

PENTECH FUND II GP LIMITED

Report and Financial Statements
For the year ended
31 May 2018

**Partnership
Accounts**

**COMPANIES HOUSE
EDINBURGH**

20 FEB 2019

FRONT DESK

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Pentech Fund II GP Limited

DIRECTORS' REPORT

The directors present their report and financial statements for the year ended 31 May 2018.

REVIEW OF THE BUSINESS

The company acts as the general partner for Pentech Fund II Limited Partnership. At 31 May 2018, Pentech Fund II Limited Partnership had total funds committed of £47.2 million (2017 - £47.2 million).

DIRECTORS

The directors of the company during the year ended 31 May 2018 were as follows:

C Anderson
E Anderson
A McKinnon
M Moens

RESULTS AND DIVIDENDS

The loss before tax for the year ended 31 May 2018 was £1,209,207 (2017 - £77,185). There were no dividends paid during the year (2017 - £0).

GOING CONCERN

In assessing whether the company is a going concern, the board has considered the current cash position, the overall financial position of the company and its future prospects. The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

DIRECTORS' AND OFFICERS' INSURANCE

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

DISCLOSURE OF INFORMATION TO AUDITORS

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

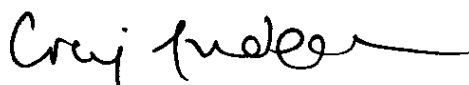
AUDITOR

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

STRATEGIC REPORT – SMALL COMPANIES EXEMPTION

The company has taken advantage of the small companies exemption in section 414B of the Companies Act 2006 which allows it not to prepare a Strategic Report.

By order of the Board



C Anderson
Director

19 September 2018

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

REPORT OF THE AUDITORS

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

Opinion

We have audited the financial statements of Pentech Fund II GP Limited ("the company") for the year ended 31 May 2018 which comprise the Statement of Income and Retained Earnings, Statement of Financial Position and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 May 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Directors' Report

The directors are responsible for the Directors' Report. Our opinion on the financial statements does not cover that report and we do not express an audit opinion thereon.

Our responsibility is to read the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the directors' report;
- in our opinion the information given in that report for the financial year is consistent with the financial statements; and
- in our opinion that report has been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

REPORT OF THE AUDITORS

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

Directors' responsibilities

As explained more fully in their statement set out on page 2, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

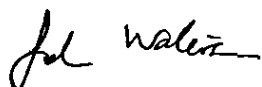
Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.



John Waterson (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Saltire Court, 20 Castle Terrace
Edinburgh EH1 2EG
19 September 2018

Pentech Fund II GP Limited

STATEMENT OF INCOME AND RETAINED EARNINGS for the year ended 31 May 2018

	<i>Note</i>	<i>2018</i> £	<i>2017</i> £
TURNOVER	2	324,224	394,559
Administrative expenses		(695,002)	(340,123)
OPERATING (LOSS) PROFIT		(370,778)	54,436
Other interest payable and similar charges	3	(838,429)	(131,621)
LOSS BEFORE TAXATION		(1,209,207)	(77,185)
Tax credit on loss	4	205,685	73,880
LOSS FOR THE YEAR		(1,003,522)	(3,305)
Retained profits at 1 June		1,856,780	1,860,085
RETAINED PROFITS AT 31 MAY		853,258	1,856,780
		=====	=====

All results relate to continuing operations.

There were no recognised gains or losses in the year ended 31 May 2018 other than the loss for the year of £1,003,522 (2017 – £3,305).

The notes on pages 7 to 13 together with the accounting policies on pages 7 to 9 form part of these accounts.

Pentech Fund II GP Limited

STATEMENT OF FINANCIAL POSITION at 31 May 2018

	<i>Note</i>	<i>2018</i> £	<i>2017</i> £
FIXED ASSETS			
Investments	5	1,179,634	1,953,250
		-----	-----
CURRENT ASSETS			
Debtors	6	312,521	287,151
Cash at bank and in hand		22,876	417,391
		-----	-----
		335,397	704,542
CREDITORS: amounts falling due within one year	7	(155,887)	(89,441)
		-----	-----
NET CURRENT ASSETS		179,510	615,101
		-----	-----
TOTAL ASSETS LESS CURRENT LIABILITIES		1,359,144	2,568,351
PROVISION FOR LIABILITIES			
Deferred tax liability	8	(505,885)	(711,570)
		-----	-----
NET ASSETS		853,259	1,856,781
		=====	=====
CAPITAL AND RESERVES			
Called up share capital	9	1	1
Profit and loss account		853,258	1,856,780
		-----	-----
SHAREHOLDERS' FUNDS		853,259	1,856,781
		=====	=====

The financial statements were approved and authorised for issue by the Board of Directors on 19 September 2018 and signed on its behalf by:



C Anderson

Director

Company Number: SC328064

The notes on pages 7 to 13 together with the accounting policies on pages 7 to 9 form part of these accounts.

Pentech Fund II GP Limited

NOTES TO THE ACCOUNTS at 31 May 2018

1. COMPANY INFORMATION

Pentech Fund II GP Limited was incorporated on 20 July 2007 and is registered as a limited company in Scotland with a registered office at 112 George Street, Edinburgh. The company acts as the general partner for Pentech Fund II Limited Partnership.

2. ACCOUNTING POLICIES

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

Accounting convention

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

The company acts as the general partner for Pentech Fund II Limited Partnership (the Fund) and holds a small minority interest in the Fund in the form of capital contribution amounting to £208 (2017 - £208). The attributable proportions of the assets and income of the Fund are consolidated. The Fund is a subsidiary undertaking and under the terms of the Companies Act 2006 should be consolidated in full. However, the directors consider the financial statements would not give a true and fair view if the assets and income as a whole were to be consolidated since the company's interest in these assets is, except to the extent that they are proportionally consolidated, merely that of an investment manager.

The effect of this departure is to increase both profit after tax and the minority interest in the profit for the year by £23,235,350 (2017 - £3,647,371), and to increase fixed asset investments by £208 (2017 - £208), reduce other net assets by £31,505,060 (2017 - £54,086,060), and the minority interest in the balance sheet by £31,505,060 (2017 - £54,086,060).

In addition to above, the company also holds a direct investment in the Fund amounting to a cost of £202,472 (2017 - £137,692). This has been accounted for at fair value through the profit and loss account under the requirements of FRS 102.

Turnover

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

Taxation

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

NOTES TO THE ACCOUNTS at 31 May 2018

2. ACCOUNTING POLICIES (CONTINUED)

Deferred taxation

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

Valuation of investments

Financial Instruments

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

Level 1 – Unadjusted, fully accessible and current quoted prices in active markets for identical assets or liabilities. Included within this category are investments listed on a recognised stock exchange. The Company held no such securities during the period under review.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable (ie developed using market data) for the asset or liability, either directly or indirectly. Examples of such instruments would be those for which the quoted price has been suspended, forward exchange contracts and certain other derivative investments. The Company held no such securities during the period under review.

Level 3 – External inputs are unobservable. Value is at the Investment Manager's best estimate and prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines. Level 3 are investments in private companies or securities, whether invested directly or through Partnerships.

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

Investments

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

Pentech Fund II GP Limited

NOTES TO THE ACCOUNTS at 31 May 2018

2. ACCOUNTING POLICIES (CONTINUED)

Dividends on shares presented within equity

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

Going Concern

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

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

Gains and losses on sale of investments

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

Income

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

Expenses

All expenses are accounted for on an accruals basis.

3. OTHER INTEREST PAYABLE AND SIMILAR CHARGES

	2018	2017
	£	£
Interest payable	33	-
Unrealised loss on investments	838,396	131,621
	<hr/>	<hr/>
	838,429	131,621
	<hr/>	<hr/>

Pentech Fund II GP Limited

NOTES TO THE ACCOUNTS at 31 May 2018

4. TAX ON PROFITS

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

	2018 £	2017 £
Current tax		
Corporation Tax	-	-
Deferred tax		
Short term timing differences	60,352	(14,256)
Capital gains and losses	(142,528)	(41,847)
Tax losses carried forwards and other deductions	(123,509)	(17,777)
Total deferred tax credit	(205,685)	(73,880)
Total tax credit for the year	(205,685)	(73,880)
	=====	=====

(b) Reconciliation of effective tax rate:

	2018 £	2017 £
Loss before taxation	(1,209,207)	(77,185)
Corporation tax at standard rate of 19.00% (2017 – 19.83%)	(229,749)	(15,306)
Effects of:		
Income not taxable for tax purposes	159,295	25,008
Other short term timing differences	24,064	(35,978)
Chargeable gains and other deductions	(159,295)	(47,604)
Total taxation credit for the year	(205,685)	(73,880)
	=====	=====

Pentech Fund II GP Limited

NOTES TO THE ACCOUNTS at 31 May 2018

5. INVESTMENTS

<i>Unlisted Investments:</i>	<i>2018</i>	<i>2017</i>
	£	£
<u>Cost:</u>		
At 1 June	137,692	488,287
Additions in year	64,780	42,530
Disposals in year	-	(393,125)
	-----	-----
At 31 May	202,472	137,692
	-----	-----
<u>Investment uplifts</u>		
At 1 June	1,815,558	1,947,179
Unrealised loss on investments	(838,396)	(131,621)
	-----	-----
At 31 May	977,162	1,815,558
	-----	-----
Net book value at 31 May	1,179,634	1,953,250
	=====	=====

Investments at cost represent capital contributions and direct investments made by the company in Pentech Fund II Limited Partnership amounting to £208 (2017 - £208) and £202,264 (2017 - £137,484) respectively. These have been accounted for as explained in note 2 of these financial statements. Through its role as General Partner, Pentech Fund II Limited Partnership is considered a subsidiary of Pentech Fund II GP Limited although it is not consolidated for the reasons set out in note 2 of these financial statements.

6. DEBTORS

	<i>2018</i>	<i>2017</i>
	£	£
Amounts due from fellow group companies	287,151	287,151
Other taxes and social security	370	-
Amounts due from Pentech Fund II Limited Partnership	25,000	-
	-----	-----
	312,521	287,151
	=====	=====

7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<i>2018</i>	<i>2017</i>
	£	£
Accruals and deferred income	22,685	29,852
Amounts due to fellow group companies	133,202	59,589
	-----	-----
	155,887	89,441
	=====	=====

Pentech Fund II GP Limited

NOTES TO THE ACCOUNTS at 31 May 2018

8. DEFERRED TAX LIABILITY

	2018	2017
	£	£
Short term timing difference	1,554,991	1,497,064
Chargeable gains	143,374	308,645
Tax losses carried forward and other deductions	(1,192,480)	(1,094,139)
	=====	=====
	505,885	711,570
	=====	=====
Beginning of year	711,570	785,450
Credit for the year at closing rate of 17%	(205,685)	(30,244)
Effect of change of tax rate on opening balances	-	(43,636)
	=====	=====
End of year	505,885	711,570
	=====	=====

The deferred tax liability has been calculated at a Corporation Tax rate of 17%. Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2015 (on 26 October 2015) and Finance Bill 2016 (on 7 September 2016). These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 17% from 1 April 2020. The Finance Act 2016, substantively enacted on 6 September 2016 then amended this final change so that the corporation tax rate will reduce from 19% to 17% with effect from 1 April 2020.

9. CALLED UP SHARE CAPITAL

	Authorised	Allotted called up and fully paid
	£	£
At 31 May 2018 and 31 May 2017		
Ordinary shares of £1 each	100	1
	=====	=====

10. RELATED PARTY TRANSACTIONS

The consolidated financial statements of the company's ultimate parent undertaking are publicly available and include the balance of all transactions with group members who are related parties of the group. Under the provisions of Financial Reporting Standard No.102, transactions with related parties of this company have not therefore been disclosed other than as required under the Companies Act 2006. The company manages a venture capital investment limited partnership and turnover received from this partnership during the year amounted to £324,224 (2017 - £394,559) with an amount due from this partnership to the company of £25,000 at 31 May 2018 (2017 - £nil).

11. CASH FLOW STATEMENT

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

Pentech Fund II GP Limited

NOTES TO THE ACCOUNTS at 31 May 2018

12. RELATED UNDERTAKINGS

As described in note 2, the company holds a direct investment in Pentech Fund II Limited Partnership (the "Fund").

The table below discloses where the Fund, in which the company is an investor, holds investments of 20 per cent or more of the nominal value of the capital of the following companies or where the valuation of the investment is more than 20 per cent of the Fund's net assets. These investments form part of an investment portfolio and are held exclusively with a view to subsequent resale. Consequently, and in accordance with FRS 102, they are measured at fair value. The trading results of these companies are included in the Fund's accounts only to the extent to any dividends received, and not a proportion of profits. In accordance with the provisions of the Companies Act 2006, the latest published information on the aggregate share capital and reserves and the profit/(loss) of these companies is given below. The Fund also holds other investments where the holdings are under 20% of the nominal value of the investee company and the value of the investment is less than 20% of the funds asset value.

The only further related undertaking identified is Pentech Fund II Limited Partnership, for which the company is the general partner.

Company and registered office	Type of shares held	Holding as at 31 May 2018	Year ended 31 May 2018 (Latest published information)	
			Aggregated Capital and Reserves	After tax Profit/(Loss)
Nutmeg Saving and Investment Limited 5 New Street Square London EC4A 3TW	Preferred Ordinary	7.2%	'000 £28,673	'000 (£9,348)
FanDuel Limited 1 Exchange Crescent Conference Square Edinburgh EH3 8UL	Ordinary A Preference	4.5% 9.4%	(US\$154,610)	US\$97,507
Outplay Limited Floor 3 1 - 4 Atholl Crescent Edinburgh EH3 8HA	Preferred Ordinary	20.1%	£1,192	£906

13. PARENT UNDERTAKING

The company's immediate parent undertaking is Pentech GP Holdings Limited and the ultimate parent undertaking is Pentech Ventures LLP. Pentech GP Holdings Limited is a wholly owned subsidiary undertaking of Pentech Ventures LLP. Copies of the accounts of Pentech Ventures LLP and Pentech GP Holdings Limited can be obtained from 112 George Street, Edinburgh EH2 4LH.

14. SUBSEQUENT EVENTS

In July 2018, an investment within the Fund, in which the company is an investor, was realised at a value in line with its carrying value as at 31 May 2018. The impact of this on the company's holding in the Fund will be reflected in the financial statements for the year to 31 May 2019.

PENTECH FUND II LIMITED PARTNERSHIP

Report and Accounts
For the year ended 31 December 2017

**COMPANIES HOUSE
EDINBURGH**

20 FEB 2019

FRONT DESK

Registered Limited Partnership No. SL006306

Pentech Fund II Limited Partnership

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Pentech Fund II Limited Partnership

GENERAL PARTNER'S REPORT

The General Partner presents the annual report and accounts of the Partnership for the year ended 31 December 2017.

ACTIVITY

The Partnership was incorporated on 6 November 2007. During the year to 31 December 2017, the Limited Partners and the General Partner agreed to extend the term of the Partnership by one year. Accordingly the Partnership shall now terminate on 27 November 2019.

The Partnership's objective is to invest in unlisted technology companies within the UK and Ireland. The aggregate Limited Partner Commitments at 31 December 2017 totalled £47.2 million (2016 - £47.2 million).

RESULTS

In the year ended 31 December 2017, the Partnership made a loss for the financial year of £30,041,660 (2016 – profit of £2,905,775).

DRAWDOWNS FROM LIMITED PARTNERS

During the year ended 31 December 2017, £1,501,084 (2016 - £2,801,247) was drawn from Limited Partners to meet Partnership commitments.

DISTRIBUTIONS TO LIMITED PARTNERS

During the year ended 31 December 2017, £8,912,994 (2016 - £1,012,330) was distributed to Limited Partners from the sale of portfolio companies.

DIRECTORS

The directors of the General Partner, Pentech Fund II GP Limited, during the year ended 31 December 2017 were as follows:

C Anderson
E Anderson
A McKinnon
M Moens

By order of the General Partner



C Anderson
Director - General Partner
22 August 2018

Pentech Fund II Limited Partnership

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

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

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- assess the qualifying partnership's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless the General Partner either intends to liquidate the qualifying partnership or to cease operations, or have no realistic alternative but to do so.

The General Partner is responsible for such internal controls as it determines necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or errors, and has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the Partnership and to prevent and detect fraud and other irregularities.

Pentech Fund II Limited Partnership

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

Opinion

We have audited the financial statements of Pentech Fund II Limited Partnership ("the qualifying partnership") for the year ended 31 December 2017 which comprise the Statement of Comprehensive Income for the year ended 31 December 2017, Statement of Financial Position as at 31 December 2017, Cash Flow Statement for the year ended 31 December 2017 and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the qualifying partnership's affairs as at 31 December 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to qualifying partnerships by The Partnerships (Accounts) Regulations 2008.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Partnership in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

General Partner's report

The General Partner is responsible for the General Partner's report. Our opinion on the financial statements does not cover that report and we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the General Partner's report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in that report;
- in our opinion the information given in the General Partner's report for the financial period is consistent with the financial statements; and
- in our opinion that report has been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 as applied to qualifying partnerships we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of members' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit or
- the General Partner was not entitled to take advantage of the small companies exemption, as applied to qualifying partnerships, from the requirement to prepare a strategic report.

We have nothing to report in these respects.

Pentech Fund II Limited Partnership

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

General Partner's responsibilities

As explained more fully in their statement set out on page two, the General Partner is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the qualifying partnership'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 General Partner either intends to liquidate the Partnership or to cease operations, or have no realistic alternative but to do so.

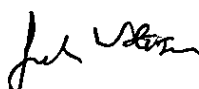
Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the qualifying partnership's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, as required by regulation 4 of the Partnerships (Accounts) Regulations 2008. Our audit work has been undertaken so that we might state to the Partnership's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Partnership and its members, as a body, for our audit work, for this report, or for the opinions we have formed.



John Waterson (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

20 Castle Terrace
Edinburgh
EH1 2EG

22 August 2018

Pentech Fund II Limited Partnership

STATEMENT OF COMPREHENSIVE INCOME for the year ended 31 December 2017

	<i>Note</i>	<i>2017</i> £	<i>2016</i> £
TURNOVER		-	-
Administrative expenses	3	(35,091)	(29,053)
General Partner's Priority Profit Share		(379,288)	(395,804)
Loss on sale of investments		(3,195,651)	-
Net (loss) gain on investments at fair value	4	(26,229,675)	2,444,209
Foreign currency (loss) gain		(207,556)	861,775
		=====	=====
OPERATING (LOSS) PROFIT		(30,047,261)	2,881,127
Interest receivable		5,601	24,648
		=====	=====
(LOSS) PROFIT FOR THE FINANCIAL YEAR		(30,041,660)	2,905,775
		=====	=====
Allocation of (Loss) Profit to Partners:			
General Partner:			
Income account	6	(408,778)	(400,209)
		=====	=====
Limited Partners:			
Movement in value of investments	6	(29,632,882)	3,305,984
		=====	=====

There are no recognised gains or losses other than the loss for the year to 31 December 2017 of £30,041,660 (2016 – profit of £2,905,775).

Pentech Fund II Limited Partnership

STATEMENT OF FINANCIAL POSITION at 31 December 2017

	<i>Note</i>	<i>2017</i> £	<i>2016</i> £
FIXED ASSETS			
Investments	4	34,472,714	62,714,013
CURRENT ASSETS			
Debtors	5	-	5,026,112
Cash and short term deposits		126,929	4,316,073
		126,929	9,342,185
CREDITORS: amounts falling due within one year			
Accrued expenses		(25,324)	(22,253)
Other creditors		(41)	(6,097)
		(25,365)	(28,350)
NET CURRENT ASSETS		101,564	9,313,835
NET ASSETS		34,574,278	72,027,848
GENERAL PARTNER'S ACCOUNTS			
Capital commitments	6	13	13
Income account	6	(9,043,771)	(8,634,993)
		(9,043,758)	(8,634,980)
LIMITED PARTNERS' ACCOUNTS			
Capital commitments	6	3,649,552	11,061,462
Gain on realisation of investments	6	22,925,869	26,329,076
Investment valuation movements - unrealised	6	17,042,615	43,272,290
		43,618,036	80,662,828
PARTNERS' FUNDS		34,574,278	72,027,848

The financial statements were approved and authorised for issue by the General Partner on 22 August 2018 and signed on its behalf by:



C Anderson

Director of the General Partner

Pentech Fund II Limited Partnership

CASH FLOW STATEMENT for the year ended 31 December 2017

	2017 £	2016 £
Cash flows from operating activities:		
(Loss) profit for the financial year	(30,041,660)	2,905,775
Adjustments for:		
Net loss (gain) on investments at fair value	26,229,675	(2,444,209)
Loss on sale of investments	3,195,651	-
Foreign currency loss (gain)	207,556	(861,775)
Decrease in other debtors	542	7,695
(Decrease) increase in creditors	(2,985)	17,008
Net cash outflow from operating activities	(411,221)	(375,506)
Financial investment:		
Cost of investments	(1,184,027)	(2,442,343)
Investment disposal proceeds	4,818,014	945,087
Loan commitment drawdowns:		
Limited Partners	1,501,084	2,801,247
Distributions:		
Limited Partners	(8,912,994)	(1,012,330)
Movement in cash during year	(4,189,144)	(83,845)
Cash at beginning of year	4,316,073	4,397,746
Effect of exchange rate movements on cash	-	2,172
Cash at end of year	126,929	4,316,073
	=====	=====

Pentech Fund II Limited Partnership

NOTES TO THE ACCOUNTS

for the year ended 31 December 2017

1. PARTNERSHIP AGREEMENT

Pentech Fund II Limited Partnership was established on 6 November 2007 and is registered as a limited partnership in Scotland with a registered office at 112 George Street, Edinburgh. The General Partner is Pentech Fund II GP Limited. The operation of the Partnership is governed by the Partnership Agreement dated 6 November 2007 as subsequently amended and restated.

2. ACCOUNTING POLICIES

Basis of preparation of accounts

Under the Partnerships (Accounts) Regulations 2008, the Partnership, as a qualifying partnership, is required to prepare and have audited an annual report and financial statements under Part 15 and Chapter 1 of Part 16 of the Companies Act 2006 as if the Partnership was a company formed and registered under the Companies Act.

Under the Companies Act, the partners have the choice whether their financial statements are prepared under that applicable law and either UK Accounting Standards (UK Generally Accepted Accounting Practice) or International Financial Reporting Standards (IFRSs) as adopted by the EU. The partners have decided to apply UK Generally Accepted Accounting Practice, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Accordingly, these financial statements have been prepared on a going concern basis. The financial statements have been prepared on the historical cost basis except for the modification to a fair value basis for certain financial instruments as specified in the accounting policies below. The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Carried Interest

Carried interest is disclosed as a contingent liability in accounting periods where net assets exceed Limited Partners' net drawn commitments (plus a hurdle).

Valuation of investments

Financial Instruments

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

Level 1 – Unadjusted, fully accessible and current quoted prices in active markets for identical assets or liabilities. Included within this category are investments listed on a recognised stock exchange. The Partnership held no such securities during the period under review.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable (ie developed using market data) for the asset or liability, either directly or indirectly. Examples of such instruments would be those for which the quoted price has been suspended, forward exchange contracts and certain other derivative investments. The Partnership held no such securities during the period under review.

Pentech Fund II Limited Partnership

NOTES TO THE ACCOUNTS

for the year ended 31 December 2017

Financial Instruments (continued)

Level 3 – External inputs are unobservable. Value is at the Investment Manager's best estimate and prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines. Level 3 are investments in private companies or securities, whether invested directly or through Partnerships.

The Partnership's investments are all deemed Level 3 during the year under review.

Investments

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

Gains and losses on sale of investments

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

General Partner's Priority Profit Share

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

Income

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

Expenses

All expenses are accounted for on an accruals basis.

Taxation

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

Foreign Currency Translation

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

Pentech Fund II Limited Partnership

NOTES TO THE ACCOUNTS

for the year ended 31 December 2017

Foreign Currency Translation (continued)

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

3. ADMINISTRATIVE EXPENSES

	2017	2016
	£	£
Auditor's remuneration		
Audit of these financial statements	11,016	8,913
Other services relating to taxation	9,965	2,030
Legal fees	4,688	2,000
Insurance costs	9,154	10,340
Bank charges	268	5,770
	-----	-----
	35,091	29,053
	=====	=====

4. INVESTMENTS

<i>Unlisted Investments:</i>	2017	2016
	£	£
<u>Cost:</u>		
At 1 January	19,441,723	16,999,380
Additions in year	1,184,027	2,442,343
Disposals in year	(3,195,651)	-
	-----	-----
At 31 December	17,430,099	19,441,723
	-----	-----
<u>Investment uplifts and (provisions)</u>		
At 1 January	43,272,290	40,828,081
(Reduction) uplift in fair value	(29,425,326)	2,444,209
Realised in year	3,195,651	-
	-----	-----
Movement in year	(26,229,675)	2,444,209
	-----	-----
At 31 December	17,042,615	43,272,290
	-----	-----
Net book value at 31 December	34,472,714	62,714,013
	=====	=====

Pentech Fund II Limited Partnership

NOTES TO THE ACCOUNTS for the year ended 31 December 2017

5. DEBTORS

	2017	2016
	£	£
Sale proceeds receivable	-	5,025,570
Due from Limited Partners	-	542
	-----	-----
At 31 December	-	5,026,112
	=====	=====

6. PARTNERS' ACCOUNTS

Commitments:

	<u>General Partner</u>		<u>Limited Partners</u>	
	Capital Contribn.	Loan Contribn.	Capital Contribn.	Loan Contribn.
	£	£	£	£
At 1 January 2016	13	-	4,774	9,267,771
Loans drawn in the year	-	-	-	2,801,247
Amounts distributed in the year	-	-	-	(1,012,330)
	-----	-----	-----	-----
At 1 January 2017	13	-	4,774	11,056,688
Loans drawn in the year	-	-	-	1,501,084
Amounts distributed in the year	-	-	-	(8,912,994)
	-----	-----	-----	-----
At 31 December 2017	13	-	4,774	3,644,778
	=====	=====	=====	=====
Partners' undrawn commitments at 31 December 2017	-	-	-	1,020,830
	=====	=====	=====	=====

Capital and Income Accounts:

	<u>General Partner</u>		<u>Limited Partners</u>		
	Capital Account	Income Account	Capital Account	Income Account	Realised & Unrealised M'ment in Value of Investments
	£	£	£	£	£
At 1 January 2016	-	(8,234,784)	-	-	66,295,382
(Loss) allocated to partners	-	(400,209)	-	-	-
Unrealised gain allocated to partners	-	-	-	-	2,444,209
Movement in exchange rates	-	-	-	-	861,775
	-----	-----	-----	-----	-----
At 1 January 2017	-	(8,634,993)	-	-	69,601,366
(Loss) allocated to partners	-	(408,778)	-	-	-
Unrealised loss allocated to partners	-	-	-	-	(26,229,675)
Realised loss in year	-	-	-	-	(3,195,651)
Movement in exchange rates	-	-	-	-	(207,556)
	-----	-----	-----	-----	-----
At 31 December 2017	-	(9,043,771)	-	-	39,968,484
	=====	=====	=====	=====	=====

Pentech Fund II Limited Partnership

NOTES TO THE ACCOUNTS

for the year ended 31 December 2017

Carried Interest

If all the assets and liabilities of the Partnership were realised at their fair values on 31 December 2017, profits of £6,184,943 (2016 £12,193,275) would be reallocated from the Limited Partners to the Carried Interest Partner. No allocation has been made to the Carried Interest Partner at 31 December 2017 or 31 December 2016 as the total distributions to Limited Partners had not exceeded total drawn commitments (plus a hurdle) at those dates.

7. RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

Pentech Fund II GP Limited, being the General Partner of the Partnership, is a related party of the Partnership, being responsible for the financial and operating decisions of the Partnership. The General Partner is a wholly-owned subsidiary of Pentech GP Holdings Limited. Pentech GP Holdings Limited is a wholly-owned subsidiary of Pentech Ventures LLP, which is also the investment manager of the Partnership.

The General Partner is entitled to receive a Priority Profit Share (PPS) from the Partnership for its services as General Partner. In the year ended 31 December 2017, Pentech Fund II GP Limited received a PPS of £379,288 (2016 - £395,804).

8. SIGNIFICANT HOLDINGS

The table below discloses where the Partnership holds investments of 20 per cent or more of the nominal value of the capital of the following companies or where the valuation of the investment is more than 20 per cent of the Partnership's net assets. These investments form part of an investment portfolio and are held exclusively with a view to subsequent resale. Consequently, and in accordance with FRS 102, they are measured at fair value. The trading results of these companies are included in these accounts only to the extent to any dividends received, and not a proportion of profits. In accordance with the provisions of the Companies Act 2006, the latest published information on the aggregate share capital and reserves and the profit/(loss) of these companies is given below. The Partnership also holds other investments where the holdings are under 20% of the nominal value of the company and the value of the investment is less than 20% of the funds asset value.

Company and registered office	Type of shares held	Holding as at 31 December 2017	Year ended 31 December 2017 (Latest published information)	
			Aggregated Capital and Reserves	After tax Profit/(Loss)
			'000	'000
Nutmeg Saving and Investment Limited 5 New Street Square London EC4A 3TW	Preferred Ordinary	7.2%	£28,673	(£9,348)
FanDuel Limited 1 Exchange Crescent Conference Square Edinburgh EH3 8UL	Ordinary A Preference	4.5% 9.4%	(US\$154,610)	US\$97,507
Outplay Limited Floor 3 1 - 4 Atholl Crescent Edinburgh EH3 8HA	Preferred Ordinary	20.1%	£1,192	£906

Pentech Fund II Limited Partnership

NOTES TO THE ACCOUNTS

for the year ended 31 December 2017

9. FINANCIAL RISK

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

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

Market Risk

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

Proposed exit of the UK from the EU

The referendum on the UK's membership of the European Union (EU) was held on 23 June 2016. The result was a vote to 'Leave'. There is no precedent of any country leaving the EU with the exception of Greenland. It is unclear how the UK's access to the EU Single Market and the wider trading, legal and regulatory environment will be structured in the future. Negotiations have commenced about the terms of exit are expected to take a significant amount of time to negotiate. In the short term after the announcement of the referendum result, significant volatility occurred in global financial markets as a result of the uncertainty it created. Significant uncertainties are expected to remain for the medium term. This uncertainty will impact the environment in which the Partnership, its clients, and its investment operate, and could impact the financial results of the Partnership.

Interest Rate Risk

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

Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Partnership. The carrying amounts of financial assets best represent the maximum credit risk exposure at the statement of financial position date.

At the reporting date, the Partnership's financial assets exposed to credit risk amounted to the following:

Cash and short term deposits	£126,929
------------------------------	----------

Credit risk on unlisted investments is considered part of market risk, as disclosed earlier.

All of the cash held by the Partnership is held with Clydesdale Bank. Bankruptcy or insolvency of this bank may cause the Partnership's rights with respect to the cash held with this bank to be delayed or limited.

Pentech Fund II Limited Partnership

NOTES TO THE ACCOUNTS

for the year ended 31 December 2017

Liquidity Risk

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

Currency Risk

Certain of the Partnership's assets are denominated in currencies other than Sterling (the Partnership's functional currency and that in which it reports its results). Consequently, movements in exchange rates may affect the Sterling value of those items. A 10% decrease in exchange rates would result in a £1,487,385 decrease in the loss for the year (2016 - £4,576,504 increase in profit) and a £1,487,385 increase in Partners' Funds (2016 - £4,576,504). A 10% increase would result in the opposite.

Other Price Risk

Changes in market prices other than those arising from interest rate risk or currency risk may also affect the value of the Partnership's net assets. A 10% decrease in the valuation of investments would result in a £3,447,271 increase in the loss for the year (2016 - £6,271,401 decrease in profit) and a £3,447,271 decrease in the Partners' Funds (2016 - £6,271,401).

10. SUBSEQUENT EVENTS

In July 2018 an investment was realised at a value in line with its carrying value as at 31 December 2017. This will be reflected in the financial statements for the year ending 31 December 2018.