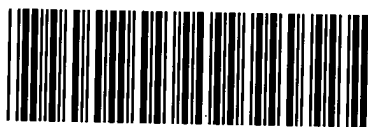


**IP2IPO Management II Limited**

Report and Financial Statements

Year ended 31 December 2014

WEDNESDAY



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30/09/2015

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COMPANIES HOUSE

Registered number  
04709243

## **IP2IPO Management II Limited**

### **Annual report and financial statements for the year ended 31 December 2014**

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#### **Directors**

Alan Aubrey  
Angela Leach  
Greg Smith

#### **Secretary and registered office**

Angela Leach  
  
24 Cornhill  
London  
EC3V 3ND

#### **Company number**

04709243

#### **Independent Auditor**

KPMG LLP  
15 Canada Square  
London  
E14 5GL

## **IP2IPO Management II Limited**

### **Directors' report for the year ended 31 December 2014**

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The directors present their report together with the audited financial statements for the year ended 31 December 2014.

#### **Business review and principal activities**

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.

#### **Results and dividends**

The results for the period are set out on page 4. The directors do not recommend payment of a dividend (2013: £nil).

The accounts have been prepared on a going concern basis as the Company's ultimate parent undertaking, IP Group plc, has confirmed its intention to continue its financial support of the Company so as to ensure that it is able to meet its liabilities as they fall due for at least a period of twelve months after the date of approval of these financial statements.

#### **Future outlook**

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

#### **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 pages 34 to 39 of IP Group plc's annual report which does not form part of this report. IP Group plc (the "Group") is the ultimate parent undertaking of the Company.

#### **Financial instruments**

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

#### **Key performance indicators ("KPIs")**

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

### Directors' report for the year ended 31 December 2014

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#### Directors

The directors of the company during the year were:

Alan Aubrey  
Greg Smith  
Angela Leach

#### Charitable and political contributions

During the year the Company made no charitable or political contributions (2013: £nil).

#### Directors' responsibilities

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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the entity will continue in business.

The directors are responsible for keeping proper accounting records which 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.

#### 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 will have 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.

#### Disclosure of information to auditor

All of the current directors have taken the steps that they ought to have taken to make themselves aware of any information needed by the Company's auditor for the purposes of its audit and to establish that the auditor is aware of that information. The directors are not aware of any relevant audit information of which the auditor is unaware.

## IP2IPO Management II Limited


### Directors' report for the year ended 31 December 2014

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#### Independent auditor

Following an audit tender process completed during 2014, IP Group plc, the Company's ultimate parent, appointed KPMG LLP as auditor of IP Group plc and its subsidiaries (including IP2IPO Management II Limited). The tender was carried out after ten years of service by BDO LLP as the Group's auditor in accordance with UK corporate governance requirements.

ON BEHALF OF THE BOARD



Greg Smith

Director

30 September 2015

## Independent auditor's report to the shareholder of IP2IPO Management II Limited

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- We have audited the financial statements of IP2IPO Management II Limited for the year ended 31 December 2014 set out on pages 4 to 10. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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.

### Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities 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. 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 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 Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://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 2014 and of its loss for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

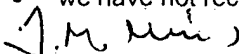
### Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' report 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.



**Jonathan Mills (Senior Statutory Auditor)**  
for and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants  
15 Canada Square  
London E14 5GL  
30 September 2015

## IP2IPO Management II Limited

### Profit and loss account for the year ended 31 December 2014

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	Notes	2014 £'000	2013 £'000
Administrative expenses	3	(4)	(4)
<b>Operating loss</b>	2	<b>(4)</b>	<b>(4)</b>
Taxation on loss on ordinary activities	6	-	157
<b>(Loss)/profit on ordinary activities after taxation</b>	11, 12	<b>(4)</b>	<b>153</b>

The Company has not recognised gains or losses other than the profit above and therefore no separate statement of total recognised gains and losses has been presented.

The loss on ordinary activities before taxation and profit/(loss) after taxation has been computed on the historical cost basis.

The notes on pages 7 to 11 form part of these financial statements.

**IP2IPO Management II Limited**  
**Registered number: 04709243**  
**Balance sheet as at 31 December 2014**

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	Note	2014 £'000	2013 £'000
<b>Fixed Assets</b>			
Investments	7	210	210
<b>Current Assets</b>			
Debtors	8	13,793	13,797
Creditors: amounts falling due within one year	9	<u>(14,900)</u>	<u>(14,900)</u>
Net current liabilities		<u>(1,107)</u>	<u>(1,103)</u>
<b>Net liabilities</b>		<u>(897)</u>	<u>(893)</u>
<b>Capital and reserves</b>			
Called up share capital	10	-	-
Profit and loss account	11	<u>(897)</u>	<u>(893)</u>
<b>Total shareholder's deficit</b>	12	<u>(897)</u>	<u>(893)</u>

The notes on page 7 to 11 form part of these financial statements.

The financial statements were approved by the Board of directors and authorised for issue on 30 September 2015 and were signed on its behalf by:



**Greg Smith**  
**Director**



## IP2IPO Management II Limited

### Notes forming part of the financial statements for the year ended 31 December 2014

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#### 1. ACCOUNTING POLICIES

##### Basis of preparation

The financial statements have been prepared under the historical cost convention, in accordance with the Companies Act 2006, and applicable United Kingdom accounting standards. A summary of the more important accounting policies which have been applied consistently throughout the year is set out below.

##### Equity investments

Equity investments are stated at historic cost less provision for impairment in value. Provisions are based upon an assessment of events or changes in circumstances that indicate that an impairment has occurred such as the performance and/or prospects (including financial prospects) of the investee company being significantly below the expectations on which the investment was based, a significant adverse change in the markets in which the investee company operates or a deterioration in general market conditions.

##### Deferred tax

Provision is made in full for deferred tax liabilities that arise from timing differences where transactions or events, that result in an obligation to pay more tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised to the extent that it is considered more likely than not that they will be recoverable. Deferred tax is measured at the average rates that are expected to apply in the periods in which the timing differences are expected to reverse based on the tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets and liabilities are not discounted.

##### Cash flow statement

The Company has taken advantage of the exemption conferred upon it by FRS 1 "Cash Flow Statements" (Revised 1996) not to prepare a cash flow statement whereby the cash flows of the Company are incorporated into those of the ultimate parent undertaking and these financial statements are publicly available.

##### Related party transactions

FRS 8 "Related Party Disclosures", requires the disclosure of the details of material transactions between the reporting entity and any related parties. However, transactions between the Company and other group companies including their associates and joint ventures have not been disclosed in accordance with the exemption in FRS 8 paragraph 3(c).

#### 2. OPERATING LOSS

The loss on ordinary activities before taxation is stated after charging:

	2014 £'000	2013 £'000
Professional fees	4	4

## IP2IPO Management II Limited

### Notes forming part of the financial statements for the year ended 31 December 2014

#### 3. AUDITOR'S REMUNERATION

	2014 £'000	2013 £'000
<b>Audit services:</b>		
Fees payable to company auditor for the audit of the financial statements	2	2
<b>Non audit services:</b>		
Other non-audit services	-	2
	<u>2</u>	<u>4</u>

Auditor's remuneration has been paid by another group company in the year. As noted in the Directors' report the Company's auditor changed during the period from BDO LLP to KPMG LLP. BDO LLP remain engaged as corporate tax advisors. The comparative figures reflect amounts paid to BDO LLP.

#### 4. EMPLOYEES

During the year the Company had no employees (2013: nil).

#### 5. DIRECTORS' EMOLUMENTS

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.

#### 6. TAXATION

	2014 £	2013 £
Group relief	-	-
Adjustment in respect of previous periods	-	(157)
Current tax	-	(157)

The tax assessed for the year is different from the standard rate of corporation tax in the UK. Factors affecting the current tax charge for the year are explained below:

	2014 £'000	2013 £'000
Loss on ordinary activities before tax	<u>(4)</u>	<u>(4)</u>
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 21.5% (2013: 23.25%)	(1)	(1)
Effects of:		
Expenses not deductible for tax purposes	-	-
Adjustments to tax charge in respect of previous periods	-	(157)
Movement on unutilised tax losses	<u>1</u>	<u>1</u>
Current tax charge for the year	<u>-</u>	<u>(157)</u>

## IP2IPO Management II Limited

### Notes forming part of the financial statements for the year ended 31 December 2014

There is a potential deferred tax asset at 31 December 2014 of £1,541 (2013: £nil), relating to carried forward capital losses. 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.

#### 7. FIXED ASSET INVESTMENTS

	Listed £'000	Total £'000
<b>Cost</b>		
At 1 January 2014	210	210
Disposal of spin-out companies	-	-
<b>At 31 December 2014</b>	<b>210</b>	<b>210</b>
<b>Provision for diminution in value</b>		
At 1 January 2014	-	-
Amounts written off spin-out companies	-	-
<b>At 31 December 2014</b>	<b>-</b>	<b>-</b>
<b>Net book value</b>		
<b>At 31 December 2014</b>	<b>210</b>	<b>210</b>
At 1 January 2014	210	210

At 31 December 2014 the market value of listed investments was £46k (2013: £80k).

At the year end the directors have undertaken a review of the carrying values of the fixed asset investment and identified that its carrying value is in excess of fair value. The total carrying value of the investment included in the financial statements is £210k compared to a fair value of £46k. No provision for diminution in value has been made in the financial statements as the amount at which the investment is currently stated is ultimately expected to be recovered. This expectation is based on the fact that, notwithstanding the current challenging economic environment, this portfolio business continues to increase revenues year-on-year and to make progress towards its technical and commercial milestones.

#### Significant equity investments

At 31 December 2014 the Company does not hold more than 20% of the issued share capital in any company.

#### 8. DEBTORS

	2014 £'000	2013 £'000
Amounts owed by group undertakings	<b>13,793</b>	13,797

#### 9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2014 £'000	2013 £'000
Trade creditors	-	-
Amounts owed to group undertakings	<b>14,896</b>	14,896
Accruals and deferred income	<b>4</b>	4
	<b>14,900</b>	14,900

## IP2IPO Management II Limited

### Notes forming part of the financial statements for the year ended 31 December 2014

Amounts owed to parent undertaking are unsecured, interest free and repayable on demand.

#### 10. CALLED UP SHARE CAPITAL

	2014 £	2013 £
Authorised 1 ordinary share of £1 each (2013: £1)	<u>1</u>	<u>1</u>
Allotted, called up and fully paid 1 ordinary share of £1 each (2013: £1)	<u>1</u>	<u>1</u>

#### 11. RESERVES

	Profit and loss account £'000
At 1 January 2014	(893)
Loss for the year	<u>(4)</u>
<b>At 31 December 2014</b>	<b><u>(897)</u></b>

#### 12. RECONCILIATION OF MOVEMENT IN SHAREHOLDER'S FUNDS

	£'000
Shareholder's funds at 1 January 2014	(893)
Loss for the year	<u>(4)</u>
<b>Shareholder's funds at 31 December 2014</b>	<b><u>(897)</u></b>

#### 13. RELATED PARTY TRANSACTIONS

The following directors at 31 December 2014 held investments in the following spin-out companies:

Director	Company name	Number of shares held at 1 January 2014	Number of shares acquired / (disposed) in the year	Number of shares held at 31 December 2014	% of issued share capital at 31 December 2014
Alan Aubrey	Avacta Group plc	20,276,113	-	20,276,113	0.6%
Angela Leach	Avacta Group plc	74,152	-	74,152	<0.1%
Greg Smith	Avacta Group plc	390,407	-	390,407	<0.1%

#### 14. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

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.

**15. IMMEDIATE AND ULTIMATE PARENT COMPANY AND CONTROLLING PARTY**

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.

**16. FINANCIAL SUPPORT**

The Company's immediate parent undertaking, IP2IPO Limited, has confirmed, subsequent to the balance sheet date, that it will not require repayment in cash of its loans to the extent that such repayment would cause doubt over the Company's ability to continue as a going concern. In addition, IP2IPO Limited has pledged to provide financial support of no more than £50,000 in order for the Company to meet its liabilities as they fall due. These confirmations extend for a period of not less than twelve months from the date of approval of these financial statements.