portfolio is not performing as well as most of their peers. In response, Par inform us that they conservatively value their holdings and will only mark up the value of a business unless there has been a new investment round at a higher price, or there is exceptionally strong evidence to justify an upwards revision. Par point to their two successful exits above cost to indicate that this is the case, with average sale price being 3.5x the holding value as at a year earlier.

Table 5 shows the valuation position for Par's current investee companies listed in Table 8. As at 31 December 2019, Par tell us that 30% by number (22% by initial cost) have been revalued upwards, 46% by number (56% by initial cost) are at cost and the balance of 21% by number (21% by initial cost) are written-down. Valuations by any manager are an art but we place more emphasis on valuations where there has been a completely arm's length new investor putting in a substantial portion of the latest funding round as they will scrutinise the valuation closely. Par tell us that 63% of the written-up unquoted holdings included a new investor (7 of 11 companies) which would provide some validation of the write up.

Since the launch of the Par EIS in 2012 the amounts invested, and the number of companies invested in each year, have increased from small beginnings, due mainly to relatively small amounts of money being raised in the early years. By comparison to the more established growth EIS managers such as Draper Esprit, Parkwalk and MMC, they are still making small investments from an EIS perspective, but the draw-down facility with the Scottish Investment Bank, and co-investment from the manager and their business angel network has helped to increase both the size of the investment and the number of companies invested in across the years.

Within the last four years, there have also been some complete write-offs within the Par EIS portfolio as well:

- RefurbThat £95,000
- Senient £111,000
- Elixir £82,000
- **TOTAL LOSS £288,000**

When considering exit and write-off/write-down data it is important to remember that the format of EIS fund raising is that EIS investors do not all share the same exposure to companies, they are only invested in the next five or so companies following the date of sending funds to Par.

As a result the number of investors involved can be quite small. Par gave us details of the number of investors in the following exits and write-offs/write-downs:

Number of EIS investors in each exit & write-down in last four years: Source Par Equity	
Exit	**Number of Par EIS investors benefitting**
PathXL	11
DeltaDNA	14
Write-down/Write-off	**Number of Par EIS investors suffering**
RefurbThat	15
Senient	14
Elixir	14

In Table 5, we ask Par for details on the exact share structure for each investment. The structure can vary from:

- Shares without any special rights
- Shares with preferential rights to receive (because of EIS rules, only upon a sale of the shares in the company but not in relation to a liquidation or a winding up) their investment back in a priority position when the exit value is low
- Shares that receive both a preferential recoupment position and also participate further after other share classes with a priority recoupment position have been satisfied (so called "Participating Preference Shares")

Par tell us that its investment philosophy in this regards is;

> *"In the vast majority of our holdings we hold ordinary shares. On some occasion an incoming institutional investor may insist on a downside liquidation preference - we only co-invest EIS funds if investing pari passu with that investor so in these circumstances we would structure an EIS compliant structure to mirror the preference share"*

The Manager

Par Equity was founded in 2008 and started life as a network of 80 business angels with four partners overseeing the due diligence of potential investee companies. The network of business angels was also the primary source of investee company dealflow in the early years.

The team then moved from business angel early stage investments towards more venture capital based investing with companies which were at or around first revenues. This, in turn, lead to the formation of the Par EIS fund in 2012. In the early years of the EIS Fund, the team at Par had a "no-follow on" investment policy, in which they would make the initial investment and see how each company fared from that point. But they have since softened their stance on this policy and they tell us that approximately 50% of their investee companies now receive some form of follow-on investment with the EIS Fund able to now make up to two investments in the same company.

The key members of the Par Equity team are in Appendix A. and Table 9 identifies the lead investment manager for each of the 2019 investments. So how does this management team size match up to the investment challenge presented by the funds under management?

Not only must an investment manager obtain deal flow but it must have a team resourced to invest at a rate that does not delay the investors from claiming their tax relief. The size of the challenge for an investment team depends on: funds already raised and requiring investing and the impact of new funds being raised. All exit proceeds will be distributed so will not require re-investing.

Overall the team at Par Equity look to be possibly small to deal with increasing AUM and investee company dealflow. The team in Table 7 spends the equivalent of 0.95 man years on deal origination and deal completion (the sum of rows "Deal origination" & "New deal doing" for team members with at least two years EIS experience which includes Paul Munn, Paul Atkinson, Andrew Castell, Robert Higginson and Andrew Noble).

Par respond that the team carried out 32 transactions in 2019. Par tell us that they have also hired a further investment manager, who will join the team in February 2020, bringing the total number in the investment team to 10. In addition, the use of the investor network throughout the investment life cycle might help the team to accommodate growing AUM. Par consider that they have "skin-in-the-game", as the team have personally invested nearly £3.5m in their portfolio, which represents 7.3% of Par's £48m committed venture capital.

Fees and Costs

The initial fee for the Par EIS Fund is a low 1% for advised applications (3% for non-advised applications). The annual management fee is even more impressively low at 0.75% per annum. These amounts also include VAT.

An advised investor will see a retention of 4% being made from their subscription to cover the Initial Charge (1.0% inc. VAT) and four years of Annual Management Charges (0.75% inc. VAT). Meaning that 96% of an Advised Investor’s Subscription will be available to be invested in EIS Qualifying Companies. One of the reasons these fees are lower is Par Equity typically charge arrangement fees to investee companies of up to 5% initially and a monitoring fee of up to 1.25% per annum. Table 9 shows that fees charged in the year to December 2019 totaled nearly £260,000.

Once these "retained" fees of 4% have been used up, any further AMC payments need to come from funds released from exits of investee companies (not just successful ones).

Par Equity also expects to recover professional fees in connection with an Exit Event from Investee Companies, but where it is unable to do this it reserves the right to apportion some or all of the fees incurred to the various parties on whose behalf it is acting in connection with the Exit Event (including the Fund). These costs would be apportioned pro rata to Exit Proceeds realised.

There is also a performance fee of 20% (inclusive of VAT) of any excess returns over a hurdle rate of 120% of an investors initial subscription being returned to them by cash distributions.

Conclusion

Par is a Scottish based EIS provider which as started out managing small amounts of money and growing to the scale of its peer group. They entered the EIS market in 2012 and there are a number of factors which might help Par’s growth:

- They have not had to change their investment strategy in light of the changes brought about by the Patient Capital Review
- They are a small team of investment managers, who have worked together for many years
- An easy to differentiate investment strategy of investing in tech companies in the north of the UK
- Low fees compared to market norms

In 2019, Par revised its marketing strategy to focus on raising money from retail intermediaries, like most other EIS Fund managers, rather than receiving investment through its investor network. As such, Par has overhauled its investment material, made four new hires in the last 12 months and appointed a promotion agent. It is possible that Par can raise more funds in the future, therefore, the obvious question is, "can the team maintain their progress to date once larger sums are on the table?

Whilst Par Equity may be a "new" name to many advisers, they have worked together for over 10 years and built up a track record of investments with some notable exits. TER view the Par EIS offering as a contender to the current established growth EIS providers such as Draper, Parkwalk and MMC and believe that advisers should view them as a name to watch.

Tax Efficient Review Total rating: 86 out of 100 (for "EIS Growth fund from an established provider with track record")

Table 5: Par EIS unquoted portfolio analysis as at December 2019 Source: Par

Investee name	Amount invested £000	Value £000	Date of first investment of current holding	Syndicated Y/N	Lead investor Y/N	Details of share class the EIS investors hold with any rights that attach eg Sale preference (Note 1)	Industry sector	Financing stage	Valuation method	% change over cost
Mallzee	£89.0	£355.2	29/04/14	Y	Y		Software & Computer Services	Later Stage, Pre-profit expansion	Par tell us that 63% of the written-up unquoted holdings included a new investor (7 of 11 companies) which would provide some validation of the write up. Further, 100% of the written up unquoted holdings had a new or existing third party investor provide some further validation to the write up	299%
Symphonic Trust	£95.8	£311.2	17/01/14	Y	Y		Software & Computer Services	Early Stage, Pre-Revenue		225%
Sunamp	£104.2	£264.0	31/03/15	Y	Y		Industrial Engineering	Later Stage, Pre-profit expansion		153%
Pufferfish	£69.6	£139.3	31/03/15	Y	Y		Technology Hardware & Equipment	Later Stage, Pre-profit expansion		100%
Optoscribe	£84.9	£147.7	22/04/16	Y	N		Technology Hardware & Equipment	Early Stage, Pre-Revenue		74%
Red61	£77.9	£122.6	07/08/15	Y	Y		Software & Computer Services	Later Stage, Pre-profit expansion		57%
Symphonic Trust	£31.5	£48.8	31/03/17	Y	Y		Software & Computer Services	Early Stage, Pre-Revenue		55%
Novosound	£256.4	£382.1	04/04/18	Y	Y		Technology Hardware & Equipment	Early Stage, Pre-Revenue		49%
GSI	£27.2	£37.3	04/04/13	Y	Y		Software & Computer Services	Early Stage, Pre-Revenue		37%
GSI	£37.7	£51.7	07/02/13	Y	Y		Software & Computer Services	Early Stage, Pre-Revenue		37%
Snap40	£265.6	£358.9	26/04/17	Y	Y		Health Care Equipment & Services	Later Stage, Pre-profit expansion		35%
UnikLasers	£258.5	£317.3	16/08/17	N	Y		Technology Hardware & Equipment	Later Stage, Pre-profit expansion		23%
Vert Rotors	£93.8	£112.7	25/04/16	Y	Y		Industrial Engineering	Later Stage, Pre-profit expansion		20%
Mallzee	£53.2	£53.2	26/07/17	Y	Y		Software & Computer Services	Later Stage, Pre-profit expansion	Cost	-
Speech Graphics	£164.0	£164.0	02/08/18	Y	N		Software & Computer Services	Later Stage, Pre-profit expansion	Cost	-
Manus	£146.4	£146.4	26/10/18	Y	Y		Health Care Equipment & Services	Early Stage, Seed	Cost	-
Greengage	£286.7	£286.7	20/12/18	Y	Y		Technology Hardware & Equipment	Later Stage, Pre-profit expansion	Cost	-
Red61	£93.9	£93.9	21/12/18	Y	Y		Software & Computer Services	Later Stage, Pre-profit expansion	Cost	-
Swipii	£300.4	£300.4	23/01/19	Y	Y		Software & Computer Services	Later Stage, Pre-profit expansion	Cost	-
UnikLasers	£44.6	£44.6	31/01/19	Y	Y	Note 2	Technology Hardware & Equipment	Later Stage, Pre-profit expansion	Cost	-
Datactics	£355.1	£355.1	05/04/19	Y	Y		Software & Computer Services	Later Stage, Pre-profit expansion	Cost	-
Plotbox	£432.1	£432.1	05/04/19	Y	Y		Technology Hardware & Equipment	Later Stage, Pre-profit expansion	Cost	-
UnikLasers	£48.6	£48.6	05/04/19	Y	Y		Software & Computer Services	Later Stage, Pre-profit expansion	Cost	-
Cloudfind	£193.5	£193.5	22/05/19	Y	Y		Software & Computer Services	Later Stage, Pre-profit expansion	Cost	-
Speech Graphics	£70.3	£70.3	05/06/19	Y	N		Software & Computer Services	Later Stage, Pre-profit expansion	Cost	-
MarktoMarket	£266.9	£266.9	08/07/19	Y	N		Software & Computer Services	Later Stage, Pre-profit expansion	Cost	-
BrainWaveBank	£363.9	£363.9	02/08/19	Y	Y		Health Care Equipment & Services	Later Stage, Pre-profit expansion	Cost	-
Plotbox	£125.6	£125.6	14/08/19	Y	Y		Software & Computer Services	Later Stage, Pre-profit expansion	Cost	-
Censo	£378.9	£378.9	23/08/19	Y	Y		Pharmaceuticals & Biotechnology	Later Stage, Pre-profit expansion	Cost	-
Kibosh	£245.3	£245.3	13/09/19	Y	Y		Technology Hardware & Equipment	Later Stage, Pre-profit expansion	Cost	-
Particle Analytics	£95.5	£95.5	29/11/19	Y	Y		Software & Computer Services	Later Stage, Pre-profit expansion	Cost	-
My1Login	£89.0	£85.1	29/05/14	Y	N		Software & Computer Services	Later Stage, Pre-profit expansion	Write-down up to 15%	-4%
Adaptix	£267.3	£238.6	02/08/17	Y	N		Health Care Equipment & Services	Early Stage, Pre-Revenue	Write-down up to 15%	-11%
NPT	£263.6	£190.8	01/08/17	Y	Y		Industrial Engineering	Early Stage, Pre-Revenue	Write-down 26%-50%	-28%
QikServe	£67.9	£30.9	29/07/14	Y	Y		Software & Computer Services	Later Stage, Pre-profit expansion	Write-down 51%-75%	-54%
Censo	£281.8	£86.4	28/09/18	Y	Y		Pharmaceuticals & Biotechnology	Later Stage, Pre-profit expansion	Write-down 51%-75%	-69%
Qikserve	£108.6	£30.6	30/03/18	Y	N		Software & Computer Services	Later Stage, Pre-profit expansion	Write-down 51%-75%	-72%
Particle Analytics	£231.6	£35.9	31/03/17	Y	Y		Software & Computer Services	Later Stage, Pre-profit expansion	Write-down 76%-100%	-84%
Invrep (Bond Mason)	£81.6	£-	21/06/16	Y	N		Software & Computer Services	Later Stage, Pre-profit expansion	Write-down 76%-100%	-100%
TOTAL	**£6.6m**	**£7.0m**								

Note 1: **ORDS**: shares without any special rights

DOWNSIDE: shares with preferential rights to receive (because of EIS rules, only upon a sale of the shares in the company but not in relation to a liquidation or a winding up) a multiple of their investment back in a priority position when the exit value is low

PARTICIPATING: shares that receive both a preferential recoupment position and also participate further after other share classes with a priority recoupment position have been satisfied (so called "Participating Preference Shares")

Note 2: Par comment: "In the vast majority of our holdings we hold ordinary shares for reasons documented on page 10 of this report. On some occasion an incoming institutional investor may insist on a downside liquidation preference - we only co-invest EIS funds if investing pari passu with that investor so in these circumstances we would structure an EIS compliant structure to mirror the preference share"

Par EIS Fund

Table 6: Analysis of Par EIS Fund exits as at 31/12/2019 Source: Par Fund Management Limited December 2019					
Investee Company name	**PathXL Limited**	**DeltaDNA**	**RefurbThat**	**Senient**	**Elixir**
Structure of investment	Equity	Equity	Equity	Equity	Equity
Industry sector	Software & Computer Services	Software & Computer Services	Electronic & Electrical Equipment	Technology Hardware & Equipment	Food Producers
Financing stage when first invested	Later Stage, Pre-profit expansion	Early Stage, Pre-Revenue	Later Stage, Pre-profit expansion	Early Stage, Pre-Revenue	Later Stage, Pre-profit expansion
Board Seat	Y	Y	Y	Y	Y
Amount originally invested /Date(s)	£53,349 19/12/2012	£90,000 12/07/2013	£95,355 09/10/2013	£110,992 26/03/2015	£81,706 15/09/2016
Further investment amounts (if any)	£10,669 26/02/2013				
Realisations/Dividends	£138,605 06/06/2016 £16,791 20/10/2017 £14,823 19/12/2017 £6,797 06/06/2018	£565,251 18/09/2019 £142,881 18/09/2021 Deferred Proceeds	£0 04/2019	£0 06/2019	£817 12/09/2019
Profit/(Loss)	£112,999	£618,132	(£95,355)	(£110,993)	(£80,889)
Annual Internal Rate of Return	**31%**	**37%**	**Total Loss**	**Total Loss**	**-79%**
Length of investment	5.5 years	8.2 years	5.5 years	4.2 years	3.0 years
Overall IRR 15%					

Table 7: Matrix of individual responsibilities Source Par Fund Management Limited December 2019									
Data source: Moray Wright, Parkwalk Advisors June 2019	Paul Munn	Paul Atkinson	Andrew Castell	Robert Higginson	Andrew Noble	Aidan MacMillan	Tom Croy	Alastair Orr Ewing	Claire Cramm
EIS RELATED WORK									
Deal origination %	5%	10%	5%	20%	5%	5%	5%	5%	15%
General enquiries %	5%	10%	5%	0%	15%	5%	5%	15%	15%
New deal doing %	10%	5%	15%	10%	10%	40%	40%	10%	10%
Investee board seats No.	Seven	Four	Three	Four	One	Ten	Two	Eight	None
Sitting on Boards/Monitoring %	20%	10%	10%	15%	15%	27.5%	27.5%	30%	0%
Fund raising %	20%	30%	10%	5%	40%	10%	10%	25%	5%
Internal issues %	20%	12.5%	20%	25%	10%	5%	5%	5%	10%
Exits %	10%	2.5%	20%	5%	0%	2.5%	2.5%	0%	0%
NON EIS WORK									
Non-EIS work %	10%	20%	15%	20%	5%	5%	5%	10%	45%
TOTAL	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**
Years in venture capital	11.0	20.0	11.0	17.0	10.0	1.0	0.1	4.0	0.5
Years involved with EISs	10.0	20.0	10.0	17.0	12.0	1.0	3.0	1.0	0.5
Years with current team	11.0	11.0	11.0	11.0	5.0	1.0	0.1	1.0	0.5

Table 8: Analysis of Par EIS unquoted holdings as at 31/12/2019 Par Fund Management Limited December 2019							
Year	**Company**	**Status**	**Cost**	**Unrealised Value**	**Realised Value**	**Total Value (Realised & Unrealised)**	**Gross Multiple of investments purchased in the year**
2012	PathXL	Exited	£53,350		£147,698	£147,698	2.77x
Total 2012			**£53,350**		**£147,698**	**£147,698**	**2.77x**
2013	GSI	Still Held	£37,730	£51,695		£51,695	1.37x
2013	PathXL	Exited	£10,670		£29,539	£29,539	2.77x
2013	GSI	Still Held	£27,210	£37,281		£37,281	1.37x
2013	DeltaDNA	Partial Exit	£90,000	£264,938	£442,688	£707,625	7.86x
2013	RefurbThat	Write-off	£95,355				0.00x
Total 2013			**£260,964**	**£353,914**	**£472,227**	**£826,141**	**3.17x**
2014	Symphonic Trust	Still Held	£95,758	£311,214		£311,214	3.25x
2014	Mallzee	Still Held	£88,975	£355,218		£355,218	3.99x
2014	My1Login	Still Held	£88,950	£85,096		£85,096	0.96x
2014	QikServe	Still Held	£67,862	£30,902		£30,902	0.46x
Total 2014			**£341,545**	**£782,430**		**£782,430**	**2.29x**
2015	Senient	Write-off	£110,993				0.00x
2015	Pufferfish	Still Held	£69,643	£139,286		£139,286	2.00x
2015	Sunamp	Still Held	£104,207	£263,965		£263,965	2.53x
2015	Red61	Still Held	£77,950	£122,574		£122,574	1.57x
Total 2015			**£362,792**	**£525,824**		**£525,824**	**1.45x**
2016	Optoscribe	Still Held	£84,944	£147,728		£147,728	1.74x
2016	Vert Rotors	Still Held	£93,790	£112,743		£112,743	1.20x
2016	Invrep (Bond Mason)	Still Held	£81,601	£117,920		£117,920	1.45x
2016	Elixir	Write-off	£81,706		£817	£817	0.01x
Total 2016			**£342,041**	**£378,391**	**£817**	**£379,208**	**1.11x**
2017	Symphonic Trust	Still Held	£31,506	£48,760		£48,760	1.55x
2017	Particle Analytics	Still Held	£231,573	£35,940		£35,940	0.16x
2017	Snap40	Still Held	£265,620	£358,904		£358,904	1.35x
2017	Mallzee	Still Held	£53,163	£53,163		£53,163	1.00x
2017	NPT	Still Held	£263,578	£190,761		£190,761	0.72x
2017	Adaptix	Still Held	£267,260	£238,646		£238,646	0.89x
2017	UnikLasers	Still Held	£258,516	£317,331		£317,331	1.23x
Total 2017			**£1,371,215**	**£1,243,504**		**£1,243,504**	**0.91x**
2018	Qikserve	Still Held	£108,604	£30,628		£30,628	0.28x
2018	Novosound	Still Held	£256,430	£382,066		£382,066	1.49x
2018	Speech Graphics	Still Held	£163,984	£163,984		£163,984	1.00x
2018	Censo	Still Held	£281,775	£86,449		£86,449	0.31x
2018	Manus	Still Held	£146,387	£146,387		£146,387	1.00x
2018	Greengage	Still Held	£286,677	£286,677		£286,677	1.00x
2018	Red61	Still Held	£93,920	£93,920		£93,920	1.00x
Total 2018			**£1,337,777**	**£1,190,110**		**£1,190,110**	**0.89x**
2019	Swipii	Still Held	£300,380	£300,380		£300,380	1.00x
2019	UnikLasers	Still Held	£44,604	£44,604		£44,604	1.00x
2019	Datactics	Still Held	£355,126	£355,126		£355,126	1.00x
2019	Plotbox	Still Held	£432,100	£432,100		£432,100	1.00x
2019	UnikLasers	Still Held	£48,573	£48,573		£48,573	1.00x
2019	Cloudfind	Still Held	£193,505	£193,505		£193,505	1.00x
2019	Speech Graphics	Still Held	£70,270	£70,270		£70,270	1.00x
2019	MarktoMarket	Still Held	£266,913	£266,913		£266,913	1.00x
2019	BrainWaveBank	Still Held	£363,917	£363,917		£363,917	1.00x
2019	Plotbox	Still Held	£125,614	£125,614		£125,614	1.00x
2019	Censo	Still Held	£378,860	£378,860		£378,860	1.00x
2019	Kibosh	Still Held	£245,331	£245,331		£245,331	1.00x
2019	Particle Analytics	Still Held	£95,490	£95,490		£95,490	1.00x
Total 2019			**£2,920,684**	**£2,920,684**		**£2,920,684**	**1.00x**
Grand total			**£6,990,367**	**£7,394,856**	**£620,742**	**£8,015,598**	**1.15x**

Par EIS Fund

Table 9: Fees charged by Par to investee companies in year to December 2019 - Source Par			
Investee Company	**Lead Par investment executive**	**Fee charged (£)**	**Fee type**
Adaptix	Andrew Castell	£6,000	Monitoring fee
Invrep (Bond Mason)		£4,000	Monitoring fee
Novosound		£7,614	Monitoring fee
Pufferfish		£12,000	Monitoring fee
QikServe		£16,667	Monitoring fee
Vert Rotors		£11,229	Monitoring fee
Cloudfind	Andrew Noble	£12,000	Monitoring fee
MarktoMarket		£1,817	Monitoring fee
Optoscribe		£6,000	Monitoring fee
Plotbox		£4,000	Monitoring fee
Speech Graphics		£6,000	Monitoring fee
GSI	Paul Atkinson	£12,011	Monitoring fee
Kibosh		£2,966	Monitoring fee
My1Login		£6,000	Monitoring fee
Particle Analytics		£6,000	Monitoring fee
Red61		£10,830	Monitoring fee
Sunamp		£6,000	Monitoring fee
Symphonic Software		£11,400	Monitoring fee
UnikLasers		£16,176	Monitoring fee
Censo	Paul Munn	£15,164	Monitoring fee
Datactics		£4,542	Monitoring fee
Mallzee		£12,150	Monitoring fee
NPT		£17,663	Monitoring fee
Swipii		£11,222	Monitoring fee
BrainWaveBank	Robert Higginson	£2,766	Monitoring fee
Current Health		£18,906	Monitoring fee
Greengage		£12,000	Monitoring fee
Manus		£6,450	Monitoring fee
TOTAL		**£259,573**	

Appendix A: Management team

Source Par Fund Management Limited January 2020

- **Paul Munn – Managing Partner**: A Chartered Management Accountant with a Bachelor of Laws degree from the University of Glasgow. Paul has over 20 years' corporate experience across several sectors, principally consumer goods, manufacturing and healthcare, with companies such as Mars Confectionery, BUPA and Price Waterhouse. He has worked in and has extensive experience of the US and the Far East as well as Europe. In addition to his management experience, Paul has acted as both principal and adviser in a number of corporate finance transactions. Paul joined Dawson International plc, an international textile business, in 1996, where he was appointed Group Finance Director before being appointed Chief Executive in 2000. Paul was a non-executive director of European Home Retail plc between 2002 and 2007. From 2005 until joining Par in 2008, Paul worked for Hermes Fund Managers Limited and was responsible for the successful commercial development of Hermes' corporate governance and active shareholder engagement services. Paul is also responsible for portfolio management at Par Equity.
- **Paul Atkinson - Partner**: Paul has a BSc in Physics from Manchester University. Prior to co-founding Par Equity, Paul had started three previous businesses: Head Resourcing, which was founded in 2001 (2017 turnover - £65 million); Direct Resources, which was acquired by NASDAQ listed iGate Corporation in 1999; and RecruitmentScotland.com, which was acquired by another NASDAQ listed business, TMP Worldwide, in 2000. As a business angel, he has also invested in a number of other fast-growing technology companies, including Rocela Group, which was recently acquired by Version 1 of Ireland, and Mobiqa, which was acquired by NYSE listed NCR Corporation. Paul stepped down from his executive role with Head Resourcing in 2008 to establish Par Equity LLP but remains a major shareholder in the business and is also non-executive Chairman. Paul has responsibility for investor relations and business development.
- **Andrew Castell - Partner**: Andrew is a Chartered Accountant with an MA in Jurisprudence from Oxford University. Andrew began his career in the audit practice and then management consultancy practice of Touche Ross (now Deloitte). He then spent a number of years working in investment banking, gaining broad-based experience in transactional corporate finance advisory work. Andrew was Group Finance Director of Goshawk Insurance Holdings PLC and subsequently CBS Insurance Holdings PLC. In both cases he was heavily engaged in restructuring work to address the consequences of significant underwriting losses, undertaking a variety of transactions as part of these processes. At CBS, Andrew was one of the principal architects of Insurance Capital Partners LP, an innovative and successful fund product providing direct exposure to property & casualty insurance underwriting returns. Andrew is responsible for investment execution, as well as for Par's regulatory compliance and finance functions.
- **Robert Higginson - Partner**: Robert has held a number of senior strategy positions within blue-chip organisations, based in various European countries and the US. Robert's first technology role, in 1980, was as a programmer and, subsequently, Development Manager based in the US, at the start-up known today as Artemis International. Robert entered the Financial Services industry in 1986 as manager for real-time systems at Reuters. He subsequently joined Telekurs AG (now part of Swiss Financial Market Services AG, owned by the Swiss banking and asset management industry) in Switzerland to head up advanced systems, before moving into a strategy role at ABN Amro's Investment Bank in Amsterdam and finally Royal Bank of Scotland. Since 2002 Robert has based himself primarily in London and Edinburgh, working with universities on technology transfer, start-up and early stage businesses, leveraging his international network to provide consultancy advice in the technology sector.
- **Andrew Noble – Partner**: Andrew is a former athlete, having competed for TeamGB in Alpine Skiing at the 2010 Winter Olympics and holds an MBA from INSEAD Business School. Towards the end of his sporting career, Andrew's attention turned to business and in 2008 he started investing in early stage technology companies and commercial property, particularly outdoor advertising. Andrew joined Par Equity in 2010, where he worked for several years before leaving to do an MBA at INSEAD. Andrew then joined McKinsey & Co as a management consultant specialising in Sales Optimisation for FTSE 100 clients, before founding, Transition Capital - a search fund focused on Scotland, where he was managing director, leading the deal sourcing, due diligence, and fundraising efforts. Andrew re-joined Par Equity in July 2019, having built a personal investment portfolio of more than 30 technology companies and a track record in the space, equating to 4.1x money and a 38% IRR across 10 realisations. Andrew is responsible for portfolio management and business development.