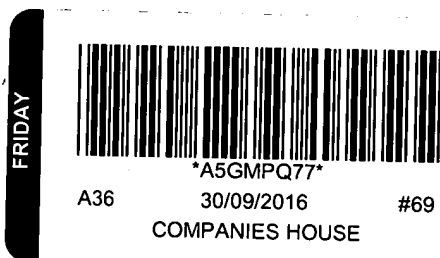


REGISTERED NUMBER: 04709243 (England and Wales)

**Report of the Directors and
Financial Statements for the Year Ended 31 December 2015
for
IP2IPO Management II Limited**



Contents of the Financial Statements
for the year ended 31 December 2015

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IP2IPO Management II Limited

Company Information *for the year ended 31 December 2015*

| | |
|---------------------------|--|
| DIRECTORS: | Alan Aubrey Angela Leach Greg Smith |
| SECRETARY: | Angela Leach |
| REGISTERED OFFICE: | 24 Cornhill London EC3V 3ND |
| REGISTERED NUMBER: | 04709243 (England and Wales) |
| AUDITOR: | KPMG LLP Chartered Accountants Registered Auditor 15 Canada Square London E14 5GL |

IP2IPO Management II Limited (Registered number: 04709243)

Report of the Directors *for the year ended 31 December 2015*

The directors present their report with the financial statements of the company for the year ended 31 December 2015.

PRINCIPAL ACTIVITY

During 2014, IP2IPO Management II Limited (the "Company") continued to hold investments in spin-out companies from King's College London. Under the terms of an agreement entered into during 2003 between the Company and King's College London ("KCL") and King's College London Business Limited (formerly KCL Enterprises Limited), the Company agreed to make £5.0m available for the purposes of making investments in spin-out companies. Under the terms of the agreement, KCL was previously able to require the Company to make a further £5.0m available for investments in spin-out companies on the tenth anniversary of the partnership. However, the 2003 agreement was terminated and replaced by a revised agreement between the same parties on 12 November 2010. Under the revised agreement, KCL cannot require the Company to make any additional funds available. Other changes effected by the revised agreement included the removal of the Company's automatic entitlement to initial partner equity in every spin-out company and/or a share of KCL's licensing fees from intellectual property commercialisation and to the termination rights of the parties.

The directors are satisfied that the business has performed satisfactorily for the year under review.

DIVIDENDS

The directors do not recommend payment of a dividend (2014: £nil).

FUTURE DEVELOPMENTS

The directors believe the Company will continue to trade for the foreseeable future.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2015 to the date of this report.

Alan Aubrey
Angela Leach
Greg Smith

FINANCIAL INSTRUMENTS

The Company's primary exposure to financial instruments is in relation to the equity investments made in spin-out companies and loans made to and received from fellow subsidiaries.

The directors of IP Group plc manage the risks inherent from investing in equity instruments through the establishment, at a group-wide level, of investment appraisal processes and asset monitoring procedures which are subject to overall review by the Board. The Group has also established capital markets and communications teams dedicated to supporting portfolio companies with fundraising activities and investor relations.

CHARITABLE AND POLITICAL DONATIONS

During the year the Company made no charitable or political contributions (2014: £nil).

PRINCIPAL RISKS AND UNCERTAINTIES

The management of the business and the execution of the Company's strategy are subject to a number of risks.

The key business risks and uncertainties affecting the Company are considered to relate to the protection of intellectual property and market risk in respect of its equity investments. Further discussion of these risks and uncertainties, in the context of the group as a whole, is provided on page 34 – 41 in IP Group plc's 2015 annual report and financial statements which do not form part of this report. IP Group plc (the "Group") is the ultimate parent undertaking of the Company.

KEY PERFORMANCE INDICATORS

The directors of IP Group plc manage the Group's operations on a divisional basis. For this reason, the Company's directors believe that analysis using KPIs for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business of the Company. The development, performance and position of IP Group plc, which includes the Company, is discussed in IP Group plc's annual report which does not form part of this report.

IP2IPO Management II Limited (Registered number: 04709243)

Report of the Directors
for the year ended 31 December 2015

FINANCIAL SUPPORT

While the intercompany loans are repayable on demand, the immediate parent company, IP2IPO Limited, has confirmed that it does not intend to require repayment in cash of the intercompany loans due to it and has confirmed its financial support to the company by providing funding of up to £50,000 to enable the company to meet its obligations as they fall due for a period of not less than twelve months from the date of approval of these financial statements. The directors have therefore prepared the financial statements on a going concern basis.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

AUDITORS

The auditor, KPMG LLP will be deemed to be re-appointed under section 487(2) of the Companies Act 2006.

ON BEHALF OF THE BOARD:



.....
Greg Smith - Director

Date: 20th September 2016

Statement of Directors' Responsibilities
for the year ended 31 December 2015

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101 'Reduced Disclosure Framework'. 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 accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Report of the Independent Auditors to the Shareholder of IP2IPO Management II Limited

We have audited the financial statements of IP2IPO Management II Limited for the year ended 31 December 2015 on pages 6 to 16. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

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 a Report of the Auditors and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 'Reduced Disclosure Framework'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

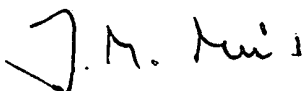
Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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



Jonathan Mills (Senior Statutory Auditor)
for and on behalf of KPMG LLP
Chartered Accountants
Registered Auditor
15 Canada Square
London
E14 5GL

Date: 28 September 2016

IP2IPO Management II Limited (Registered number: 04709243)

Statement of Profit or Loss and Other Comprehensive Income
for the year ended 31 December 2015

| | Notes | 31/12/15 £'000 | 31/12/14 £'000 |
|---|-------|-------------------|-------------------|
| REVENUE | | - | - |
| Change in fair value of equity investment | | 52 | (34) |
| Administrative expenses | | <u>(4)</u> | <u>(4)</u> |
| OPERATING PROFIT/(LOSS) | | <u>48</u> | <u>(38)</u> |
| PROFIT/(LOSS) FROM ORDINARY ACTIVITIES BEFORE TAXATION | 4 | 48 | (38) |
| Tax on profit/(loss) from ordinary activities | 5 | <u>-</u> | <u>-</u> |
| PROFIT/(LOSS) FOR THE FINANCIAL YEAR | | 48 | (38) |
| OTHER COMPREHENSIVE INCOME | | <u>-</u> | <u>-</u> |
| TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR | | <u>48</u> | <u>(38)</u> |

The notes form part of these financial statements

IP2IPO Management II Limited (Registered number: 04709243)

Statement of Financial Position

31 December 2015

| | Notes | 31/12/15 £'000 | £'000 | 31/12/14 £'000 | £'000 |
|--|-------|-------------------|----------------|-------------------|----------------|
| FIXED ASSETS | | | | | |
| Investments | 6 | | 98 | | 46 |
| CURRENT ASSETS | | | | | |
| Debtors | 7 | 13,790 | | 13,793 | |
| CREDITORS | | | | | |
| Amounts falling due within one year | 8 | <u>14,901</u> | | <u>14,900</u> | |
| NET CURRENT LIABILITIES | | | <u>(1,111)</u> | | <u>(1,107)</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | | <u>(1,013)</u> | | <u>(1,061)</u> |
| CAPITAL AND RESERVES | | | | | |
| Called up share capital | 9 | | - | | - |
| Retained earnings | 10 | | <u>(1,013)</u> | | <u>(1,061)</u> |
| SHAREHOLDERS' FUNDS | | | <u>(1,013)</u> | | <u>(1,061)</u> |

The financial statements were approved by the Board of Directors on 28th September 2016 and were signed on its behalf by:



.....
Greg Smith - Director

IP2IPO Management II Limited (Registered number: 04709243)

Statement of Changes in Equity
for the year ended 31 December 2015

| | Retained earnings £'000 | Total equity £'000 |
|------------------------------------|--|-----------------------------------|
| Balance at 1 January 2014 | (1,023) | (1,023) |
| Changes in equity | | |
| Total comprehensive loss | <u>(38)</u> | <u>(38)</u> |
| Balance at 31 December 2014 | <u>(1,061)</u> | <u>(1,061)</u> |
| Changes in equity | | |
| Total comprehensive income | <u>48</u> | <u>48</u> |
| Balance at 31 December 2015 | <u><u>(1,013)</u></u> | <u><u>(1,013)</u></u> |

IP2IPO Management II Limited (Registered number: 04709243)

Notes to the Financial Statements for the year ended 31 December 2015

1. AUTHORISATION OF FINANCIAL STATEMENTS AND COMPLIANCE WITH FRS 101

The financial statements of IP2IPO Management II Limited (the "Company") for the year ended 31 December 2015 were authorised for issue by the board of directors on 28 September 2016 and the balance sheet was signed on the board's behalf by G Smith. IP2IPO Management II Limited is incorporated and domiciled in England and Wales.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101") The amendments to FRS 101 (2014/15 Cycle) issued in July 2015 and effective immediately have been applied.

The principal accounting policies adopted by the company are set out in note 2.

2. ACCOUNTING POLICIES

Basis of preparation

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of FRS 101 disclosure exemptions have been taken.

In transition to FRS 101, the Company has applied IFRS 1 whilst ensuring that its assets and liabilities are measured in compliance with FRS 101. An explanation of how the transition to FRS 101 has affected the reported financial position and financial performance of the Company is provided on pages 14 to 16.

The Company's ultimate parent undertaking, IP Group plc, includes IP2IPO Management II Limited in its consolidated financial statements. The consolidated financial statements of IP Group plc are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from the company secretary at IP Group plc, 24 Cornhill, London, EC3V 3ND.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures: a Cash Flow Statement and related notes; disclosures in respect of capital management; the effects of new but not yet effective IFRSs; and disclosures of transactions with a management entity that provides key management personnel services to the Company.

As the ultimate parent company, IP Group plc's consolidated financial statements include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures: certain disclosures required by IFRS 13 Fair Value Measurement, IAS 24 Related Party Disclosures and the disclosures required by IFRS 7 Financial Instrument Disclosures.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements and in preparing an opening FRS 101 balance sheet at 1 January 2015 for the purposes of the transition to FRS 101.

Notes to the Financial Statements - continued
for the year ended 31 December 2015

2. ACCOUNTING POLICIES - continued

Taxation

The tax expense/(credit) represents the sum of the tax currently payable or recoverable and the movement in deferred tax assets and liabilities.

Current tax is based upon taxable profit/(loss) for the year. Taxable profit/(loss) differs from net profit/(loss) as reported in the statement of profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

The company's liability for current tax is calculated by using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based upon tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited in the statement of profit or loss, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the profit nor the accounting period.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Portfolio return

Change in fair value of equity investments represents revaluation gains and losses on the Company's portfolio of investments. Gains on the disposal of equity investments represent the difference between the fair value of consideration received and the carrying value at the start of the accounting period on the disposal of equity investments. Changes in fair values of assets do not constitute revenue.

Financial assets

The Company classifies its financial assets into one of the categories below, depending on the purpose for which the asset was acquired. None of the Company's financial assets are categorised as held to maturity or available for sale.

(i) At fair value through profit and loss

Financial assets at fair value through profit or loss are either financial assets held for trading or financial assets which are designated at fair value through profit or loss on initial recognition. This category includes equity investments which are held by the Company. Financial assets at fair value through profit or loss are initially recognised at fair value and any gains or losses arising from subsequent changes in fair value are presented in the Statement of Profit or Loss and Other Comprehensive Income in the period in which they arise.

Equity investments:

The fair values of quoted investments are based on bid prices in an active market at the reporting date.

(ii) Trade and other receivables

These assets are non-derivative financial assets with fixed and determinable payments that are not quoted in an active market. They principally relate to transactions with other group companies and are carried at cost less provision for impairment.

IP2IPO Management II Limited (Registered number: 04709243)

Notes to the Financial Statements - continued for the year ended 31 December 2015

2. ACCOUNTING POLICIES - continued

Financial liabilities

Current financial liabilities are composed of trade payables and other short term monetary liabilities which are recognised at amortised cost. Unless otherwise indicated, the carrying amounts of the Company's financial liabilities are a reasonable approximation to their fair value.

3. EMPLOYEES AND DIRECTORS

During the year the Company had no employees (2014: none). The directors are remunerated for their services to other group companies within the group headed by the Company's ultimate parent, IP Group plc. No amounts were received by them as directors of IP2IPO Management II Limited

4. PROFIT/(LOSS) BEFORE TAXATION

The profit before taxation (2014 - loss before taxation) is stated after charging:

| | 31/12/15 | 31/12/14 |
|------------------------|----------|----------|
| | £'000 | £'000 |
| Auditors' remuneration | <u>2</u> | <u>2</u> |

Auditor's remuneration has been paid by another group company in the year.

5. TAXATION

Analysis of tax expense

No liability to UK corporation tax arose on ordinary activities for the year ended 31 December 2015 nor for the year ended 31 December 2014.

Factors affecting the tax expense

The tax assessed for the year is lower (2014 - higher) than the standard rate of corporation tax in the UK. The difference is explained below:

| | 31/12/15 | 31/12/14 |
|---|-------------|-------------|
| | £'000 | £'000 |
| Profit/(loss) on ordinary activities before income tax | <u>48</u> | <u>(38)</u> |
| Profit/(loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20.250% (2014 - 21.500%) | 10 | (8) |
| Effects of: | | |
| Deferred tax not recognised | 1 | 1 |
| Change in fair value of investments | <u>(11)</u> | <u>7</u> |
| Tax expense | <u>-</u> | <u>-</u> |

There is a potential deferred tax asset at 31 December 2015 of £2,901 (2014: £1,541), relating to carried forward management expenses. This asset has not been recognised in the financial statements due to current uncertainties surrounding the reversal of the underlying timing differences. The deferred tax asset would be recovered if there were future taxable profits from which the reversal of the underlying timing differences could be deducted.

IP2IPO Management II Limited (Registered number: 04709243)

Notes to the Financial Statements - continued
for the year ended 31 December 2015

6. INVESTMENTS

| | Listed investments £'000 |
|--------------------------------------|--------------------------------|
| COST | |
| At 1 January 2015 | 46 |
| Change in fair value during the year | <u>52</u> |
| At 31 December 2015 | <u>98</u> |
| NET BOOK VALUE | |
| At 31 December 2015 | <u>98</u> |
| At 31 December 2014 | <u>46</u> |

Significant equity investments

At 31 December 2015 the Company does not hold more than 20% of the issued share capital in any company.

7. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 31/12/15 £'000 | 31/12/14 £'000 |
|------------------------------------|-------------------|-------------------|
| Amounts owed by group undertakings | 13,789 | 13,792 |
| Other debtors | <u>1</u> | <u>1</u> |
| | <u>13,790</u> | <u>13,793</u> |

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 31/12/15 £'000 | 31/12/14 £'000 |
|------------------------------------|-------------------|-------------------|
| Amounts owed to group undertakings | 14,896 | 14,896 |
| Accruals and deferred income | <u>5</u> | <u>4</u> |
| | <u>14,901</u> | <u>14,900</u> |

Amounts owed to the other group companies are unsecured, interest free and repayable on demand. IP2IPO Limited, the Company's immediate parent, has confirmed that while these amounts are repayable on demand, they will not require the loans to be repaid in cash within twelve months from the date of approval of these financial statements.

IP2IPO Management II Limited (Registered number: 04709243)

Notes to the Financial Statements - continued
for the year ended 31 December 2015

9. CALLED UP SHARE CAPITAL

| Allotted, issued and fully paid: | | Nominal value: | 31/12/15 | 31/12/14 |
|----------------------------------|----------|-------------------|----------|----------|
| Number: | Class: | | £ | £ |
| 1 | Ordinary | £1 | <u>1</u> | <u>1</u> |

10. RESERVES

| | Retained earnings £'000 |
|---------------------|--|
| At 1 January 2015 | (1,061) |
| Profit for the year | <u>48</u> |
| At 31 December 2015 | <u>(1,013)</u> |

11. ULTIMATE PARENT COMPANY

IP2IPO Limited is the immediate parent company and controlling party of the Company. The ultimate parent company and the ultimate controlling party is IP Group plc. The immediate and ultimate parent companies were incorporated in the United Kingdom. Copies of the ultimate parent company's financial statements may be obtained from the Secretary of IP Group plc, 24 Cornhill, London, EC3V 3ND.

12. RELATED PARTY DISCLOSURES

The following directors at 31 December 2015 had investments with the following spin-out companies:

| Director | Company name | Number of shares held at 1 January 2015 | Number of shares acquired in the year | Number of shares held at 31 December 2015 | % of issued share capital at 31 December 2015 |
|--------------|------------------|--|---|---|---|
| Alan Aubrey | Avacta Group plc | 202,761 | - | 202,761 | 0.6% |
| Angela Leach | Avacta Group plc | 741 | 1,156 | 1,897 | <0.1% |
| Greg Smith | Avacta Group plc | 3,904 | - | 3,904 | <0.1% |

Avacta Group plc has consolidated its outstanding shares by 100:1. The opening position has been restated.

IP2IPO Management II Limited (Registered number: 04709243)

Reconciliation of Equity

1 January 2014

(Date of Transition to FRS 101)

| | Notes | UK GAAP £'000 | Effect of transition to FRS 101 £'000 | FRS 101 £'000 |
|--|-------|---------------------|--|------------------|
| FIXED ASSETS | | | | |
| Investments | | <u>210</u> | <u>(130)</u> | <u>80</u> |
| CURRENT ASSETS | | | | |
| Debtors | | <u>13,797</u> | <u>-</u> | <u>13,797</u> |
| CREDITORS | | | | |
| Amounts falling due within one year | | <u>(14,900)</u> | <u>-</u> | <u>(14,900)</u> |
| NET CURRENT LIABILITIES | | <u>(1,103)</u> | <u>-</u> | <u>(1,103)</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>(893)</u> | <u>(130)</u> | <u>(1,023)</u> |
| NET LIABILITIES | | <u>(893)</u> | <u>(130)</u> | <u>(1,023)</u> |
| RESERVES | | | | |
| Retained earnings | | <u>(893)</u> | <u>(130)</u> | <u>(1,023)</u> |
| SHAREHOLDERS' FUNDS | | <u>(893)</u> | <u>(130)</u> | <u>(1,023)</u> |

The notes form part of these financial statements

IP2IPO Management II Limited (Registered number: 04709243)

Reconciliation of Equity - continued

31 December 2014

| | Notes | UK GAAP £'000 | Effect of transition to FRS 101 £'000 | FRS 101 £'000 |
|--|-------|---------------------|--|------------------|
| FIXED ASSETS | | | | |
| Investments | 1 | <u>210</u> | <u>(164)</u> | <u>46</u> |
| CURRENT ASSETS | | | | |
| Debtors | | <u>13,793</u> | <u>-</u> | <u>13,793</u> |
| CREDITORS | | | | |
| Amounts falling due within one year | | <u>(14,900)</u> | <u>-</u> | <u>(14,900)</u> |
| NET CURRENT LIABILITIES | | <u>(1,107)</u> | <u>-</u> | <u>(1,107)</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>(897)</u> | <u>(164)</u> | <u>(1,061)</u> |
| NET LIABILITIES | | <u>(897)</u> | <u>(164)</u> | <u>(1,061)</u> |
| RESERVES | | | | |
| Retained earnings | | <u>(897)</u> | <u>(164)</u> | <u>(1,061)</u> |
| SHAREHOLDERS' FUNDS | | <u>(897)</u> | <u>(164)</u> | <u>(1,061)</u> |

Notes to the reconciliation of equity

1. The only transitional adjustment arising from the change from previously extant UK GAAP to FRS 101 is a change in the basis of valuation of the company's investments. Previously these were stated at cost less impairment. In accordance with the new requirements of FRS 101, investments are now stated at fair value. The effect of this change is to reduce net assets at 31 December 2014 by £163,869

IP2IPO Management II Limited (Registered number: 04709243)

Reconciliation of Loss
for the year ended 31 December 2014

| | UK GAAP £'000 | Effect of transition to FRS 101 £'000 | FRS 101 £'000 |
|--|------------------------------|--|--------------------------|
| REVENUE | - | - | - |
| Change in fair value of investments | - | (34) | (34) |
| Administrative expenses | <u>(4)</u> | <u>-</u> | <u>(4)</u> |
| OPERATING LOSS | (4) | (34) | (38) |
| and | | | |
| LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION | (4) | (34) | (38) |
| Tax on loss on ordinary activities | <u>-</u> | <u>-</u> | <u>-</u> |
| LOSS FOR THE FINANCIAL YEAR | <u><u>(4)</u></u> | <u><u>(34)</u></u> | <u><u>(38)</u></u> |

Notes to the reconciliation of profit or loss

The only transitional adjustment arising from the change from previously extant UK GAAP to FRS 101 is a change in the basis of valuation of the company's investments. Previously investments were stated at cost less impairment. In accordance with the new requirements of FRS 101, investments are now stated at fair value. This change has resulted in changes to the calculations of both the movement in the fair value of investments, and to the profit on disposal of investments during the year.

The effect of the changes is to reduce profit for the financial year by £33,891.