TOP TECHNOLOGY VENTURES LIMITED

REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2012

Registered number 1977742

TOP TECHNOLOGY VENTURES LIMITED

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TOP TECHNOLOGY VENTURES LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

Directors	C S Winward (Managing Director) H E Fitzgibbons (Chairman) A J Aubrey M C N Townend A M Fielding
Secretary	A Leach
Registered number	1977742
Registered office	24 Cornhill London EC3V 3ND
Independent Auditor's	BDO LLP 55 Baker Street London W1U 7EU

TOP TECHNOLOGY VENTURES LIMITED

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2012

The directors present their report and the audited consolidated financial statements for Top Technology Ventures Limited (the "Company") and its subsidiaries (together the "Group") for the year ended 31 December 2012

Results and dividends
The results of the Group for the year are set out on page 8

The Group's profit for the year was £489,789 (2011 £722,796) No interim dividend was paid during the year (2011 £Nil) and the directors do not propose a final dividend for the year ended 31 December 2012 (2011 £Nil)

Directors
The directors who held office during the year were as follows

C S Winward (Managing Director)
H E Fitzgibbons (Chairman)
A J Aubrey
M C N Townend
A M Fielding

Business review
The principal activities of the Group and the Company during the year were to act as investment managers and advisors to companies and venture capital limited partnerships, and will continue to be so in the coming year The key risks faced by the Group are the impairment of an interest in a limited partnership fund caused by poor performance of the fund and/or the termination of the appointment to manage a fund

During the year the Group continued to manage five entities

Company / partnership	Type of agreement	Business
Top Technology Ventures IV L P	Investment management and administrative services	A UK Limited Partnership formed to achieve long term capital growth by making equity investments in relatively early stage UK high technology ventures
Nordeainvest Engros Aktier	Investment management	A portfolio of co-investments made alongside Top Technology Ventures IV L P
IP Venture Fund	Investment management and administrative services	A UK Limited Partnership formed to achieve long term capital growth by making equity and debt investments in relatively early stage UK high technology ventures within the IP Group portfolio
The North East Technology Fund L P	Investment management and administration services	A UK Limited Partnership formed to achieve long term capital growth by making equity and debt investments in high technology ventures in the northeast of England
Northern IT Research Limited	Investment management	A UK private company limited by guarantee formed to support the development of information, communication and technology related innovation in the northeast of England

In addition, the Group arranged (brought about) deals in finance for three portfolio companies in the year for which fees of £238,000 were generated (2011 two portfolio companies, fees of £155,106)

As planned, the Company successfully disposed of the remaining investments held by Top Technology Ventures IV L P and Nordeainvest Engros Aktier during the year to 31 December 2012 The disposal proceeds achieved matched those expected when revaluing the assets in the prior year

Future outlook

The final sales distribution was made to the limited partners of Top Technology Ventures IV L P in March 2013 as planned, and it is expected that the Partnership itself will be wound up in the forthcoming year

The directors believe the Company will continue to manage IP Venture Fund, The North East Technology Fund L P and Northern IT Research Limited, and continue its other trading activities for the foreseeable future

Key performance indicators ('KPIs')

The board monitors progress on the overall Group strategy and the individual strategic elements by reference to three distinct KPIs Performance during the year is set out in the table below

KPI	2012 £'000	2011 £'000
Funds under management	58,393	62,184
Revenues from arranging (bringing about) deals in finance	238	155
Group profit for the year	490	723

Charitable and political donations

No charitable or political donations have been made in either financial year

Qualifying third party indemnity provision

The Company has arranged qualifying third party indemnity for all of its directors

Financial Risk Management

Top Technology Ventures Limited is authorised and regulated by the Financial Conduct Authority ("FCA"), previously the Financial Services Authority ("FSA") The following risk management information is provided pursuant to Pillar 3 of the Capital Requirement Directive ("CRD")

(a) Consolidation group

For accounting purposes, the consolidation group comprises Top Technology Ventures Limited and each of its subsidiaries as detailed in note 13 to the financial statements

For prudential purposes the consolidation group solely comprises Top Technology Ventures Limited as each of its subsidiaries' activities do not fall within the activities of an entity required to be included within the consolidation group (BIPRU 8 5 1 R)

All financial risk management disclosures in this Directors' report are therefore shown on an individual company basis

(b) Risk Management objectives and policies

The Company is a subsidiary of IP Group plc, which manages risk on a divisional basis For further information on risk management at a group level, please see IP Group plc's consolidated financial statements

The Company's individual risk management extends further to focus on the major areas of risk specific to its business, namely credit risk and operational risk The Company has only limited exposure to general financial market conditions (i e market risk) due to the lack of significant external debt and only minor interests in limited partnership vehicles or direct equity investments

Responsibility for the ongoing management of risk rests with the Company's Board of Directors This includes identification, assessment and reporting of risks Day to day monitoring is performed by the compliance officer through review of operational reporting

(c) Capital resources

The Company's capital is divided into two separate tiers

Tier 1 capital comprises called up share capital, share premium and the audited profit and loss reserve A summary of the main features of the Company's capital instruments can be found in notes 17 and 18 to these financial statements

Tier 2 capital comprises only the revaluation reserve which arises on the revaluation of investments to net asset value

A summary of the Company's total capital as at 31 December is as follows

	2012	2011
	£	£
Tier 1		
Called up share capital	204,000	204,000
Share premium	396,000	396,000
Profit and loss reserve	3,422,838	2,806,019
Total Tier 1 capital	**4,022,838**	3,406,019
Tier 2		
Revaluation reserve	9,074	9,074
Total Tier 2 capital	**9,074**	9,074
Total capital	**4,031,912**	3,415,093

(d) Internal Capital Adequacy

The Company manages its internal capital levels for both current and future activities through review of ongoing operational reporting and a periodic internal capital adequacy assessment process ("ICAAP") which is reviewed by the Board in its capacity as primary governing body

The following provides an assessment of the Company's risks, as set out in the ICAAP, and the Board's assessment of how much current and future capital is necessary to address those risks, having considered other mitigating factors

(i) Credit risk

Credit risk is the risk of financial loss if counterparties fail to meet their obligation under contract Under Pillar 1, a formulaic approach to calculating the company's credit risk capital requirement is used and is considered to appropriately reflect the Company's total credit risk without further Pillar 2 capital requirements As the Company is a limited licence firm with only incidental credit exposure, the simplified method of calculating credit risk is applied (BIPRU 3 5)

The numerical disclosures include the total amounts after accounting offsets and without taking into account the effects of the credit risk mitigation and are shown for the UK consolidated group below The exposures are analysed by class, geographical distribution and residual maturity

Maximum credit risk exposure by class

	2012	2011
	£	£
Fixed assets	121,961	118,607
Other debtors		
Corporates	188,398	236,903
Prepayments and accrued income		
Corporates	58,276	19,210
Cash at bank and in hand		
Bank	4,810,079	4,319,568
	5,178,714	4,694,288

All exposures for 2012 and 2011 are UK current exposures

Credit risk capital component

All exposures to "Corporates" have been assessed as having a 100% risk weighting attached to them

	£000's
8% of fixed assets	10
1 6% of cash	77
8% of total assets excl bank	20
Credit risk capital component	**107**

(ii) Operational risk

As a limited licence firm, the Company is not subject to an explicit operational risk charge under BIPRU 6 However, the Company has estimated its operational risk charge under Pillar I as being three months of (audited) expenditure which the Company considers an appropriate measure to cover all operational risks inherent to its activities, including among others, liquidity risk

(iii) Business risk

The risk that capital resource requirements change over time due to external / macroeconomic cycles is considered low to the Company due to limited exposure to general market conditions There is an element of concentration risk due to investments in limited partnership vehicles predominantly being made in high growth technology sectors However, the Company has only minor interests in these vehicles

A significant macroeconomic downturn could also have potential implications to the limited partners of the managed limited partnership vehicles, which might impact the availability of capital in order to satisfy ongoing management fees

Accordingly an additional Pillar 2 capital requirement being 30% of the value of investments is considered to accurately reflect the inherent risk

Directors' responsibilities

The directors are responsible for preparing the annual 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 group and company 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 Group and Company and of the profit or loss of the Group and 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,
- state whether applicable UK Accounting Standards have been followed subject to any material departures disclosed and explained in the financial statements,
- 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

Information disclosed to auditors
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's for the purposes of their audit and to establish that the auditors are aware of that information The directors are not aware of any relevant audit information of which the auditor's are unaware

Elective regime
The Company has passed an elective resolution under section 386 of the Companies Act 2006 to dispense with the annual appointment of auditor's As this election was in force prior to October 2007, the transitional provisions of the Companies Act 2006 continue to allow the Company's auditor's to be deemed re-appointed Accordingly BDO LLP are deemed to be appointed as auditor's for the following year

By order of the board

C S Winward
Director

24 April 2013

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TOP TECHNOLOGY VENTURES LIMITED

We have audited the financial statements of Top Technology Ventures Limited for the year ended 31 December 2012 which comprise the consolidated profit and loss account, the consolidated statement of total recognised gains and losses, the consolidated and company balance sheets and the related notes 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)

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's

As explained more fully in the statement of directors' responsibilities, 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 APB's website at www frc org uk/apb/scope/private cfm

Opinion on financial statements
In our opinion the financial statements

- give a true and fair view of the state of the Group's and the parent Company's affairs as at 31 December 2012 and of the Group's profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matters 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company 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

BDO LLP

Neil Fung-On (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom
24 April 2013

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

TOP TECHNOLOGY VENTURES LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	2012	2011
		£	£
Group Turnover	2	1,772,334	1,801,788
Administrative expenses		(1,164,604)	(1,078,606)
Other operating income	3	71,960	34,421
Group operating profit	4	679,690	757,603
Other interest receivable and similar income	8	15,341	12,654
Impairment of investments		-	(9,531)
Profit on ordinary activities before taxation		695,031	760,726
Tax on profit on ordinary activities	9	(205,242)	(37,930)
Profit on ordinary activities after taxation and profit for the year	18, 21	489,789	722,796

All the above activities were continuing operations in the current year and preceding period

The notes on pages 12 to 23 form part of these financial statements

TOP TECHNOLOGY VENTURES LIMITED

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2012

	2012	2011
	£	£
Profit for the year	489,789	722,796
Unrealised loss on revaluation of investments	-	(2,282)
Total recognised gains relating to the financial year	489,789	720,514

The notes on pages 12 to 23 form part of these financial statements

TOP TECHNOLOGY VENTURES LIMITED

CONSOLIDATED BALANCE SHEET
AT 31 DECEMBER 2012

Registered number 1977742

	Note		2012		2011
		£	£	£	£
Fixed assets					
Tangible assets	12		4,711		5,776
Investments	13		44,853		63,276
			49,564		69,052
Current assets					
Debtors	14	221,113		273,564	
Cash at bank		4,839,443		4,331,047	
		5,060,556		4,604,611	
Creditors Amounts falling due within one year	15	(833,776)		(806,753)	
Net current assets			4,226,780		3,797,858
Total assets less current liabilities			4,276,344		3,866,910
Provision for liabilities	16		(219,908)		(399,460)
Net assets			4,056,436		3,467,450
Capital and reserves					
Called up share capital	17		204,000		204,000
Share premium	18		396,000		396,000
Revaluation reserve	18		36,131		36,131
Profit and loss reserve	18		3,420,305		2,831,319
Shareholder's funds	21		4,056,436		3,467,450

These financial statements were approved by the board of directors and authorised for issue on 24 April 2013 and were signed on its behalf by

C S Winward
Director

The notes on pages 12 to 23 form part of these financial statements

TOP TECHNOLOGY VENTURES LIMITED

COMPANY BALANCE SHEET
AT 31 DECEMBER 2012

Registered number 1977742

	Note	2012 £	2012 £	2011 £	2011 £
Fixed assets					
Tangible assets	**12**		4,711		5,776
Investments	**13**		117,250		112,831
			121,961		118,607
Current assets					
Debtors	**14**	246,674		256,113	
Cash at bank and in hand		4,810,079		4,319,568	
		5,056,753		4,575,681	
Creditors Amounts falling due within one year	**15**	(1,146,802)		(1,279,195)	
Net current assets			3,909,951		3,296,486
Total assets less current liabilities			4,031,912		3,415,093
Capital and reserves					
Called up share capital	**17**		204,000		204,000
Share premium	**18**		396,000		396,000
Revaluation reserve	**18**		9,074		9,074
Profit and loss reserve	**18**		3,422,838		2,806,019
Shareholder's funds	**21**		4,031,912		3,415,093

These financial statements were approved by the board of directors and authorised for issue on 24 April 2013 and were signed on its behalf by

C S Winward
Director

The notes on pages 12 to 23 form part of these financial statements

1 Accounting policies

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

The financial statements have been prepared in accordance with applicable United Kingdom Accounting Standards, under the historical cost accounting convention, modified by the inclusion of investments on a re-valued basis, and in accordance with the Companies Act 2006

(a) Basis of consolidation

The Group accounts consolidate the accounts of Top Technology Ventures Limited and its subsidiary undertakings for the year ended 31 December 2012

Top Technology Ventures Limited manages certain venture capital limited partnerships The Company has a minority interest in one limited partnership Having due regard for the Group's minor interests in the partnerships, the Group does not have the power to govern the operations of the partnerships so as to obtain benefits from their activities Accordingly, none of the partnerships meets the definition of a subsidiary under FRS 2 'Accounting for subsidiary undertakings'

Investments in limited partnerships are stated at the Group's share of net assets in the undertaking In the opinion of the directors, this is the fairest method to reflect the Group's interests in these undertakings

(b) Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life, as follows

Office Equipment	-	15% per annum on cost
Fixtures & Fittings	-	15% per annum on cost

(c) Fixed asset investments

Investments in limited partnerships are stated at the Group's share of net assets in these undertakings In the opinion of directors, this is the fairest way of reflecting the Group's interests in these undertakings Listed equity investments are held at cost less any provision for impairment

(d) Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes

(e) Operating leases

Rentals due under operating leases are charged on a straight line basis over the lease term

(f) Impairment

If there is an indication that an asset might be impaired, the Company will perform an impairment review An asset is impaired if the recoverable amount, being the higher of net realisable value and value in use, is less than its carrying amount Value in use is measured based on future discounted cash flows attributable to the asset In such cases, the carrying value of the asset is reduced to recoverable amount with a corresponding charge recognised in the profit and loss account

(g) Pension scheme

The Group operates a stakeholder pension scheme for which all employees are eligible The assets of the scheme are held separately from those of the Group in an independently administered fund At present the Group does not make contributions to this scheme but does make contributions to employee personal pension schemes on an individual basis The Group has no further payment obligations once the contributions have been paid The contributions are recognised as employee benefit expenses when they are due

(h) 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 because the cash flows of the Company are incorporated into those of the ultimate parent undertaking (which holds more than 90% of the voting rights of Top Technology Ventures Limited) and these financial statements are publicly available

(i) 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 tax rates that are expected to apply in the years 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

(j) Related party transactions

In accordance with FRS 8 "Related parties Disclosures", the Company discloses details of material transactions between the reporting entity and related parties However, transactions between the Company and other Group companies have not been disclosed in accordance with the exemption in FRS 8 paragraph 3 (a)

(k) Revenue recognition

All revenue from services is generated within the United Kingdom and is stated exclusive of value added tax Corporate finance advisory fees are generally earned as a fixed percentage of total funds raised and recognised at the time the related transaction is successfully concluded Fiduciary fund management fees are generally earned as a fixed percentage of total funds under management and are recognised as the related services are provided

(l) Share based payments

The fair value of Long-Term Incentive Plan ("LTIP") awards are estimated at the date of award, using the Monte Carlo simulation technique, taking into account the terms and conditions of the award, including market based performance conditions

No expense is recognised for grants that do not vest and charges previously made are reversed except where vesting is conditional upon a market condition which are treated as vesting irrespective of whether or not the market condition is satisfied, provided all other performance conditions are satisfied

At each reporting date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions, the number of equity instruments that will ultimately vest or in the case of an instrument subject to a market condition, be treated as vesting as described above The movement in cumulative expense since the previous balance sheet date is recognised in the Profit and loss account, with a corresponding entry in equity

Where the terms for an equity settled award are modified, and the modification increases the total fair value of the share based payment, or is otherwise beneficial to the employee at the date of modification, the incremental fair value is amortised over the vesting period

2 Turnover

Turnover represents the invoiced amounts for fund management and arranging (bringing about) deals in finance advisory fees and for providing directorships for companies in which investments are made

Advanced priority profit share (being the excess of the amount receivable under partnership agreements and the amounts available for distribution in the accounts of limited partnerships) receivable as General Partner is included in turnover as, in the opinion of the directors, the advances will not become repayable to the partnership In accordance with FRS 5 - Reporting the Substance of Transactions, the advance priority profit share debtors and creditors are netted off against each other in the Group's balance sheet

3 Other operating income

	2012	2011
	£	£
Expenses recharged to clients	71,960	34,421

4 Operating profit

Operating profit is stated after charging the following

	2012	2011
	£	£
Depreciation	2,448	2,238

5 Auditor's remuneration

During the year, the Group obtained the following services from the Group's auditor at costs as detailed below

	2012	2011
	£	£
Audit services		
- Fees payable to Company auditor for the audit of parent and consolidated accounts	18,348	17,790
- Auditing of accounts of subsidiaries pursuant to legislation	2,460	2,508
Non-audit services		
Fees payable to Company auditor and its associates for other services		
- Other taxation services	8,430	11,210
- All other services	3,800	3,800
	33,038	35,308

6 Remuneration of directors

	2012	2011
	£	£
Directors' emoluments	130,625	72,372
Pension contributions to money purchase scheme	13,862	1,244
	144,487	73,616

Retirement benefits are accruing to one director (2011 one) under a money purchase scheme
The emoluments of A Aubrey, M Townend and A Fielding were paid by a subsidiary of the ultimate parent company, IP Group plc, which makes no specific recharge for these emoluments They were directors of the ultimate parent company and a number of fellow subsidiaries and it is not possible to make an accurate apportion of their remuneration in respect of each of the subsidiaries Accordingly, the above details include no emoluments in respect of their services Their total emoluments are disclosed in the financial statements of the ultimate parent company

7 Staff numbers and costs

The average number of persons employed (including directors) during the year was as follows

	Group & Company	
	2012	2011
Office and management	5	5

The aggregate payroll costs of these persons were as follows

	Group & Company	
	2012	2011
	£	£
Wages and salaries	399,165	382,131
Social security costs	51,758	49,341
Other pension costs (note 20)	17,420	1,244
Share based payment charge (note 22)	99,197	77,941
	567,540	510,657

8 Other interest receivable and similar income

	2012	2011
	£	£
Bank interest received	15,341	12,654

9 Taxation

	2012 £	2011 £
Current tax:		
Group relief	204,487	83,425
Adjustment to group relief in respect of previous periods	180,307	(200,273)
Current tax charge	384,794	(116,848)
Deferred tax:		
Origination and reversal of timing differences	(9,213)	153,027
Adjustments in respect of prior periods	(156,019)	26,121
Effect of rate change on closing asset	(14,320)	(24,370)
Total deferred tax (note 16)	(179,552)	154,778
Taxation on profit on ordinary activities	205,242	37,930

The tax for the period is different to the standard rate of corporation tax in the UK The differences are explained below

	2012 £	2011 £
Profit on ordinary activities before taxation	695,031	760,726
Profit on ordinary activities before taxation multiplied by the standard rate of UK corporation tax of 24 5% (period ended 31 December 2011 26 5%)	170,283	201,592
Effects of		
Non-deductible expenses	6,255	23,021
Non taxable income	(1,903)	(11,479)
Chargeable gains	-	36,970
Short term timing differences	109,610	(139,072)
Fixed asset timing differences	80	-
Losses utilised	-	(22,381)
Movement on unutilised tax losses	(74,946)	-
Rate change	(4,892)	(5,080)
Adjustment in respect of previous period group relief	180,307	(200,273)
Unrecognised deferred tax asset on ACA's	-	(146)
Current tax charge	384,794	(116,848)

10 Dividend

No dividends have been paid in either financial year

11 Profit for the financial year

The Company's director's have taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and have not presented the Company's profit and loss account in these financial statements The Group profit for the year includes a profit after tax of £517,622 (2011 £557,451) which is dealt with in the financial statements of the parent Company

12 Tangible fixed assets – Group and Company

	Office equipment £	Fixtures & Fittings £	**Total £**
Cost			
At 1 January 2012	6,465	191,760	198,225
Additions	1,383	-	1,383
At 31 December 2012	7,848	191,760	199,608
Depreciation			
At 1 January 2012	4,905	187,544	192,449
Charge for the year	1,162	1,286	2,448
At 31 December 2012	6,067	188,830	194,897
Net book value			
At 31 December 2012	**1,781**	**2,930**	**4,711**
At 31 December 2011	1,560	4,216	5,776

13 Fixed asset investments - other investments

	Listed investments		**Unlisted investments**		**TOTAL**	
Group	**Cost**	**Valuation**	**Cost**	**Valuation**	**Cost**	**Valuation**
	£	**£**	**£**	**£**	**£**	**£**
At 1 January 2012	32,251	32,251	49,687	31,025	81,938	63,276
Additions	4,419	4,419	-	-	4,419	4,419
Disposals	-	-	(22,842)	(22,842)	(22,842)	(22,842)
Impairment	-	-	-	-	-	-
Revaluation in the year	-	-	-	-	-	-
At 31 December 2012	**36,670**	**36,670**	**26,845**	**8,183**	**63,515**	**44,853**

13 Fixed asset investments – other investments (continued)

	Listed investments		Unlisted investments		TOTAL	
Company	Cost	Valuation	Cost	Valuation	Cost	Valuation
	£	£	£	£	£	£
At 1 January 2012	32,251	32,251	80,580	80,580	112,831	112,831
Additions	4,419	4,419	-	-	4,419	4,419
Disposals	-	-	-	-	-	-
At 31 December 2012	**36,670**	**36,670**	**80,580**	**80,580**	**117,250**	**117,250**

The addition arose as a result of receiving 5,893 shares in Revolymer plc as an earn out fee

The market value of listed equity investments at 31 December 2012 is £13,143 (2011 £5,290)

The subsidiary undertakings in which the Company's interest at year end is more than 50% are as follows

Subsidiary undertakings	Country of incorporation	Principal activity	Class and percentage of shares held
TTV IV G P Limited	England & Wales	Management of venture capital investments	100% of £1 ordinary shares
IP Venture Fund (GP) Limited	England & Wales	Management of venture capital investments	100% of £1 ordinary shares
IP Ventures (Scotland) Limited	Scotland	Management of venture capital investments	100% of £1 ordinary shares
North East Technology (GP) Limited	England & Wales	Management of venture capital investments	100% of £1 ordinary shares

14 Debtors

	Group		Company	
	2012	2011	**2012**	2011
	£	£	**£**	£
Amounts owed by group undertakings	**14,384**	11,938	**39,168**	29,523
Amounts owed by Limited Partnerships	**25,991**	25,991	**-**	-
Other debtors	**122,462**	216,425	**149,230**	207,380
Prepayments and accrued income	**58,276**	19,210	**58,276**	19,210
	221,113	273,564	**246,674**	256,113

15 Creditors: Amounts falling due within one year

	Group		Company	
	2012	2011	**2012**	2011
	£	£	**£**	£
Trade creditors	**26,124**	75,962	**26,123**	35,024
Other taxes and social security	**20,501**	20,747	**20,501**	20,747
Amounts owing to group undertakings	**755,228**	661,642	**1,079,801**	1,186,718
Accruals and deferred income	**31,923**	48,402	**20,377**	36,706
	833,776	806,753	**1,146,802**	1,279,195

16 Provisions for liabilities

	Group		Company	
	2012	2011	**2012**	2011
	£	£	**£**	£
Deferred taxation				
At 1 January	**399,460**	244,682	-	-
Charged / (credited) to the profit and loss account (note 9)	**(179,552)**	154,778	-	-
At 31 December	**219,908**	399,460	-	-

	Group		Company	
	2012	2011	**2012**	2011
	£	£	**£**	£
Deferred tax is provided as follows				
ACA's	**338**			
Short term timing differences	**1,358,998**	848,783	-	-
Losses	**(1,139,428)**	(449,323)	-	-
	219,908	399,460	-	-

At 31 December 2012 the Group had an unprovided deferred tax asset of £79,341 (2011 £30,346) which comprised accelerated capital allowances of £nil (2011 £449), short term timing differences of £51,872, carried forward losses of £24,939 (2011 £30,795), and capital losses of £2,530 (2011 £nil)

17 Share capital

	2012	2011
Authorised, allotted, called up and fully paid	**£**	£
204,000 (2011 204,000) ordinary shares of £1 each	204,000	204,000

The Company has one class of ordinary shares which carry equal voting rights, equal rights to income and distributions of assets on liquidation or otherwise, and no right to fixed income

18 Reserves

Group	Share premium £	Revaluation reserve £	Profit and loss account £	Total £
At 1 January 2012	396,000	36,131	2,831,319	3,263,450
Profit for the year	-	-	489,789	489,789
Share based payments charge	-	-	99,197	99,197
Revaluation in the year	-	-	-	-
At 31 December 2012	**396,000**	**36,131**	**3,420,305**	**3,852,436**

Company	Share premium £	Revaluation reserve £	Profit and loss account £	Total £
At 1 January 2012	396,000	9,074	2,806,019	3,211,093
Profit for the year	-	-	517,622	517,622
Share based payment charge	-	-	99,197	99,197
Revaluation in the year	-	-	-	-
At 31 December 2012	**396,000**	**9,074**	**3,422,838**	**3,827,912**

19 Commitments and contingent liabilities

The Company had a financial commitment at both 31 December 2012 and 31 December 2011 in respect of its ongoing financial support of TTV IV G P Limited

There were no contingent liabilities or capital commitments at 31 December 2012 and 31 December 2011 in respect of either the Company or the Group

20 Pension Scheme – Group and Company

The pension cost charge for the prior year represents contributions payable by the Group and Company to defined contribution schemes, which amounted to £17,420 (2011 £1,244)

21 Reconciliation of movements in shareholder's funds

	Group		Company	
	2012	2011	**2012**	2011
	£	£	**£**	£
Profit for the year	**489,789**	722,796	**517,622**	557,451
Share based payment charge	**99,197**	77,941	**99,197**	77,941
Revaluations (note 18)	**-**	(2,282)	**-**	-
Net increase in shareholder's funds	**588,986**	798,455	**616,819**	635,392
Opening shareholder's funds	**3,467,450**	2,668,995	**3,415,093**	2,779,701
Closing shareholder's funds	**4,056,436**	3,467,450	**4,031,912**	3,415,093

22 Share based payments

Awards under the LTIP take the form of provisional awards of ordinary shares of 2p each in IP Group plc which vest over the prescribed performance period to the extent that the performance conditions have been met Objective conditions are imposed on the vesting of awards, and it is proposed that such conditions will be imposed as reflect the guidelines of institutional investors from time to time

The 2012 LTIP awards will ordinarily vest on 31 March 2015, to the extent that the performance conditions have been met The awards are based on the performance of IP Group's net asset value excluding intangible assets and the Oxford equity rights ("Hard NAV"), and total shareholder return ("TSR") Both performance measures are combined into a matrix format to most appropriately measure performance relative to the business The total award is subject to an underpin based on the relative performance of IP Group's TSR to that of the FTSE small-cap index, which can reduce the awards by up to 50% The matrix is designed such that up to 100% of the award (prior to the application of the underpin) will vest in full in the event of both Hard NAV increasing by 15% per year on a cumulative basis from 1 January 2012 to 31 December 2014 and TSR increasing by 15% per year on a cumulative basis from the date of award to 31 March 2015, using an industry-standard average price period at the beginning and end of the performance period Further, the matrix is designed such that 30% of the award shall vest (again prior to the application of the underpin) if the cumulative increase is 8% per annum for both measures over their respective performance periods ("threshold performance") A straight-line sliding scale is applied for performance between the distinct points on the matrix of vesting targets

The 2011 LTIP awards will ordinarily vest on 31 March 2014, to the extent that the performance conditions have been met Deloitte LLP provided independent external advice to IP Group's Remuneration committee on the appropriate performance conditions to attach to the 2011 LTIP awards based on their experience of current market practice The 2012 awards were designed using on the same matrix structure, together with the FTSE small-cap index underpin, as was incorporated into the 2011 LTIP

The 2010 LTIP awards partially vested on 16 April 2013 50% of the awards were based on the increase in IP Group's Hard NAV, and 50% were based on IP Group's share price performance The table below sets out the performance measures relating to the 2010 LTIP awards and the actual performance achieved

22 Share based payments (continued)

Performance condition	Vesting criteria	Actual performance	Percentage vesting
Hard NAV[i]	£226 8m 25% £267 4m 50%	£236 6m	31%
TSR performance (share price)	60p 25% 67p 50%	119 9p	50%
TOTAL			**81%**

(i) Hard NAV target increased by the net proceeds of the Group's 2011 placing plus 8%-15% growth from the date of completion of the placing

The movement in the number of shares notionally awarded under the LTIP is set out below

	2012	2011
At 1 January	1,905,956	1,497,721
Notionally awarded during the year	201,867	586,639
Lapsed during the year	-	(178,404)
At 31 December	2,107,823	1,905,956

	2012	2011
IP Group plc share price at date of award	£1 35	54p
Exercise price	£nil	£nil
Fair value at grant date	£0 38	£0 17
Expected volatility (median of historical 50 day moving average)	35%	35%
Expected life (years)	2 75	2 50
Expected dividend yield	0%	0%
Risk-free interest rate	1 1%	1 0%

The fair value charge recognised in the profit and loss account during the year in respect of LTIP share awards was £99,197 (2011 £77,941)

23 Related party transactions

During the year ended 31 December 2012, Top Technology Ventures Limited had the following transactions with related parties

- £812,500 (2011 £812,500) was received from the North East Technology Fund L P in the form of Priority Profit Share

- £552,598 (2011 £617,120) was received from IP Venture Fund in the form of Priority Profit Share

23 Related party transactions (continued)

- Directors' fees of £58,372 (2011 £32,886) were received by Top Technology Ventures Limited for holding directorships in investee companies of IP Group plc, the immediate and ultimate parent company, or of limited partnership funds managed by Top Technology Ventures Limited An outstanding amount of £33,971 (2011 £18,549) before provisions was included in debtors as at 31 December 2012

- Advisory, arrangement, and other fees of £302,401 (2011 £185,488) were received by Top Technology Ventures Limited from investee companies of IP Group plc, the immediate and ultimate parent company An outstanding amount of £38,900 (2011 £nil) was included in debtors as at 31 December 2012

- The partnership agreements provide that TTV IV G P Limited, IP Venture Fund (GP) Limited and North East Technology (GP) Limited shall act as General Partner of Top Technology Ventures IV L P , IP Venture Fund and The North East Technology Fund L P respectively and are entitled to Priority Profit Share payments as described in notes 1 and 2

- Top Technology Ventures Limited has 1% ownership of Top Technology Ventures IV L P This reflects its percentage entitlement to assets of the Fund until Partnership Loans are repaid in full

- £nil (2011 £43,318) was received from Top Technology Ventures IV L P in the form of Priority Profit Share

24 Immediate and ultimate parent company and controlling party

The Directors regard IP Group plc as the immediate and ultimate parent company and controlling party. Copies of the ultimate parent company's financial statements may be obtained from the secretary of IP Group plc, 24 Cornhill, London, EC3V 3ND

IP Venture Fund

Report and Financial Statements

Year ended 31 December 2012

Registered No LP011416

Contents

Registered No	LP011416
Date of agreement	6 July 2006
Principal Place of Business	24 Cornhill London EC3V 3ND
General Partner	IP Venture Fund (GP) Limited 24 Cornhill London EC3V 3ND

The General Partner presents its report together with the financial statements for the year ended 31 December 2012

Business review and principal activities

Overview

IP Venture Fund ('the Partnership") was established on the 6 July 2006 The Partnership is a venture capital fund that commits up to 25% of the amount of post-seed financings of IP Group plc portfolio companies alongside capital committed by external investors, subject to the terms of the Partnership

The Partnership also has the ability to invest alongside IP Group plc in seed financings in spin-outs formed at Queen Mary, University of London and as part of future IP Group plc university partnerships, subject to the agreement of the relevant universities

The Partnership secured undrawn loan and capital commitments of £15,540,000 at the first close in 2006 Subsequently, on 1 August 2007, the Partnership secured additional loan and capital commitments available for drawdown of £15,358,876, from four new and two existing Limited Partners

Portfolio update

Many companies within the Partnership's portfolio have continued to mature and reach key milestones throughout the year Consequently, during the year the Partnership saw an overall increase in the fair value of its holdings in technology companies of £4,162,553

In order for the Partnership to complete follow-on investments into fifteen portfolio companies (2011 sixteen), £3,690,000 of the Partnership's total commitment was drawn down in 2012 (2011 £3,545,000)

Following its £15 0m AIM IPO in May, Retroscreen Virology Group plc announced in December that it expects full-year revenues for the year ending 31 December 2012 to exceed £13 0m, more than three times 2011 revenues, and that it had dosed its 1,000th volunteer At the IPO, the Partnership invested a further £500,000 taking the Partnership's total cost to £1 3m At 31 December 2012, the Partnership's 9 3% holding was valued at £5 0m In January 2013, the company announced a further Viral Challenge Model contract valued at £3 9m The study will be the largest ever investigation into influenza transmission and is a collaboration with the University of Nottingham and other international groups, funded by the United States Centers for Disease Control and Prevention

Revolymer plc completed its AIM IPO and £25 0m placing in July 2012, with the Partnership investing a further £349,950 During the year Revolymer also announced good progress with its six joint development agreements with major international partners in the household products, and coatings and adhesives business areas, the launch of nicotine gum in Canada through two pharmacy businesses of the McKesson group, and further strengthening of the board of directors with the appointments of Julian Heslop, former CFO of GSK, and Dr Bryan Dobson, formerly President Global Operations Croda, both as independent non-executive directors Despite this progress, the company's share price saw a limited decline in the latter half of the year and this continued into 2013, when the company also announced that it would vigorously defend a patent infringement claim received

Avacta plc has continued to perform strongly announcing underlying revenue growth of 28% to £3 1m for the year to 31 July 2012 and signed a further exclusive marketing and distribution agreement with Pall Corporation in India In January 2012 Avacta plc completed a £5 1m placing, of which the Partnership contributed £150,000, and acquired Aptuscan Limited

Having announced its intention to commence commercialisation of two revolutionary DNA sequencing products, the GridION and MinION, University of Oxford spin-out, Oxford Nanopore Technologies Limited, completed a £31 4m further financing in May 2012, with the Partnership investing a further £410,608

Photopharmica (Holdings) Limited was unable to secure a co-development or partnership deal for its lead therapeutic programme during the first half of the year, leading to a significant reduction in the fair value of the Group's holding In December a capital restructuring and limited refinancing was completed, in which the

Partnership invested £52,000 The restructuring led to a £1 5m reduction in the fair value of the Partnership's holding

Synairgen plc, the University of Southampton spin-out that focuses on respiratory drug discovery and development, announced positive results in April from its Phase II trial of inhaled interferon beta in asthma This showed significant benefit across multiple end points in the Step 4/5 patients (estimated to represent between 10% and 20% of adult asthma sufferers, who are the greatest healthcare burden) and that the compound was well tolerated The company strengthened its balance sheet in July through a £2 5m placing in which the Partnership contributed £185,182

Following a successful £25 0m fundraising in December 2011, in which the Partnership chose not to participate, Tissue Regenix Group plc was able to continue its meniscus and human dermis studies The company announced that both studies had produced encouraging data and a Yale University study into cell re-population showed that dCELL® matrices in vascular patches outperformed a competitor product The company then announced in February 2013 that it had successfully completed the safety study for its dCELL meniscus, paving the way for clinical studies to begin in Europe following regulatory review The dCELL meniscus is being developed for use in knee repair, where more than 1 5 million meniscal procedures are expected in the US and Europe in 2013 Despite these developments, Tissue Regenix experienced some weakening of its share price

Tracsis plc, a leading provider of operational planning software to passenger transport industries, reported its fifth successive year of revenue growth since its AIM IPO in 2007, with revenues increasing 112% to £8 7m for the year ended 31 July 2012 The company's performance contributed to it being awarded the Company of the Year in the Mid-Sized category at the Growing Business Awards In February 2013, the company announced that it had signed an agreement with a major UK rail freight operator, its first in the sector, to supply a customised version of its TrainTRACS crew scheduling software for a period of three years

Green Chemicals plc a spin-out from the University of Leeds that is developing "cleaner, greener, safer" solutions for a range of applications in the textile, health and beauty and personal care markets, raised £1 0m in a placing in November 2012, with the Partnership investing £50,000, and announced that trials at Harrods of Knightsbridge of the TruKolor™ hair de-colourant and hair colouration technology in conjunction with Urban Retreats Limited are viewed by the company and by Urban Retreats as having been highly successful

In addition, during the period, the Partnership made further investments in Surrey NanoSystems Limited, Ilika plc, Karus Therapeutics Limited, iQur Limited, Inhibox Limited, Crysalin Limited (in two separate tranches), Activiomics Limited, and Oxford RF Sensors Limited

Fair values of investments in unquoted portfolio companies at each reporting date are established using valuation techniques (a detailed description of which is included in Note 1(h) to the Partnership's financial statements) At 31 December 2012 the application of these techniques has resulted in a net decrease in the holding values of a number of unquoted companies totalling £939,792 (2011 £369,940 decrease)

The Partnership made a single disposal during the period (2011 none), selling 382,970 shares (17% of the fund's holding) in Tracsis plc for a total of £286,627 This represented a cumulative gain of £134,270 compared to the Partnership's cost of £152,357 Following this disposal, and that of COE Group plc in 2010, as well as the receipt of dividends from Getech plc and Tracsis plc, the Partnership made its first distribution totalling £349,298 to the Limited Partners

Results

The Statement of Comprehensive Income is set out on page 6 and shows the profit for the year

Future outlook

The General Partner believes the portfolio of the Partnership is well positioned and that therefore the Partnership will continue to operate satisfactorily for the foreseeable future

Disclosure of information to the Auditor

The General Partner has taken all the steps that ought to have been taken to make itself aware of any information needed by the Partnership's auditor for the purposes of its audit and to establish that the auditor is aware of that information The General Partner is not aware of any relevant audit information of which the auditor is unaware

General Partner's responsibilities

The General Partner is responsible for preparing the Report of the General Partner and the financial statements of the Partnership in accordance with the partnership agreement for each financial year Relevant accounting policies, which have been applied consistently, are explained in the notes to the financial statements The General Partner makes reasonable and prudent judgments and estimates in preparing the financial statements

The General Partner is responsible for keeping adequate accounting records that are sufficient to show and explain the Partnership's transactions, disclose with reasonable accuracy at any time the financial position of the Partnership and enable the General Partner to ensure that the financial statements comply with the limited partnership deed The General Partner is also responsible for safeguarding the assets of the Partnership and for taking reasonable steps for the prevention and detection of fraud and other irregularities

On behalf of the General Partner

Charles Winward
28 March 2013

We have audited the financial statements of IP Venture Fund for the year ended 31 December 2012 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Limited Partners' accounts and the related notes These financial statements have been prepared under the accounting policies set out therein

This report is made solely to the partners of IP Venture Fund, as a body, in accordance with our agreed terms of engagement Our audit work has been undertaken so that we might state to the Partnership's partners 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 the Partnership's partners as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of the General Partner and auditor

As explained more fully in the statement of the General Partner's responsibilities, the General Partner of the limited partnership is responsible for the preparation of the financial statements in accordance with the partnership agreement dated 6 July 2006

Our responsibility is to audit the financial statements in accordance with International Standards on Auditing (UK and Ireland)

We report to you our opinion as to whether the financial statements have been properly prepared in accordance with stated accounting policies and the partnership agreement dated 6 July 2006

We read the Report of the General Partner and consider the implications for our report if we become aware of any apparent misstatements within it

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements It also includes an assessment of the significant estimates and judgements made by the General Partner in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Partnership's circumstances, consistently applied and adequately disclosed

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements

Opinion

In our opinion the financial statements for the year ended 31 December 2012 have been properly prepared in accordance with the stated accounting policies and the partnership agreement dated 6 July 2006

BDO LLP

BDO LLP
Chartered Accountants
London
United Kingdom

28 March 2013

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

IP Venture Fund
Statement of Comprehensive Income for the year ended 31 December 2012

	Note	**Year ended 31 December 2012 £**	Year ended 31 December 2011 £
Portfolio return and revenue			
Change in fair value of equity investments		**4,162,553**	(137,556)
Investment income		**7,768**	673
Profit on sale of assets		**79,823**	-
Administrative expenses		**(7,831)**	(6,677)
Operating profit/(loss)		**4,242,313**	(143,560)
Finance income	4	**2,045**	1,463
Profit/(loss) before priority profit share		**4,244,358**	(142,097)
Finance costs - Priority profit share	2	**(552,598)**	(617,120)
Profit/(loss) and total comprehensive income for the year and change in net assets attributable to Limited Partners		**3,691,760**	(759,217)

Statement of Changes in Limited Partners' accounts for the year ended 31 December 2012

	Attributable to Limited Partners			
	Partners' Capital £	Partners' Loans £	Partnership Reserve £	**Total £**
At 1 January 2012	382	21,496,443	(1,020,415)	**20,476,410**
Change in net assets attributable to Limited Partners	-	-	3,691,760	**3,691,760**
New loans from Limited Partners	-	3,690,000	-	**3,690,000**
Distributions	-	(349,298)	-	**(349,298)**
At 31 December 2012	**382**	**24,837,145**	**2,671,345**	**27,508,872**

IP Venture Fund
Statement of Financial Position as at 31 December 2012

	Note	31 December 2012 £	31 December 2011 £
ASSETS			
Non-current assets			
Investments	5	**26,890,102**	19,909,042
Current assets			
Trade and other receivables	6	**15,428**	12,861
Cash and cash equivalents		**611,477**	562,542
Net current assets		**626,905**	575,403
TOTAL ASSETS		**27,517,007**	20,484,445
LIABILITIES			
Current liabilities			
Trade and other payables	7	**(8,135)**	(8,035)
NET ASSETS ATTRIBUTABLE TO LIMITED PARTNERS		**27,508,872**	20,476,410
Represented by liabilities as follows:			
Partners' capital	8	**382**	382
Partners' loans	8	**24,837,145**	21,496,443
Partnership reserve account	8	**2,671,345**	(1,020,415)
TOTAL ATTRIBUTABLE TO PARTNERS		**27,508,872**	20,476,410

The notes on pages 9 to 16 form part of these financial statements

Approved by the General Partner on 28 March 2013

Charles Winward
Director, IP Venture Fund (GP) Limited

IP Venture Fund
Statement of Cash Flows for the year ended 31 December 2012

	Note	Year ended 31 December 2012 £	Year ended 31 December 2011 £
Operating activities			
Cash used in operations	9	**(10,298)**	(8,584)
Priority profit share paid		**(552,598)**	(617,120)
Interest received		**2,045**	1,463
Net cash outflow from operating activities		**(560,851)**	(624,241)
Investing activities			
Dividends received		**7,768**	
Proceeds on disposal of investment		**286,627**	-
Purchase of investments	5	**(3,025,311)**	(2,442,225)
Net cash outflow from investing activities		**(2,730,916)**	(2,442,225)
Financing activities			
New loans from partners		**3,690,000**	3,545,000
Distributions made to partners		**(349,298)**	-
Net cash inflow from financing activities		**3,340,702**	3,545,000
Increase in net cash & cash equivalents		**48,935**	478,534
Cash and cash equivalents at beginning of the year		**562,542**	84,008
Cash and cash equivalents at end of the year		**611,477**	562,542

1. ACCOUNTING POLICIES

a) Basis of preparation

These financial statements have been prepared in accordance with the Partnership Agreement and the accounting policies set out in this note 1

The preparation of financial statements requires the use of estimates and assumptions that affect the amount reported of assets and liabilities at the reporting date and the amounts reported as revenue and expenditure of the reporting year

b) Fair value gains/losses on equity investments and revenue recognition

Change in fair value of equity investments represents revaluation gains and losses on the Partnership's portfolio of equity stakes Gains on disposal of equity investments represent the surplus over carrying value on the disposal of equity investments Dividends receivable from equity shares are brought into account on the ex-dividend date or, where no ex-dividend date is quoted, are brought into account when the Partnership's right to receive payment is established

c) Taxation

No taxation is provided in these financial statements as taxation is the responsibility of the Limited Partners

d) Interest and investment income

Bank interest and investment income are accounted for on an accruals basis Investment income relates to dividends receivable from the Partnership's investment companies

e) Priority profit share

The priority profit share ("PPS") is the first charge on Partnership profits The PPS payable to the General Partner was an amount initially equal to 2% of total commitments calculated from the date the Partnership is capable of making its first investment Following the fifth anniversary of the second closing date (1 August 2007) the PPS payable amounts to 2% of the aggregate amount of Partners' loans reduced by the acquisition cost of realised investments together with the amount by which any unrealised investments are written off

f) Cash and cash equivalents

Cash and cash equivalents include cash in hand and short-term deposits held with banks

g) Partners' loans

Partners' loans represent amounts advanced by the Limited Partners to the Partnership pro rata to their commitment Partners' loans are interest free and will be repaid from Partnership assets as soon as is practicable after the relevant capital realisation proceeds or income is received

It is anticipated in the Partnership agreement that the Partnership will eventually be wound up The General Partner considers that the substance of the contractual arrangements defining Limited Partners' accounts constitute liabilities and are accordingly classified

h) Investments

Equity investments
The Partnership's investments are managed in accordance with a documented investment strategy with performance evaluated on a fair value basis As such, investments are designated on initial recognition, at trade date, as at fair value through profit or loss Accordingly, investments are initially recognised at fair value and any gains or losses arising from subsequent changes in fair value are presented in the Statement of Comprehensive Income in the period which they arise

Quoted investments are valued at closing bid prices as at 31 December 2012

The fair value of unlisted securities is established using valuation techniques These include the use of recent arm's length transactions, discounted cash flow analysis and earnings multiples Wherever possible the General Partner uses valuation techniques which make maximum use of market based inputs Accordingly, the valuation methodology used most commonly by the Partnership is the 'price of recent investment' contained in the International Private Equity and Venture Capital Valuation Guidelines (the "IPEVCV Guidelines") endorsed by the British & European Venture Capital Associations The following considerations are used when calculating the fair value of unlisted securities

Cost
Where the investment being valued was itself made recently, its cost will generally provide a good indication of fair value unless there is objective evidence that the investment has since been impaired, such as observable data suggesting a deterioration of the financial, technical, or commercial performance of the underlying business

Price of recent investment
The General Partner considers that fair value estimates that are based entirely on observable market data will be of greater reliability than those based on assumptions and accordingly where there has been any recent investment by third parties, the price of that investment will generally provide a basis of the valuation The length of period for which it remains appropriate to use the price of recent investment depends on the specific circumstances of the investment and the stability of the external environment During this period the General Partner considers whether any changes or events subsequent to the transaction would imply a change in the fair value of the investment may be required

Given the nature of the General Partner's investments in seed, start-up and early stage companies where there are often no current and no short term future earnings or positive cash flows it can be difficult to gauge the probability and financial impact of the success or failure of development or research activities and to make reliable cash flow forecasts Consequently, the most appropriate approach to determine fair value is a methodology that is based on market data, that being the price of a recent investment Where the General Partner considers that the price of recent investment, unadjusted, is no longer relevant and there are limited or no comparable companies or transactions from which to infer value, the General Partner carries out an enhanced assessment based on milestone analysis and/or industry and sector analysis In applying the milestone analysis approach to investments in companies in early or development stages the General Partner seeks to determine whether there is an indication of change in fair value based on a consideration of performance against any milestones that were set at the time of the original investment decision, as well as taking into consideration the key market drivers of the investee company and the overall economic environment

Where the General Partner considers that there is an indication that the fair value has changed an estimation is made of the required amount of any adjustment from the last price of recent investment Wherever possible, this adjustment is based on objective data from the investee company and the experience and judgement of the General Partner however any adjustment is, by its very nature, subjective Where deterioration in value has occurred, the General Partner reduces the carrying value of the investment to reflect the estimated decrease If there is evidence of value creation the General Partner may consider increasing the carrying value of the investment, however, in the absence of additional financing rounds or profit generation it can be difficult to determine the value that a purchaser may place on positive developments given the potential outcome and the costs and risks to achieving that outcome and accordingly caution is applied

Factors which the General Partner considers include *inter alia* technical measures such as product development phases and patent approvals, financial measures such as cash burn rate and profitability expectations, and market and sales measures such as testing phases, product launches and market introduction

Other valuation techniques
If there is no readily ascertainable value from following the 'price of recent investment' methodology, or there is objective evidence that a deterioration in fair value has occurred since a relevant transaction, the General Partner considers alternative methodologies in the IPEVCV Guidelines, such as Discounted Cash Flows ("DCF") or price-earnings multiples DCF involves estimating the fair value of a business by calculating the

present value of expected future cash flows, based on the most recent forecasts in respect of the underlying business Given the difficulty of producing reliable cash flow forecasts for seed, start-up and early stage companies as described above, this methodology is generally used as a confirmatory indicator of the level of any adjustment that may need to be made to the last price of recent investment

When using the earnings multiple methodology, earnings before interest and tax ("EBIT") are generally used, adjusted to a maintainable level A suitable earnings multiple is derived from an equivalent business or group of businesses, for which the average price-earnings multiple for the relevant sector index can generally be considered a suitable proxy This multiple is applied to earnings to derive an Enterprise Value which is then discounted by up to 60% for non-marketability and other risks inherent to businesses in early stages of operation

No reliable estimate
Where a fair value cannot be estimated reliably the investment is reported at the carrying value at the previous reporting date unless there is objective evidence that the investment has since been impaired

Debt investments
Debt investments are generally unquoted debt instruments which are convertible to equity at a future point in time Such instruments are considered to be hybrid instruments containing a fixed rate debt host contract with an embedded equity derivative The Partnership designates the entire hybrid contract at fair value through profit or loss on initial recognition and accordingly, the embedded derivative is not separated from the host contract and accounted for separately The fair value of debt investments is established by calculating the present value of expected future cash flows associated with the instrument

i) Financial liabilities

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

As disclosed above, the Partners' accounts are also classified as financial liabilities and consequently the Partnership has no equity

j) Financial assets

The Partnership classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired

Fair value through profit and loss These assets are carried in the statement of financial position at fair value with changes in the fair value recognised in the statement of comprehensive income

Loans and receivables These assets are non-derivative financial assets with fixed and determinable payments that are not quoted in an active market They are carried at amortised cost less provision for impairment

k) Significant accounting estimates and judgements

Valuation of unquoted equity investments - The judgements required in order to determine the appropriate valuation methodology of unquoted equity investments have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities These judgements include making assessments of the future earnings potential of portfolio companies, appropriate earnings multiples to apply, and marketability and other risk discounts

2 PRIORITY PROFIT SHARE

	31 December 2012 £	31 December 2011 £
Priority profit share due in respect of the year	**552,598**	617,120

3. AUDITOR'S REMUNERATION

Auditor's remuneration in respect of audit services for the year was £6,180 (2011 £6,481) Auditor's remuneration in respect of non-audit services was £1,350 (2011 £2,100)

4. FINANCE INCOME

	31 December 2012 £	31 December 2011 £
Interest receivable	**2,045**	1,463

5. INVESTMENTS

At cost or valuation	1 January 2012 £	Additions £	Disposals £	Reclass-ification £	Change in fair value £	**31 December 2012 £**
UK – Quoted equity investments	8,756,853	1,623,366	(206,804)	2,492,233	5,087,806	**17,753,454**
UK – Unquoted equity investments	10,140,495	1,328,445	-	(1,974,499)	(925,253)	**8,569,188**
UK – Unquoted debt investments	1,011,694	73,500	-	(517,734)	-	**567,460**
TOTAL	19,909,042	3,025,311	(206,804)	-	4,162,553	**26,890,102**

5. INVESTMENTS (Continued)

Partnership investments at 31 December 2012 were as follows

Investment	Equity shares held	% of total equity held [1]	Cost £	Valuation £
Green Chemicals plc	658,489	5 5%	341,005	329,244 50
Avacta Group plc	80,766,541	2 6%	1,800,000	848,048 68
Tracsis plc	1,818,085	7 3%	723,290	2,890,755 15
Ilika plc	3,603,645	7 9%	1,638,208	828,838 35
Tissue Regenix Group plc	24,794,730	3 8%	875,023	3,099,341 25
Evocutis plc	13,856,790	7 9%	854,483	96,997 53
Getech Group plc	336,539	1 2%	87,500	148,077 16
Synairgen plc	5,564,020	7 4%	1,135,182	2,503,809 00
Retroscreen Virology Group plc	3,788,920	9 3%	1,284,998	5,039,263 60
Revolymer plc	2,773,350	5 2%	1,499,977	1,969,078 49
Quoted equity investments			**10,239,666**	**17,753,454**
Inhibox Limited	3,960,077	21 8%	349,997	39,601
Oxford RF Sensors Limited	901,003	9 2%	437,500	14,540
Karus Therapeutics Limited	21,267	9 2%	1,000,978	803,467
Iqur Limited	7,134	2 8%	656,328	21,117
Photopharmica (Holdings) Limited	52,000	20 0%	1,552,023	52,000
EMDot Limited	138	8 0%	99,850	0
Oxford Nanopore Technologies Limited	24,987	1 3%	1,811,760	4,094,120
Pharminox Limited	21,775	8 2%	621,054	245,979
Icona Solutions Ltd	31,756	11 8%	164,499	29,394
Xeros Limited	14,626	11 7%	680,033	809,549
Surrey Nano Systems	13,548	9 6%	985,989	1,033,441
Crysalin Limited	127,520	11 1%	535,005	1,083,920
Chamelic Limited	781	11 2%	250,162	84,244
Activiomics Limited	3,848	13 8%	250,027	257,816
Unquoted equity investments			**9,395,205**	**8,569,188**
Oxford RF Sensors Limited	Convertible loan		570,000	555,460
iQur Limited	Convertible loan		12,000	12,000
Unquoted debt investments			**582,000**	**567,460**
Total			**20,216,871**	**26,890,102**

[1] % of total equity held represents the Partnership's undiluted beneficial holding excluding debt

The above financial assets are designated as at fair value through profit or loss on initial recognition in accordance with the Partnership's accounting policy The change in the fair value of equity investments recognised in the Statement of Comprehensive Income is net of a loss of £939,792 on unquoted investments where the value has been estimated using a valuation technique (2011 £369,940 loss)

6 TRADE AND OTHER RECEIVABLES

	31 December 2012 £	31 December 2011 £
Amounts due from General Partner	**2,964**	2,964
Amounts due from Founder Partner	**630**	630
Other receivables	**11,834**	9,267
	15,428	12,861

All amounts are due within one year

7. TRADE AND OTHER PAYABLES

	31 December 2012 £	31 December 2011 £
Accrued expenses	**7,530**	7,430
Amounts payable to General Partner	**605**	605
	8,135	8,035

All amounts are due within one year

8. PARTNERS' ACCOUNTS

Limited Partner:	Capital £	Loans £	Partnership Reserve £
European Investment Fund	140	11,253,572	1,210,362
FSP Invest F M B A , afdeling Private Equity	60	4,822,917	518,727
Industriens Pensionsforsikring A/S	60	4,822,917	518,727
IP2IPO Limited	31	2,483,724	267,135
Forsikringsaktieselskabet K a B International	10	803,820	86,454
National Endowment for Science, Technology and the Arts (NESTA)	5	401,910	43,227
IP Venture Fund (FP) Limited Partnership	76	248,285	26,713
	382	**24,837,145**	**2,671,345**

Partners' loans are interest free and will be repaid from Partnership assets as soon as is practicable after the relevant capital realisation proceeds or income is received Following repayment of all loans, including preferred return (calculated at an interest rate of 8% on the Partnership's cash flows) to Limited Partners, IP Venture Fund (FP) Limited Partnership is entitled to a further 25% of the total preferred return, and thereafter 20% of the total return from the Limited Partners

At 31 December 2012 loan commitments available for drawdown by the Partnership from Limited Partners amounted to £5,712,051 (2011 £9,402,051)

9. CASH USED IN OPERATIONS

	Year ended 31 December 2012 £	Year ended 31 December 2011 £
Profit /(loss) and total comprehensive income for the year and change in net assets attributable to Limited Partners	**3,691,760**	(759,217)
Priority profit share	**552,598**	617,120
Profit on sale of assets	**(79,823)**	-
Finance income	**(2,045)**	(1,463)
Dividend income	**(7,768)**	-
Change in fair value of equity investments	**(4,162,553)**	137,556
Changes in working capital		
Trade and other receivables	**(2,567)**	(3,045)
Trade and other payables	**100**	465
Cash used in operations	**(10,298)**	(8,584)

10. RELATED PARTY TRANSACTIONS

The Partnership agreement provides that IP Venture Fund (GP) Limited shall act as General Partner of the Partnership and is entitled to Priority Profit Share payments as described in notes 1(e) and 2

IP Venture Fund (GP) Limited has assigned the management of the Partnership to its parent company, Top Technology Ventures Limited As at 31 December 2012, IP Venture Fund (GP) Limited's ultimate parent company was IP Group plc, based in the United Kingdom

IP2IPO Limited, which is a wholly owned subsidiary of IP Group plc, is a Limited Partner in the Partnership

IP Venture Fund (FP) Limited Partnership, which was formed by directors and senior management of IP Group plc and IP2IPO Limited, is the Founder Partner ("FP") as well as a Limited Partner Following repayment of all loans, including preferred return (calculated at an interest rate of 8% on the Partnership's cash flows) to Limited Partners, the FP is entitled to a further 25% of the total preferred return, and thereafter 20% of the total return from the Limited Partners

As at 31 December 2012 the Partnership had a debtor balance of £630 (2011 £630) due from the FP and £2,964 (2011 £2,964) due from the General Partner

11. FINANCIAL RISK MANAGEMENT

Through its normal operations, the Partnership is exposed to a number of financial risks, the most significant of which are market and liquidity risks

In general, risk management is carried out throughout the Partnership under policies approved by the General Partner The following further describes the Partnership's objectives, policies and processes for managing those risks and the methods used to measure them

(a) Market risk

(i) Price risk

The Partnership is exposed to equity securities price risk as a result of the equity investments held by the Partnership and categorised as at fair value through profit or loss The Partnership holds investments which are publicly traded on the AIM and/or PLUS Markets and investments which are not traded on an active market The valuation of quoted and unquoted investments depends on a combination of market factors,

11 FINANCIAL RISK MANAGEMENT (Continued)

including investor sentiment, availability of liquidity and appetite for specific asset classes, as well as the specific performance of each underlying company

The General Partner seeks to mitigate price risk by having an established investment appraisal process and asset-specific monitoring procedures In a number of cases these monitoring procedures can include members of IP Group plc's executive team and other staff serving in an advisory capacity to portfolio companies (including secondments and non-executive directorships)

(ii) Interest rate and currency risk

As the Partnership has fixed interest-bearing borrowings it has only a limited interest rate risk The primary impact to the Partnership is the impact on income and operating cash flow as a result of the interest-bearing cash and cash equivalents held by the Partnership The priority profit share is based upon a fixed rate as described in note 1(e)

With the exception of cash and cash equivalents which have a floating interest rate, and the convertible loans to portfolio companies which are at fixed interest rates, all other Partnership financial assets and financial liabilities are interest free

(b) Liquidity risk

The General Partner seeks to manage liquidity risk, to ensure sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably The General Partner continuously monitors rolling cash flow forecasts to ensure sufficient cash is available for anticipated cash requirements

Other than investments and partner's loans which have no fixed maturity date, all financial instruments mature within one year

(c) Credit risk

The Partnership has only limited credit risk associated with its debt investments and other receivables The maximum exposure to credit risk for these assets is represented by their carrying amount