



# Par EIS Fund

## Executive Summary

**April 2020**

*Confidential – to be read in conjunction with the Information Memorandum*

## Par by Numbers

Par Equity has realised £56 million for Investors from 18 exits.

2008

Year founded

58

Companies invested in

329

Investments

9.6

Months to full deployment

96%<sup>1</sup>

of Subscription is EIS qualifying

7.3%

of “skin-in-the-game” from the team

£194m

Invested in Portfolio

£53m

from Par Equity

£23m

from our authorised co-investment partner

£118m

from third parties

18

Realisations

3.3x

Exit multiple

27%

IRR

4.0

Years average holding period

£56m

Returns for Par Investors

### EIS Fund at a glance

#### Closing Dates

As transactions complete

#### Sector focus

Technology or technology-enabled growth companies across a range of sub-sectors

#### Minimum Subscription amount

£20,000

#### EIS Qualifying Percentage

96%<sup>1</sup> of Investor’s subscription deployed in EIS Qualifying Companies

#### Target deployment period

12 months from the acceptance of subscription

#### Minimum number of Portfolio Companies

5 companies minimum, but with a target portfolio of 7-8 companies per Investor

#### Expected Holding period

6 – 8 years from the date of investment

#### Tax Efficient Review

86/100

Tax Efficient Review	
Issue No:	381
Product:	Par EIS Fund

#### MJ Hudson Allenbridge

85/100



<sup>1</sup>) 94% for Non-advised Investors



# Overview

Par Equity is an award-winning EIS fund manager, investing in innovative, high growth technology businesses across the north of the UK. We harness the expertise and contacts of our Par Investor Network and wider contacts to create a distinctive, operationally focused investment model that benefits both investors and entrepreneurs.

### Commercial Focus

Par Equity is an Edinburgh-based venture capital firm, formed in 2008 to identify exceptional management teams of young technology companies, to accelerate their ambitions and business plans, and to help secure a successful financial exit for the entrepreneurs and shareholders alike.

### Hands-on Approach

Par Equity is recognised in the market as being a hands-on, value-add investor. In a typical year, Par will lead 5-6 new investment opportunities, as well as supporting c. 25 follow-on investments in existing portfolio companies. In this way, Investors in the Fund benefit as Par Equity has the ability to follow its money on deals, protecting our collective investor group's position. Furthermore, Investors' Subscriptions can be deployed into more mature portfolio companies, which have already received investment from the Par Investor Network (and potentially the Fund) and where we have a better understanding for the potential, as well as the risks.

The best entrepreneurs look for experienced investors with a track record of adding value, which is exactly what Par Equity brings to the table. The core investment team has, collectively, worked as entrepreneurs, management consultants, corporate finance professionals and technologists. Given our regional focus, we believe that the depth and breadth of the wider Investor Network around Par Equity is second to none.



Portfolio Company: BrainWaveBank

We are principally technology investors, but while technology can flourish in the hot-house environment of universities, laboratories and test-sites, technology of itself doesn't make a business. That's why, over the last 11 years, we've prioritised sound commercial judgement in our investment criteria. We look through the smart technology to the underlying business and management team. Can they execute, can they innovate, can they sell? Not only do we focus on the commercial acumen of the entrepreneurs, but our business model is built through the commercial focus of our Investment Team and Par Investor Network to work through the difficulties of bringing new products to market and the challenges of scaling a business quickly.

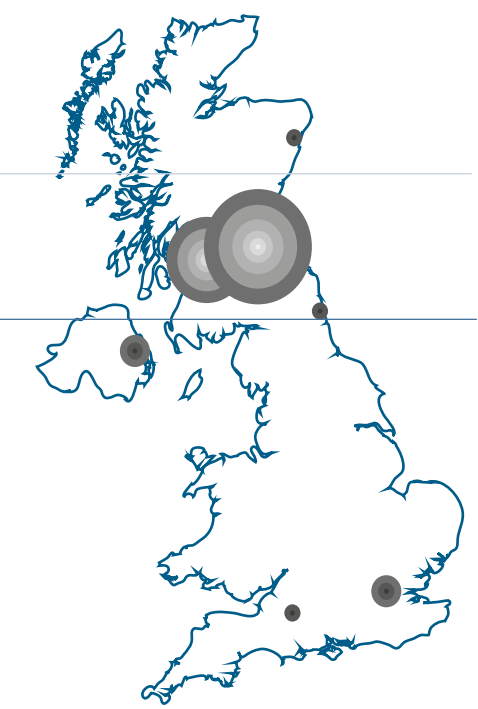


Portfolio Company: VertRotors

### Northern Focus

Par Equity is based in Edinburgh, investing UK-wide but with a bias towards opportunities in Scotland, Northern Ireland and the North of England. However, every single opportunity we invest in will have the potential to win in a global market.

We are based in Edinburgh, investing UK-wide but with a bias towards opportunities in the north.



Par Equity's distinctive networked model creates a proprietary deal flow through our investor base, unearthing opportunities that are pre-qualified and matching our investment criteria. A London centric investor with a similar investment outlook will not see these types of opportunities which, on balance, have more realistic value expectations.

Scottish based portfolio companies also benefit from the support of the Scottish Investment Bank as a co-investor of Par Equity and Scottish Enterprise for additional grants and awards.



The Par Investor Network

### Par Investor Network

The Par Investor Network comprises c. 200 experienced business angels. Not only does our distinct investor group bring financial firepower, but each investor also brings their own experience and contacts from their respective industries.

This network provides unrivalled access to the right people at the right time, who enhance our deal flow, improve our due diligence, fine tune business models and guide the entrepreneurs through to exit. As a result, entrepreneurs recognise Par Equity as a value-add investor, which is reflected in our strong flow of investment opportunities.

### Four Sources of Capital

We can call on four sources of capital to support our new and follow-on investment activity:

1. Par EIS Fund – a growing source of capital, the Fund leads Par’s investment activity
2. Par Investor Network – a stalwart of capital since Par’s inception, the Investor Network provides supplementary capital, diligence and expertise to the companies we work with.
3. Scottish Investment Bank – as a tier 1 co-investment partner, Par can call on additional funding for investee companies in Scotland.
4. British Business Bank – through its commercial subsidiary, British Business Investments, we have received £15m of pledged capital to deliver up to 25% more fire power for our investee companies over the next 3 – 5 years.

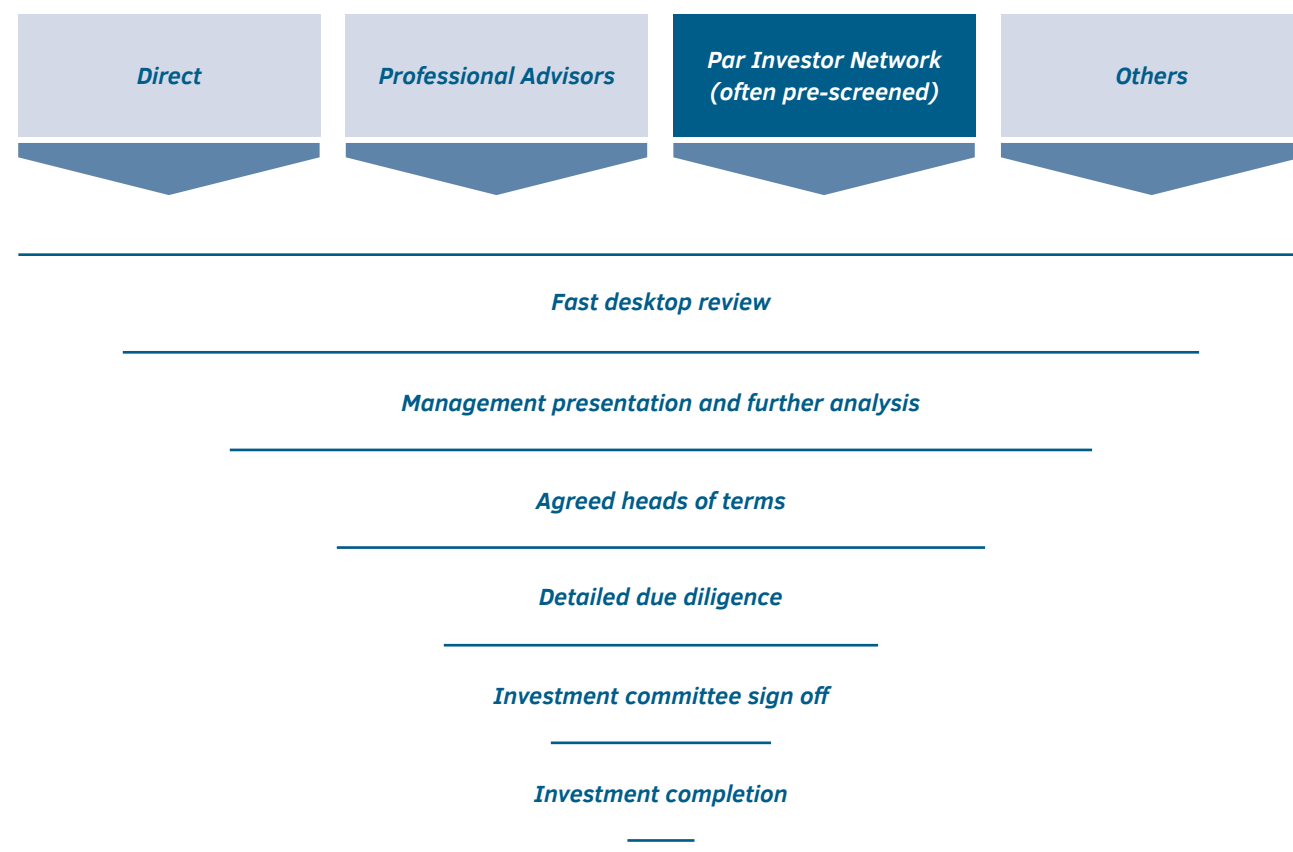
### Pipeline

Swift deployment in high quality opportunities is critical to Par Equity’s investment approach. We review more than 600 new investment opportunities every year, of which only 1% secure funding.

The Par Investor Network has proved to be a fruitful source of high quality opportunities. Our investors know us, they understand our investment thesis and how we add value to companies. Furthermore, with deep expertise in their respective fields, our investor base is often the first to see exciting opportunities in their sector, meaning that Par receives pre-screened businesses, which most of our competitors won’t see.

The Investment Team meets on a weekly basis to review new and current investment opportunities. These regular Investment Committee meetings allow the team to respond quickly to requests for funding to ensure the necessary due diligence is being carried out as we move forward with an opportunity.

Since 2016, an Investor in the Fund has reached full deployment in 9.6 months on average.



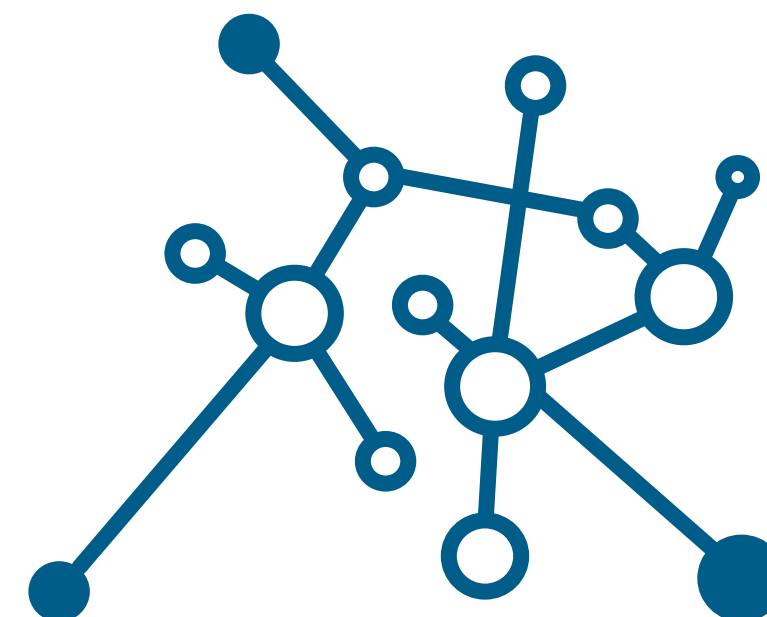
## The Network Effect

People are the most important asset to any successful business. Par’s investor base provides access to the right people at the right time, making a material difference to a company’s growth trajectory. This is Par’s Network Effect.

### Entrepreneurs

*Experience the added value of the Par Investor Network through:*

- Enhanced support, as our Network opens up access to experience, talent and contacts to help propel their business. Many of our investors have successfully built and sold their own companies.
- Increased market insight, as our network shares key information and knowledge in domestic and foreign markets, including awareness of potential acquirers.
- Amplified reach, as our network makes it easier for entrepreneurs to find a warm introduction to Par and to qualify their business plan and funding strategy before contacting us.



### Investors

*Benefit from the diligence and support of the Par Investor Network through:*

- Improved deployment of funds, as our network delivers a continuous flow of higher quality young companies to invest in.
- Increased returns, as our network improves the screening of opportunities and the ongoing support and mentorship the entrepreneurs need through to exit.

### Intermediaries and advisers

*Benefit from the professionalism of the Par Investor Network through:*

- Heightened downside protection, as our network bolsters our due diligence process and the underlying performance of our Investee Companies, aiding better outcomes across the portfolio and enhancing the upside potential of their clients’ investments.

## Fees and Charges

We have carefully constructed our fee model to strike a fair balance between the Investor and the Investee Company, ensuring we remain an attractive investment partner for entrepreneurs and provide successful outcomes for Investors.

*Investors pay the following fees:*

Fee type	Fee	Applied to	When due	Frequency
Initial Charge	1.0% (3.0% Non-advised Investor)	Subscription	On inception	Once
Annual Management Charge	0.75%	Subscription, net of realisations	From inception	Quarterly in advance
Performance Fee	20%	Investment profits	Once an Investor has received Exit Proceeds at least equal to 120% of the Subscription and any additional fees paid	As Exit Proceeds are received

For Advised Investors, a retention of 4% will be made from the Investor's Subscription to cover the Initial Charge (1.0% inc. VAT) and 4 years of Annual Management Charges (0.75% inc. VAT). This means that 96% of an Advised Investor's Subscription will be available to be invested in EIS Qualifying Companies. Once the retention has been utilised, payment of further Annual Management Charges will only be extracted from Exit Proceeds and be charged against the original subscription amount, net of any realisations.

For Non-Advised investors there is a 3% Initial Charge to cover any additional reviews and know your customer checks required by the FCA rules. However, there is a loyalty discount for repeat Investors and members of the Par Investor Network, applicable at the Manager's discretion.

We are also able to facilitate the payment of fees that the Investor has agreed with their adviser in relation to a Subscription.

“Par quotes all initial and annual fees charged directly to investors as inclusive of VAT, which is not always the case in this market and should be applauded.”

**MICAP Offer Review**  
July 2019

Par Equity reserves the right to charge Investee Companies arrangement fees on completion of an investment and fees relating to its ongoing monitoring of the Investee Company. Where it is unable to charge these fees, Par Equity bears these costs itself and does not recover them from the Fund. Since Par Equity also facilitates investments on behalf of various capital providers, such as the Par Investor Network and the Scottish Investment Bank, these fees may not specifically relate to the Fund. As the percentage shareholding that the Fund will have in any given Investee Company will vary, as well as the financial circumstances of the Investee Company, the notional impact of such fees on an Investor cannot be readily quantified.

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.

Other than those described above, no fees are charged to Investee Companies by Par Equity or its Associates for matters including but not restricted to company secretarial, accountancy, human resources, recruitment, consultancy or other services, nor does Par Equity (or its Associates) have any arrangements whereby it receives payment in connection with the provision of services to Investee Companies by third party service providers. Investee Companies may, however, voluntarily contract with connected companies of Par Equity's principals from time to time, on an arms' length basis.

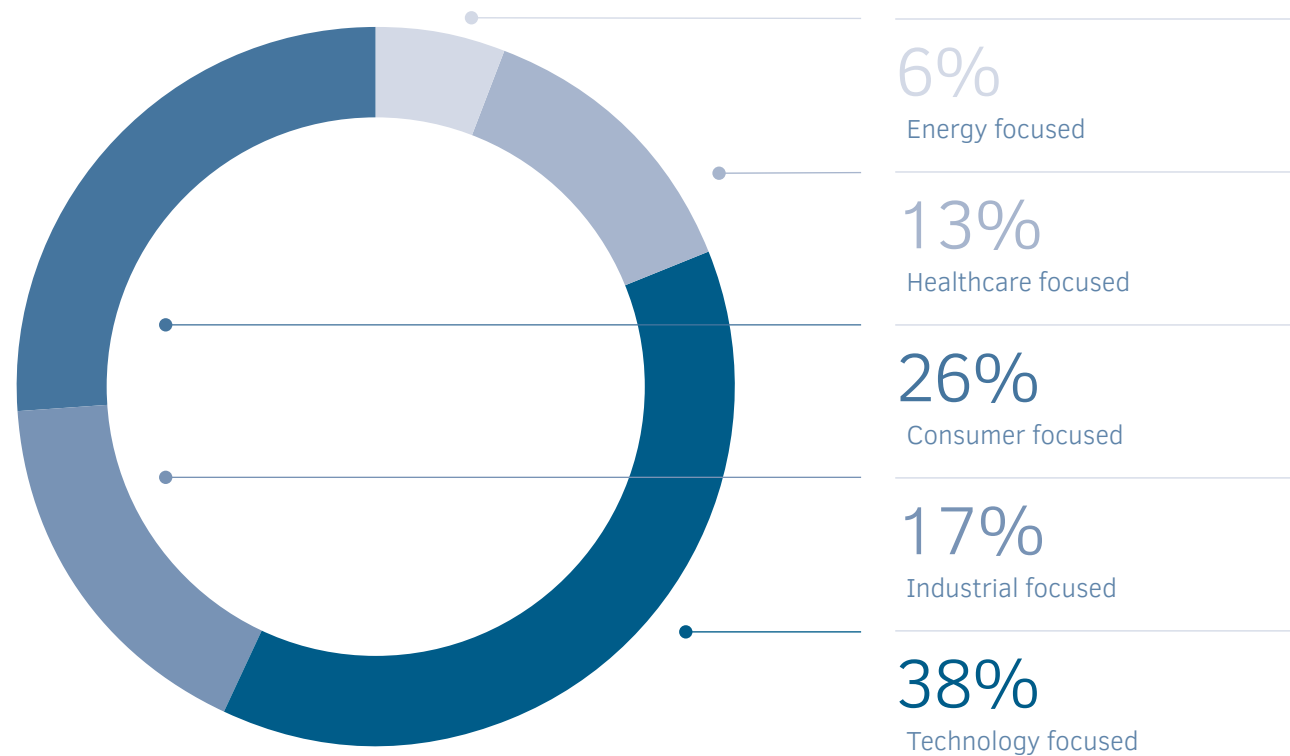


The Par Investor Network



## Portfolio

The current portfolio is made up of 40 companies across 5 themes, with a predominant focus on technology.



Adaptix	Kibosh	Pufferfish
Amiqus	Kiltr	PureLiFi
BrainWaveBank	Mallzee	QikServe
Censo	Manus	QSpine
Covec	MarktoMarket	Red61
Current Health	Money Dashboard	Speech Graphics
Datactics	My1Login	Sunamp
Earth Rover	Novosound	Swipii
East Coast Oil & Gas	NPT	Symphonic Trust
Flightman	Optoscribe	The ID Co.
For Spills	Particle Analytics	The Skinny
Greengage	Plotbox	UnikLasers
GSI	Publisher Discovery	Vert Rotors
Invrep (Bond Mason)		

## Important notices

It's important to have all the necessary information when investing in funds focusing on early stage companies. If you have any questions, please don't hesitate to contact Par Equity.

### Summary Notice

This document (the "Memorandum") is a financial promotion and has been issued by Par Fund Management Limited ("Par Equity", "Par", the "Manager" or "We"), which is authorised and regulated by the Financial Conduct Authority ("FCA") with registered number 485668.

The Memorandum relates to the Par EIS Fund (the "Fund") managed by Par Equity. The Fund is an Alternative Investment Fund ("AIF") and not a non-mainstream pooled investment, each as defined in the FCA's handbook (the "FCA Rules") and invests in Non-Readily realisable Securities. Accordingly, the Memorandum constitutes a direct offer promotion of Non-readily Realisable Securities. If you are unsure about the contents of the Memorandum, you should consult an appropriate professional adviser who specialises in advising on the acquisition of interests in Non-readily Realisable Securities.

### Authorised Recipients and restrictions

This Memorandum must only be distributed to the categories of investor listed below:

- Certified High Net Worth Investors as defined in COBS 4.7.9(1);
- Certified Sophisticated Investors as defined in COBS 4.7.9(2);
- Self-Certified Sophisticated Investors as defined in COBS 4.7.9(3);
- Restricted Investor as defined in COBS 4.7.10;
- Advised Investors who declare they are already an existing client of an advisor who will confirm the suitability of the Fund for their needs, as per COBS 4.7.8(2);
- Non-advised Investors in respect of whom the Manager has made an assessment as required by COBS 4.7.9; or
- Investors and intermediaries who could be classified as professional clients as per COBS 3.5

Certain other requirements may apply under the FCA Rules regarding appropriateness or suitability.

The Memorandum is confidential and is intended only for the persons to whom it has been provided. It is not transferable and is not to be reproduced, disclosed or distributed to any other person, in whole or in part, except with the prior written permission of Par Equity. By accepting delivery of the Memorandum, each recipient agrees to keep confidential the Memorandum and the information contained in it.

The Memorandum does not constitute an offer or solicitation to any person in any jurisdiction outside the United Kingdom in which such offer or solicitation is not authorised or to any person to whom it would be unlawful to make such an offer or solicitation.

Without prejudice to the generality of the foregoing, neither the Memorandum, nor any copy of it, may be taken or transmitted into the United States of America, Canada, Australia, Republic of Ireland, South Africa or Japan or into any other jurisdiction where it would be unlawful to do so. Any failure to comply with this restriction may constitute a violation of relevant local securities laws.

### Risk Warnings

The Fund is intended for persons who are able to bear the loss of some, or even the whole, of any amount invested and who have no need for immediate liquidity in their investment. The relationship between the Investors, Par Equity and the other entities providing services in connection with the Fund or between any of them and their respective clients may give rise to conflicts of interest. Investors should refer to the pages marked 'Risk Factors' for further information.

Any reference to track records and other historical

performance data, should not be relied upon as an indicator of future performance. Reference to forward-looking statements are based upon estimates and assumptions Par Equity believes to be reasonable. However, such predictions are inherently uncertain and as actual events or results may differ from those projected, no reliance should be placed on them.

Taxation levels, bases and applicable reliefs may change over time. These are dependent on each Investor's personal circumstances and are also contingent on Investee Companies maintaining their qualifying status.

Par Equity has endeavoured to ensure that the information in this Memorandum is correct at the date printed on the front cover of the Memorandum.

#### | Advice

The Fund may not be a good fit for all Investors. Investment in unlisted companies involves a high degree of risk and tends to be illiquid. Your investment in any company may be difficult to realise at an appropriate value and may depend on factors such as market conditions and the availability of other potential investors, which are beyond the Manager's control. An investment in this Fund should therefore be viewed as long term, and Investors may not get back the full value of the capital they invest.

Prospective investors should not invest in the Fund unless they are satisfied that they have asked for and received all the information that they consider they need to evaluate the merits and risks of the interests they may acquire as a result. It is the responsibility of Investors and/ or their advisors to seek any legal, tax or investment advice required. Nothing in this Memorandum is or should be treated as advice.



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