

IP2IPO Management Limited

Report and Financial Statements

Year ended 31 December 2013



Registered number
04368104

IP2IPO Management Limited

Report and financial statements for the year ended 31 December 2013

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Directors

Alan Aubrey
Angela Leach
Greg Smith

Secretary and registered office

Angela Leach

24 Cornhill
London
EC3V 3ND

Company number

04368104

Independent Auditor

BDO LLP
55 Baker Street
London
W1U 7EU

IP2IPO Management Limited

Director's report for the year ended 31 December 2013

The directors present their report together with the audited financial statements for the year ended 31 December 2013.

Business review and principal activities

The principal activity of IP2IPO Management Limited ("the Company") is to hold equity and debt interests in spin-out companies from the University of Southampton, under a 25 year partnership entered into in March 2002.

The partnership (i) commits IP2IPO Management Limited to invest £5 million in seed capital in University of Southampton ("UoS") spin-out companies over an eight year period in return for equity stakes in those companies, and (ii) commits IP2IPO Limited, the Company's immediate parent undertaking, to provide technology commercialisation advice and expertise to UoS. As part of the partnership, IP2IPO Limited receives a 20% non-participating interest in Southampton Asset Management Limited, a company set up to hold the University of Southampton's equity stakes in spin-out companies formed since the commencement of the partnership.

During 2013, the Company continued to hold investments in spin-out companies from UoS and actively participate in their development.

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

Results and dividends

The results for the period are set out on page 4. The directors do not recommend payment of a dividend (2012: £nil).

Future outlook

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

Principal risks and uncertainties

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

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

Financial instruments

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

The directors manage the risks inherent from investing in equity instruments through the establishment, at a Group wide level, of investment appraisal processes and asset monitoring procedures which are subject to overall review by the Board. The Group has also established a capital markets team dedicated to investor relations.

Key performance indicators ("KPIs")

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

Charitable and political contributions

During the year the Company made no charitable or political contributions (2012: £nil).

IP2IPO Management Limited

Director's report for the year ended 31 December 2013

Directors

The directors of the Company during the year were:

Alan Aubrey
Greg Smith
Angela Leach

Directors' responsibilities

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

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

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

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditor

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

Independent auditor

In March 2014 IP Group plc, the ultimate parent of the Company, conducted a tender for the overall Group's 2014 audit. The conclusion of the parent's audit committee at the end of this process was to recommend the appointment of KPMG LLP as auditor of IP Group plc, and its subsidiaries (including IP2IPO Management Limited), to replace BDO LLP. The board of IP Group plc supported the recommendation of the audit committee and it was subsequently approved by IP Group plc's shareholders at its 2014 annual general meeting.

ON BEHALF OF THE BOARD



Greg Smith
Director
30 September 2014

IP2IPO Management Limited

Independent auditor's report to the shareholders of IP2IPO Management Limited

We have audited the financial statements of IP2IPO Management Limited for the year ended 31 December 2013 which comprise the profit and loss account, the balance sheet 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 auditors

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 Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2013 and of its 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to the exemption from the requirement to prepare a strategic report.

R D O LLP

Vanessa-Jayne Bradley (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London

30 September 2014

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

IP2IPO Management Limited

Profit and loss account for the year ended 31 December 2013

	Notes	2013 £'000	2012 £'000
Turnover		-	-
Administrative expenses	3	(4)	(4)
Amounts written off fixed asset investments	2	-	(325)
Operating loss and loss for ordinary activities before tax		(4)	(329)
Taxation on loss on ordinary activities	6	118	-
Profit/(loss) on ordinary activities after taxation	12	114	(329)

All activities derive from continuing operations.

The Company has no recognised gains or losses other than the profit/ loss above and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the loss on ordinary activities before taxation and the retained profit for the period stated above, and its historical cost equivalent.

The notes on pages 6 to 10 form part of these financial statements.

IP2IPO Management Limited
Registered number: 04368104
Balance sheet as at 31 December 2013

	Note	2013 £'000	2012 £'000
Fixed Assets			
Investments	7	<u>2,902</u>	<u>2,902</u>
Current Assets			
Debtors	8	118	1
Creditors: amounts falling due within one year	9	<u>(563)</u>	<u>(560)</u>
Net current liabilities		<u>(445)</u>	<u>(559)</u>
Net assets		<u>2,457</u>	<u>2,343</u>
Capital and reserves			
Called up share capital	10	-	-
Profit and loss account	11	<u>2,457</u>	<u>2,343</u>
Total shareholder's funds	12	<u>2,457</u>	<u>2,343</u>

The notes on page 6 to 10 form part of these financial statements.

The financial statements were approved by the Board of directors and authorised for issue on 30 September 2014 and were signed on its behalf by:



Greg Smith
Director

1. ACCOUNTING POLICIES

Basis of preparation

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

Equity investments

Equity investments are stated at historic cost less provision for impairment in value.

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

Provisions for impairment are reversed where the recoverable amount of a previously impaired investment increases because of a change in economic conditions or expected use of the asset. The amount of any reversal is restricted to increasing the carrying value to that which would have been recognised had the original impairment not occurred.

Deferred tax

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

Cash flow statement

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

Related party transactions

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

2. OPERATING LOSS

Operating loss is stated after charging:

	2013	2012
	£'000	£'000
Amounts written off fixed asset investments	-	325
Professional fees	4	4

IP2IPO Management Limited

Profit and loss account for the year ended 31 December 2013

3. AUDITOR'S REMUNERATION

	2013 £'000	2012 £'000
Audit services:		
Fees payable to company auditor for the audit of the financial statements	2	2
Non audit services:		
Other non-audit services	2	2
	<u>4</u>	<u>4</u>

Auditor's remuneration is being paid and borne by another group company.

4. EMPLOYEES

During the year the Company had no employees (2012: nil).

5. DIRECTORS' EMOLUMENTS

The directors are remunerated for their services to other group companies within the group headed by the Company's ultimate parent, IP Group plc. No amounts were received by them as directors of IP2IPO Management Limited.

6. TAXATION

	2013 £'000	2012 £'000
Group relief	-	-
Adjustment in respect of previous periods	(118)	-
Current tax	<u>(118)</u>	<u>-</u>

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

	2013 £'000	2012 £'000
Loss on ordinary activities before tax	<u>(4)</u>	<u>(329)</u>
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 23.25% (2012: 24.5%)	(1)	(81)
Effects of:		
Expenses not deductible for tax purposes	-	37
Movement on unutilised tax losses	1	44
Adjustments to tax charge in respect of previous periods	<u>(118)</u>	<u>-</u>
Current tax charge for the year	<u>(118)</u>	<u>-</u>

There is a potential deferred tax asset at 31 December 2013 of £nil (2012: £111k), relating to carried forward management expenses of £nil (2012: £111k) and short term timing differences of £nil (2012: £nil). This asset has not been recognised in the financial statements due to current uncertainties surrounding the reversal of the underlying timing differences. The deferred tax asset would be recovered if there were future taxable profits from which the reversal of the underlying timing differences could be deducted.

IP2IPO Management Limited

Profit and loss account for the year ended 31 December 2013

7. FIXED ASSET INVESTMENTS

	Unlisted £'000	Listed £'000	Total £'000
Cost			
At 1 January 2013	1,528	1,374	2,902
Investments in spin-out companies	-	-	-
Disposal of spin-out companies	-	-	-
Write off of spin out companies	-	-	-
Reclassifications of spin-out companies	828	(828)	-
At 31 December 2013	2,356	546	2,902
Provision for impairment			
At 1 January 2013	-	-	-
Provisions made/(released)	-	-	-
At 31 December 2013	-	-	-
Net book value			
At 1 January 2013	1,528	1,374	2,902
At 31 December 2013	2,356	546	2,902

At 31 December 2013 the market value of listed investments was £2.9 million (2012: £4.7 million).

At the year end the directors have undertaken a review of the carrying values of fixed asset investments and identified investments carried at an amount in excess of fair value. The total carrying value of these investments included in the financial statements is £1.0m compared to a total fair value of £0.4m. No provision for diminution in value has been made in the financial statements as the amount at which the investments are currently stated is ultimately expected to be recovered. This expectation is based on the fact that, notwithstanding the current challenging economic environment, these portfolio businesses continue to make progress towards their technical and commercial milestones.

Significant equity investments

At 31 December 2013 the Company has investments where it holds more than 20% of the issued share capital in the following companies:

Company	Type of share	% of issue held	Net assets / (liabilities) £'000	Profit / (loss) £'000	Date of financial statements
Arkivum Limited	Ordinary	45.3%	952	(942)	31/12/2012
Capsant	Ordinary	21.6%	(244)	(72)	31/12/2012
Neurotechnologies Limited					

All companies are incorporated in England & Wales. Figures obtained from accounts most recently filed with Companies House with year end on or prior to 31 December 2013. No financial information has been presented in respect of companies that have not filed accounts at Companies House. No profit or loss information is presented in respect of companies that have filed abbreviated accounts.

8. DEBTORS

	2013 £'000	2012 £'000
Amounts owed by group undertakings	118	-
Other debtors	-	1
	118	1

IP2IPO Management Limited

Profit and loss account for the year ended 31 December 2013

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2013 £'000	2012 £'000
Trade creditors	-	1
Amounts owed to parent undertaking	558	556
Accruals and deferred income	5	3
	<u>563</u>	<u>560</u>

10. CALLED UP SHARE CAPITAL

	2013 £	2012 £
Authorised 2 ordinary shares of £1 each (2012: 2)	<u>2</u>	<u>2</u>
Allotted, called up and fully paid 2 ordinary shares of £1 each (2012: 2)	<u>2</u>	<u>2</u>

11. RESERVES

	Profit and loss account £'000
At 1 January 2013	2,343
Profit for the year	114
At 31 December 2013	<u>2,457</u>

12. RECONCILIATION OF MOVEMENT IN SHAREHOLDER'S FUNDS

	£'000
Shareholder's funds at 1 January 2013	2,343
Profit for the year	114
Shareholder's funds at 31 December 2013	<u>2,457</u>

IP2IPO Management Limited

Profit and loss account for the year ended 31 December 2013

13. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

Under the terms of an agreement entered into during the year ended 31 December 2002 between the Company, IP2IPO Limited and certain of the University of Southampton's subsidiaries, IP2IPO Limited agreed to make £5 million available to the Company for the purposes of making investments in University of Southampton spin-out companies over a period of eight years commencing in April 2002. Of this amount, at 31 December 2013, £3.6 million (2012: £3.6 million) had been invested in spin-out companies from the university.

14. RELATED PARTY TRANSACTIONS

The following directors at 31 December 2013 had investments with the following spin-out companies:

Director	Company name	Number of shares held at 1 January 2013	Number of shares acquired / (disposed) in the year	Number of shares held at 31 December 2013	% of issued share capital at 31 December 2013
Alan Aubrey	Capsant Neurotechnologies Limited	11,631	-	11,631	0.8%
	Karus Therapeutics Limited	223	-	223	0.7%
	Plexus Planning Limited	1,732	-	1,732	0.8%
Angela Leach	Capsant Neurotechnologies Limited	597	-	597	<0.1%
	Capsant Neurotechnologies Limited	895	-	895	<0.1%

15. IMMEDIATE AND ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

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