

**Strategic Report, Report of the Directors and
Financial Statements for the Year Ended 31 December 2018**

for

Top Technology Ventures Limited
trading as IP Capital



**Contents of the Financial Statements
for the Year Ended 31 December 2018**

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Top Technology Ventures Limited
trading as IP Capital

Company Information
for the Year Ended 31 December 2018

DIRECTORS:

A J Aubrey
D G Baynes
M C N Townend

SECRETARY:

IP2IPO Services Limited

REGISTERED OFFICE:

The Walbrook Building
25 Walbrook
London
EC4N 8AF

REGISTERED NUMBER:

01977742 (England and Wales)

AUDITORS:

KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

Top Technology Ventures Limited
trading as IP Capital

Strategic Report
for the Year Ended 31 December 2018

REVIEW OF BUSINESS

Results and Performance

The principal activities of Top Technology Ventures Limited trading as IP Capital (the "Company", "TTV") during the year were to act as investment manager and advisor to venture capital limited partnerships and companies, and will continue to be in the coming year. The key risks faced by the Company are, the unplanned termination of the Company's appointment to manage one or more funds, the loss of key staff and an inability of the Company to carry out regulated activities due to legislative or other changes or for any other reason.

The results of the Company for the year are set out on page 8.

The Company's total comprehensive income for the year was £569,874 (2017: £733,207). The directors propose a final dividend of £1,000,000 for the year ended 31 December 2018 (2017: £nil).

During the year the Company managed three entities (2017: four):

Company / partnership	Type of agreement	Business
IP Venture Fund II L.P. ("IPVFII")	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
The North East Technology Fund L.P.	Investment management and administrative 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.
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 Company arranged (brought about) deals in finance for seven portfolio companies in the year for which fees of £1,435,911 were generated (2017: seven companies; fees of £829,020).

BUSINESS ENVIRONMENT

The Company's operations are reliant over the medium to long term on capital markets, particularly those in the UK. The limited growth of the UK economy has (and may continue to have) an adverse effect on trading conditions and availability of capital in the UK, particularly for smaller businesses which are the focus of the Company's funds. Funding for higher risk, early-stage businesses continues to be constrained and trading circumstances for many small businesses remain difficult. Nonetheless, the directors believe that the Company's managed funds will continue to operate satisfactorily in the forthcoming year and the Company will continue to receive management fees from such funds as a result, and the Company will be successful in carrying out corporate finance type mandates to support early-stage businesses in raising further finance.

The Company continues to closely monitor political developments as the UK prepares to leave the EU in 2019. Global economic activity, however, has been strengthening with the International Monetary Fund forecasting a global growth rate for 2019 of 3.3%. The forecast for strong growth is a result of upward revisions to the EU and for many parts of Asia, though it also includes downward revisions for both the US and UK. These factors may have an impact on the company this year.

STRATEGY

The Company's business plan is to continue to act as investment manager and advisor to venture capital limited partnerships and companies. The Company will also continue to monitor investor appetite for new or follow on investment entities for which it could be a manager or adviser.

**Strategic Report
for the Year Ended 31 December 2018**

KEY PERFORMANCE INDICATORS ('KPIs')

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

	2018 £'000	2017 £'000
Funds under management	60,289	80,539
Venture capital finance advisory revenues	1,436	1,316
Total comprehensive income	570	733

PRINCIPAL RISKS AND UNCERTAINTIES

The Company is exposed to variety of financial and operational risks that arise in the course of its business. These risks include regulatory risk, the loss of key personnel and liquidity risk. The Company seeks to limit exposure to such risks where possible and the Company has in place a risk management framework that is designed to limit the adverse effects of these risks on the financial and operational performance of the Company. Top Technology Ventures Limited trading as IP Capital is authorised and regulated by the Financial Conduct Authority ("FCA").

FUTURE OUTLOOK

The directors believe the Company will continue to manage venture capital funds and continue its other trading activities for the foreseeable future.

ON BEHALF OF THE BOARD:



Michael Charles Nettleton Townend - Director

Date: 25 April 2019

Top Technology Ventures Limited
trading as IP Capital

Strategic Report
for the Year Ended 31 December 2018

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ON BEHALF OF THE BOARD:



.....
Director

Date: 25/April/2019

Report of the Directors
for the Year Ended 31 December 2018

The directors present their report with the financial statements of the company for the year ended 31 December 2018.

PRINCIPAL ACTIVITY

The principal activities of the Company during the year were to act as investment managers and advisors to companies and venture capital limited partnerships.

REVIEW OF BUSINESS

The Directors' Report should be read in conjunction with the Strategic Report on pages 2 to 3 (which is incorporated in this Directors' Report by reference), which together, include information about the company's business, its financial performance during the year, and likely developments in the future.

EVENTS SINCE THE END OF THE YEAR

Information relating to events since the end of the year is given in the notes to the financial statements.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2018 to the date of this report.

A J Aubrey
D G Baynes
M C N Townend

CHARITABLE AND POLITICAL DONATIONS

No charitable or political donations have been made in the year (2017: £nil).

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 trading as IP Capital is authorised and regulated by the FCA. 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 the IP Group plc 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 operation 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 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.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Top Technology Ventures Limited
trading as IP Capital

Report of the Directors
for the Year Ended 31 December 2018

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

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

AUDITORS

The auditors, KPMG LLP will be deemed to be reappointed in accordance with section 487 of the Companies Act 2006.

This report has been prepared in accordance with the provisions of Part 15 of the Companies Act 2006 relating to small companies.

ON BEHALF OF THE BOARD:



.....
Michael Charles Nettleton Townend - Director

Date: 25 April 2019

**Independent Auditor's Report to the Members of
Top Technology Ventures Limited
trading as IP Capital**

Opinion

We have audited the financial statements of Top Technology Ventures Limited ("the company") for the year ended 31 December 2018 which comprise the Income Statement, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- have been prepared in accordance with the requirements of the Companies Act 2006

Basis for opinion

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

The impact of uncertainties due to Britain exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the Company, and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the Company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a Company and this is particularly the case in relation to Brexit.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Strategic report and directors' report

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

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

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 4, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

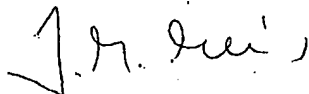
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our Report of the Auditors.

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

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



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

Date: 25th April 2019

Top Technology Ventures Limited
trading as IP Capital

Statement of Comprehensive Income
for the Year Ended 31 December 2018

	Notes	2018 £	2017 £
TURNOVER		2,661,967	2,240,471
Administrative expenses		<u>(1,952,761)</u>	<u>(1,361,513)</u>
		709,206	878,958
Other operating income		<u>(2,985)</u>	<u>(904)</u>
OPERATING PROFIT		706,221	878,054
Interest receivable and similar income		<u>9,529</u>	<u>18,844</u>
PROFIT BEFORE TAXATION	4	715,750	896,898
Tax on profit	6	<u>(140,974)</u>	<u>(173,118)</u>
PROFIT FOR THE FINANCIAL YEAR		574,776	723,780
OTHER COMPREHENSIVE INCOME			
Item that will not be reclassified to profit or loss:			
Potential tax deduction on share options		(4,902)	9,427
Income tax relating to item that will not be reclassified to profit or loss		<u>-</u>	<u>-</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX		<u>(4,902)</u>	<u>9,427</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>569,874</u>	<u>733,207</u>

The notes form part of these financial statements

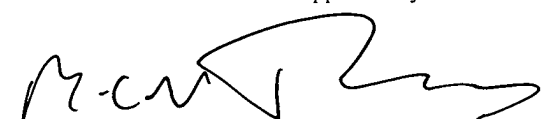
Top Technology Ventures Limited
trading as IP Capital (Registered number: 01977742)

Balance Sheet
31 December 2018

	Notes	2018 £	2017 £
FIXED ASSETS			
Tangible assets	8	-	1,484
Investments	9	<u>2,560</u>	<u>6,854</u>
		2,560	8,338
CURRENT ASSETS			
Debtors	10	4,822,322	3,949,953
Cash at bank		<u>3,776,734</u>	<u>4,751,576</u>
		8,599,056	8,701,529
CREDITORS			
Amounts falling due within one year	11	<u>1,669,796</u>	<u>2,527,212</u>
NET CURRENT ASSETS		<u>6,929,260</u>	<u>6,174,317</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		6,931,820	6,182,655
PROVISIONS FOR LIABILITIES	12	<u>651,138</u>	<u>505,262</u>
NET ASSETS		<u>6,280,682</u>	<u>5,677,393</u>
CAPITAL AND RESERVES			
Called up share capital	13	204,000	204,000
Share premium		396,000	396,000
Retained earnings		<u>5,680,682</u>	<u>5,077,393</u>
SHAREHOLDERS' FUNDS		<u>6,280,682</u>	<u>5,677,393</u>

The financial statements have been prepared in accordance with the provisions of Part 15 of the Companies Act 2006 relating to small companies.

The financial statements were approved by the Board of Directors on 25 April 2019 and were signed on its behalf by:



Michael Charles Nettleton Townend - Director

Top Technology Ventures Limited
trading as IP Capital

Statement of Changes in Equity
for the Year Ended 31 December 2018

	Called up share capital £	Retained earnings £	Share premium £	Total equity £
Balance at 1 January 2017	204,000	8,283,133	396,000	8,883,133
Changes in equity				
Dividends	-	(4,000,000)	-	(4,000,000)
Total comprehensive income	-	733,207	-	733,207
Share based payments charge	-	61,053	-	61,053
Balance at 31 December 2017	<u>204,000</u>	<u>5,077,393</u>	<u>396,000</u>	<u>5,677,393</u>
Changes in equity				
Total comprehensive income	-	569,874	-	569,874
Share based payments charge	-	33,415	-	33,415
Balance at 31 December 2018	<u>204,000</u>	<u>5,680,682</u>	<u>396,000</u>	<u>6,280,682</u>

The notes form part of these financial statements

Notes to the Financial Statements
for the Year Ended 31 December 2018

1. STATUTORY INFORMATION

Top Technology Ventures Limited trading as IP Capital is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

2. ACCOUNTING POLICIES

Basis of preparation

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

These financial statements were prepared on a going concern basis and in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

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

The Company's ultimate parent undertaking, IP Group plc, includes TTV in its consolidated financial statements. The consolidated financial statements of IP Group plc are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from the company secretary at IP Group plc, The Walbrook Building, 25 Walbrook, London, EC4N 8AF.

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

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

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

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

The Company is a private company, limited by shares and incorporated and domiciled in the UK.

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 the limited partners' commitments to a given fund or the net cost of a given fund's portfolio and are recognised as the related services are provided.

Tangible fixed assets

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

Investments in equity

Financial assets are held at fair value through profit or loss and are either financial assets held for trading or financial assets designated at fair value through profit or loss on initial recognition.

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.

Notes to the Financial Statements - continued
for the Year Ended 31 December 2018

2. ACCOUNTING POLICIES - continued

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.

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.

Operating leases

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

Pension scheme

The Company operates a company defined-contribution pension scheme for which all employees are eligible. The assets of the scheme are held separately from those of the Company in independently administered funds. The Company currently makes contributions on behalf of staff to this scheme or to employee personal pension schemes on an individual basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due.

Related party transactions

In accordance with IAS 24 "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 IAS 24 paragraph 16.

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.

Preparation of consolidated financial statements

The financial statements contain information about Top Technology Ventures Limited trading as IP Capital as an individual company and do not contain consolidated information as a parent of a group. The Company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare group accounts on the basis that the parent company is included in the accounts of a larger group as identified in note 15 of these financial statements.

3. EMPLOYEES AND DIRECTORS

	2018	2017
	£	£
Wages and salaries	777,609	612,577
Social security costs	95,238	68,287
Other pension costs	<u>50,888</u>	<u>25,352</u>
	<u>923,735</u>	<u>706,216</u>

Notes to the Financial Statements - continued
for the Year Ended 31 December 2018

3. EMPLOYEES AND DIRECTORS - continued

The average number of employees during the year was as follows:

	2018	2017
Office and management	<u>6</u>	<u>5</u>
Directors' remuneration	<u>£ -</u>	<u>£ -</u>

The emoluments of A Aubrey, M Townend and D Baynes 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.

4. PROFIT BEFORE TAXATION

The profit before taxation is stated after charging:

	2018	2017
	<u>£</u>	<u>£</u>
Other operating leases	2,943	12,748
Depreciation - owned assets	1,484	3,572
Foreign exchange differences	<u>5,508</u>	<u>8</u>

5. AUDITORS' REMUNERATION

	2018	2017
	<u>£</u>	<u>£</u>
Fees payable to the company's auditors for the audit of the company's financial statements	<u>12,317</u>	<u>17,452</u>

6. TAXATION

Analysis of tax expense

	2018	2017
	<u>£</u>	<u>£</u>
Current tax:		
Tax	<u>140,974</u>	<u>173,118</u>
Total tax expense in statement of comprehensive income	<u>140,974</u>	<u>173,118</u>

Notes to the Financial Statements - continued
for the Year Ended 31 December 2018

6. TAXATION - continued

Factors affecting the tax expense

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

	2018 £	2017 £
Profit before income tax	<u>715,750</u>	<u>896,898</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2017 - 19.247%)	135,993	172,626
Effects of:		
Non-deductible expenses	11,996	24,331
Adjustments to prior year deferred tax	-	(4,833)
Deferred tax credited directly to equity	(4,902)	-
Adjustments to rate change of deferred tax	(17,162)	(23,517)
Deferred tax on chargeable gains not qualifying for SSE	(237)	(87)
Share based payment adjustment	16,700	5,139
Adjustment in relation to Partnership Share	<u>(1,414)</u>	<u>(541)</u>
Tax expense	<u>140,974</u>	<u>173,118</u>

Tax effects relating to effects of other comprehensive income

	Gross £	2018 Tax £	Net £
Potential tax deduction on share options	<u>(4,902)</u>	<u>-</u>	<u>(4,902)</u>
	Gross £	2017 Tax £	Net £
Potential tax deduction on share options	<u>9,427</u>	<u>-</u>	<u>9,427</u>

7. DIVIDENDS

	2018 £	2017 £
Ordinary shares of £1 each		
Prior financial year final dividend	-	4,000,000
Dividends paid to equity owners in the financial year	-	4,000,000
Current financial year proposed final dividend	<u>1,000,000</u>	<u>-</u>

Notes to the Financial Statements - continued
for the Year Ended 31 December 2018

8. TANGIBLE FIXED ASSETS

	Plant and machinery etc £
Cost	
At 1 January 2018	
and 31 December 2018	<u>208,163</u>
Depreciation	
At 1 January 2018	206,679
Charge for year	<u>1,484</u>
At 31 December 2018	<u>208,163</u>
Net book value	
At 31 December 2018	<u>-</u>
At 31 December 2017	<u>1,484</u>

9. INVESTMENTS

	Listed investments £
Cost	
At 1 January 2018	6,854
Fair value movements	(2,985)
Reclassification/transfer	<u>(1,309)</u>
At 31 December 2018	<u>2,560</u>
Net book value	
At 31 December 2018	<u>2,560</u>
At 31 December 2017	<u>6,854</u>

Notes to the Financial Statements - continued
for the Year Ended 31 December 2018

9. INVESTMENTS - continued

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
IP Venture Fund (GP) Limited	England & Wales	Management of venture capital investments	100% of £1 ordinary shares
IP Venture Fund II (GP) LLP	England & Wales	Management of venture capital investments	99.99% of economic interest
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
IP Capital Limited	England & Wales	Dormant	100% of ordinary shares
IP2IPO Portfolio (GP) Limited	England & Wales	Operator of IP Group employee carry scheme	100% of ordinary shares

Please note that there were no associated undertakings, joint ventures or significant holdings in any companies at year end and the table above reflects the complete list of related undertakings at the reporting date. All companies have their registered offices at The Walbrook, 25 Walbrook, London, EC4N 8AF.

10. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018	2017
	£	£
Trade debtors	3,689,012	1,858,471
Amounts owed by group undertakings	971,734	1,934,315
Other debtors	<u>161,576</u>	<u>157,167</u>
	<u>4,822,322</u>	<u>3,949,953</u>

£91,802 was written off during the year due to no longer being recoverable

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018	2017
	£	£
Trade creditors	114,662	18,334
Amounts owed to group undertakings	1,356,815	2,351,987
Social security and other taxes	24,341	16,368
VAT	50,465	-
Other creditors	50,591	22,879
Accruals and deferred income	<u>72,922</u>	<u>117,644</u>
	<u>1,669,796</u>	<u>2,527,212</u>

12. DEFERRED TAX

	2018	2017
	£	£
Deferred tax	<u>651,138</u>	<u>505,262</u>

Notes to the Financial Statements - continued
for the Year Ended 31 December 2018

12. DEFERRED TAX - continued

	Deferred tax £
Balance at 1 January 2018	505,262
Deferred tax charged (income)	140,974
Deferred tax charged (equity)	<u>4,902</u>
Balance at 31 December 2018	<u>651,138</u>

Deferred tax is provided as follows:

	2018 £	2017 £
Fixed asset timing differences	(204)	(3)
Short term timing differences	695,162	575,335
Capital gains	-	212
Losses and other deductions	<u>(43,820)</u>	<u>(70,282)</u>
	<u>651,138</u>	<u>505,262</u>

13. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value: £1	2018 £	2017 £
204,000	Ordinary		<u>204,000</u>	<u>204,000</u>

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.

14. PENSION COMMITMENTS

The pension cost charge for the prior year represents contributions payable by the Company to defined contribution schemes, which amounted to £25,352 (2017: £27,386).

15. 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, The Walbrook Building, 25 Walbrook, London, EC4N 8AF.

16. COMMITMENTS AND CONTINGENT LIABILITIES

There were no contingent liabilities or capital commitments at 31 December 2018 and 31 December 2017 in respect of the Company.

Notes to the Financial Statements - continued
for the Year Ended 31 December 2018

17. RELATED PARTY DISCLOSURES

During the year ended 31 December 2018, Top Technology Ventures Limited trading as IP Capital had the following transactions with related parties:

- £203,335 was received from the North East Technology Fund (GP) Limited in the form of Priority Profit Share relating to management of The North East Technology Fund LP. (2017: £203,335). £384,670 (2017: £203,335) was outstanding at the reporting date.

- No amounts were received from IP Venture Fund II (GP) LLP in the form of Priority Profit Share relating to the management of IP Venture Fund II L.P. (2017: £nil). £1,215,244 (2017: £607,622) was outstanding at the reporting date.

- No amounts were received from IP Venture Fund (GP) Limited in the form of Priority Profit Share relating to the management of IP Venture Fund LP. (2017: £nil). £804,143 (2017: £674,143) was outstanding at the reporting date.

- Directors' fees of £52,189 (2017: £72,650) were received by Top Technology Ventures Limited trading as IP Capital 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 trading as IP Capital. An outstanding amount of £56,708 (2017: £107,032) before provisions was included in debtors as at 31 December 2018.

- Advisory, arrangement, and other fees of £410,283 (2017: £756,650) were received by Top Technology Ventures Limited trading as IP Capital from investee companies of IP Group plc, the immediate and ultimate parent company, or of limited partnership funds managed by Top Technology Ventures Limited trading as IP Capital. An outstanding amount of £1,202,818 (2017: £265,273) was included in debtors as at 31 December 2018.

- The partnership agreements provide that IP Venture Fund (GP) Limited, IP Venture Fund II (GP) LLP and North East Technology (GP) Limited, the 100% owned subsidiary companies, shall act as General Partner of IP Venture Fund, IP Venture Fund II L.P. and The North East Technology Fund L.P. respectively and are entitled to Priority Profit Share payments as described in notes 1 and 2 which are ultimately payable to TTV as the funds' manager.

18. SUBSEQUENT EVENTS

There have been no significant events subsequent to the year end.

Notes to the Financial Statements - continued
for the Year Ended 31 December 2018

19. SHARE-BASED PAYMENTS

Deferred Bonus Share Plan ("DBSP") awards

Awards made to employees under the Group's AIS above a certain threshold include 50% deferred into IP Group equity through the grant of nil-cost options under the Group's DBSP. The number of nil-cost options granted under the Group's DBSP is determined by the share price at vesting date. The DBSP options are subject to further time-based vesting over two years (typically 50% after year one and 50% after year two).

An analysis of movements in the DBSP options outstanding is as follows:

	2018	2017
At 1 January	36,494	53,614
Exercised during the year	(23,401)	(10,308)
Awarded during the year	10,758	-
Lapsed during the year	(21,064)	(6,812)
At 31 December	<u>2,787</u>	<u>36,494</u>

As the 2018 AIS financial performance targets were met and as the number of DBSP options to be granted in order to defer such elements of the AIS payments as are required under our remuneration policy are based on a percentage of employees' salary, the share-based payments line includes the associated share-based payments expense incurred in 2018.

Long Term Incentive Plan ("LTIP") awards

Awards under the LTIP take the form of conditional awards of ordinary shares of 2p each in the Group which vest over the prescribed performance period to the extent that performance conditions have been met. The Remuneration Committee imposes objective conditions on the vesting of awards and these take into consideration the guidance of the Group's institutional investors from time to time.

The 2018 LTIP awards were made on 10 May 2018. The awards will ordinarily vest on 31 March 2021, to the extent that the performance conditions have been met. The awards are based on the performance of the Group's 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, as shown in the Directors' Remuneration Report within the Group's 2018 Annual Report and Accounts. The total award is subject to an underpin based on the relative performance of the Group's TSR to that of the FTSE 250 index, which can reduce the awards by up to 50%. The 2018 LTIP 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 2018 to 31 December 2020, and TSR increasing by 15% per year on a cumulative basis from the date of award to 31 March 2021, 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 2017 LTIP awards were made on 29 August 2017. The awards will ordinarily vest on 31 March 2020, to the extent that the performance conditions have been met. The awards are based on the performance of the Group's 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, as shown in the Directors' Remuneration Report within the Group's 2017 Annual Report and Accounts. The total award is subject to an underpin based on the relative performance of the Group's TSR to that of the FTSE 250 index, which can reduce the awards by up to 50%. The 2017 LTIP 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 2017 to 31 December 2019, and TSR increasing by 15% per year on a cumulative basis from the date of award to 31 March 2020, 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.

Notes to the Financial Statements - continued
for the Year Ended 31 December 2018

The 2016 LTIP awards were made on 16 May 2016. The awards will ordinarily vest on 31 March 2019, to the extent that the performance conditions have been met. The awards are based on the performance of the Group's 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, as shown in the Directors' Remuneration Report within the Group's 2017 Annual Report and Accounts. The total award is subject to an underpin based on the relative performance of the Group's TSR to that of the FTSE 250 index, which can reduce the awards by up to 50%. The 2016 LTIP 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 2016 to 31 December 2018, and TSR increasing by 15% per year on a cumulative basis from the date of award to 31 March 2019, 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 2015 LTIP awards did not meet the threshold performance target and lapsed on 31 March 2018.

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

	2018	2017
At 1 January	236,049	128,854
Notionally awarded during the year	166,217	129,576
Lapsed during the year	(26,867)	(22,381)
Forfeited during the year	<u>(174,765)</u>	<u>-</u>
At 31 December	<u>200,634</u>	<u>236,049</u>

The fair value of LTIP shares notionally awarded during 2018 was calculated using Monte Carlo pricing models with the following key assumptions:

	2018	2017
IP Group plc share price at date of award	£1.355	£1.151
Exercise price	£nil	£nil
Fair value at grant date	£0.57	£0.34
Expected volatility (median of historical 50 day moving average)	36%	36%
Expected life (years)	3.00	3.0
Expected dividend yield	0%	0%
Risk-free interest rate	1.0%	0.4%