

REGISTERED NUMBER: 08320013 (England and Wales)

**Report of the Directors and
Financial Statements for the Year Ended 31 December 2017
for
IP2IPO Americas Limited**

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IP2IPO Americas Limited (Registered number: 08320013)

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for the year ended 31 December 2017

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IP2IPO Americas Limited

Company Information *for the year ended 31 December 2017*

DIRECTORS:

D G Baynes
A J Aubrey
G Smith
M C N Townend

SECRETARY:

IP2IPO Services Limited

REGISTERED OFFICE:

The Walbrook Building
25 Walbrook
London
EC4N 8AF

REGISTERED NUMBER:

08320013 (England and Wales)

INDEPENDENT AUDITOR:

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

Report of the Directors
for the year ended 31 December 2017

The directors present their report with the financial statements of the company for the year ended 31 December 2017.

Business review and principal activities

IP2IPO Americas Limited (the "Company") was incorporated on 5 December 2012. Its principal activity is to act as a UK based holding company providing capital to support the commercialisation of intellectual property from research institutions based in the US, typically through the formation of spin-out companies.

Costs in the period primarily reflect management fees paid to a subsidiary company for various portfolio management services provided in connection with the Company's investments in the US including the identification of US research institutions from which to source intellectual property and the identification and evaluation of potential commercialisation opportunities from such institutions.

DIVIDENDS

No dividends will be distributed for the year ended 31 December 2017 (2016: £nil).

DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2017 to the date of this report.

D G Baynes
A J Aubrey
G Smith
M C N Townsend

Other changes in directors holding office are as follows:

H Milburn - resigned 3 February 2017

FINANCIAL INSTRUMENTS

The company has only a limited exposure to risks associated with financial instruments, and this exposure is primarily attributed to the company's working capital balances and currency risk. The company does not enter into derivative contracts.

The directors manage the risks inherent in holding financial instruments by monitoring rolling cash flow forecasts and obtaining confirmation from the Company's parent surrounding its future financial support.

CHARITABLE AND POLITICAL CONTRIBUTIONS

During the year the company made no charitable or political contributions (2016: £nil).

FUTURE OUTLOOK

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

PRINCIPAL RISKS AND UNCERTAINTIES

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks and uncertainties of the group headed by IP Group plc and are not managed separately. Accordingly, the principal risks and uncertainties of IP Group plc, which include those of the company, are discussed in IP Group plc's 2017 annual report and financial statements which do not form part of this report.

KEY PERFORMANCE INDICATORS

Given the nature of the business, the Company's directors are of the opinion that analysis using financial KPIs is not necessary for an understanding of the development, performance or position of the business.

FINANCIAL SUPPORT

While the intercompany loans are repayable on demand, the parent company, IP2IPO Limited, has confirmed that it does not intend to require repayment in cash of the intercompany loans due to it and will provide, to the Company, up to £7.0m to enable it to meet its obligations as they fall due for a period of not less than twelve months from the date of these financial statements.

IP2IPO Americas Limited (Registered number: 08320013)

Report of the Directors
for the year ended 31 December 2017

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 auditors 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 auditors are unaware.

AUDITOR

Pursuant to section 487 of the Companies Act 2006, the auditor was deemed to be reappointed and KPMG LLP will therefore continue in office.

ON BEHALF OF THE BOARD:



.....
G Smith - Director

Date: 26 - 10 - 2018

Statement of Directors' Responsibilities
for the year ended 31 December 2017

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.

Independent Auditor's Report to the Members of IP2IPO Americas Limited

Opinion

We have audited the financial statements of IP2IPO Americas Limited ("the company") for the period ended 31 December 2017 which comprise the Statement of Comprehensive Income, Statement of Financial Position and Statement of Changes in Equity and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 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.

Going concern

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 twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

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.

Independent Auditor's Report to the Members of IP2IPO Americas Limited (continued)

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.

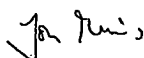
Auditor's responsibilities

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.

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
Chartered Accountants
Registered Auditor
15 Canada Square
London
E14 5GL

Date: 28/10/2018

IP2IPO Americas Limited (Registered number: 08320013)

Statement of Comprehensive Income
for the year ended 31 December 2017


	Notes	2017 £	2016 £
TURNOVER		3,776	-
Administrative expenses		<u>(3,453,619)</u>	<u>(2,431,963)</u>
		(3,449,843)	(2,431,963)
Change in fair value of investments		<u>5,168,533</u>	<u>2,914,757</u>
OPERATING PROFIT		1,718,690	482,794
Exchange rate (losses)/gains	4	<u>(71,399)</u>	<u>31,065</u>
PROFIT BEFORE TAXATION	5	1,647,291	513,859
Tax on profit	6	<u>-</u>	<u>-</u>
PROFIT FOR THE FINANCIAL YEAR		1,647,291	513,859
OTHER COMPREHENSIVE INCOME		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>1,647,291</u>	<u>513,859</u>

The notes on pages 10 to 14 form part of these financial statements

IP2IPO Americas Limited (Registered number: 08320013)**Balance Sheet****31 December 2017**

	Notes	2017 £	2016 £
FIXED ASSETS			
Investments	7	22,730,720	9,785,306
CURRENT ASSETS			
Debtors	8	547,085	345,627
Cash at bank		<u>1,260</u>	<u>1,626</u>
		548,345	347,253
CREDITORS			
Amounts falling due within one year	9	<u>(22,764,278)</u>	<u>(11,265,063)</u>
NET CURRENT LIABILITIES		<u>(22,215,933)</u>	<u>(10,917,810)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>514,787</u>	<u>(1,132,504)</u>
CAPITAL AND RESERVES			
Called up share capital	10	1	1
Retained earnings		<u>514,786</u>	<u>(1,132,505)</u>
SHAREHOLDERS' FUNDS		<u>514,787</u>	<u>(1,132,504)</u>

The financial statements were approved by the Board of Directors on 26 - 10 - 2018 and were signed on its behalf by:


.....
G Smith - Director

IP2IPO Americas Limited (Registered number: 08320013)

Statement of Changes in Equity
for the year ended 31 December 2017

	Called up share capital £	Retained earnings £	Total equity £
Balance at 1 January 2016	1	(1,646,364)	(1,646,363)
Changes in equity			
Total comprehensive income	<u>-</u>	<u>513,859</u>	<u>513,859</u>
Balance at 31 December 2016	<u>1</u>	<u>(1,132,505)</u>	<u>(1,132,504)</u>
Changes in equity			
Total comprehensive income	<u>-</u>	<u>1,647,291</u>	<u>1,647,291</u>
Balance at 31 December 2017	<u><u>1</u></u>	<u><u>514,786</u></u>	<u><u>514,787</u></u>

The notes on pages 10 to 14 form part of these financial statements

Notes to the Financial Statements
for the year ended 31 December 2017

1. STATUTORY INFORMATION

IP2IPO Americas Limited 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 FRS 101, including subsequent amendments which are effective immediately.

The Company's ultimate parent undertaking, IP Group plc, includes IP2IPO Americas Limited in its consolidated financial statements. The consolidated financial statements of IP Group plc are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from the company secretary at IP Group plc, 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 financial statements have been prepared on a going concern basis as the company's parent undertaking, IP2IPO Limited, has confirmed its intention to continue its financial support of the company. While the intercompany loans are repayable on demand, the parent company, IP2IPO Limited, has confirmed that it does not intend to require repayment in cash of the intercompany loans due to it and will provide, to the Company, up to £7.0m to enable it to meet its obligations as they fall due for a period of not less than twelve months from the date of these financial statements.

Deferred taxation

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 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.

Notes to the Financial Statements - continued
for the year ended 31 December 2017

2. ACCOUNTING POLICIES - continued

Foreign currencies

Transactions in foreign currencies are initially recognised using the exchange rate in operation on the date on which the transaction occurred. Where transactions are settled at an exchange rate that differs from the rate used when the transaction was recorded, the exchange rate difference will be recognised in the profit and loss account for the period.

Monetary balance sheet items such as cash, debtors, fixed asset investments and creditors are translated at each balance sheet date using the exchange rate in operation on the balance sheet date. Differences on exchange are recognised in the profit and loss account.

Equity investments

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 Company uses valuation techniques which make maximum use of market-based inputs. Accordingly, the valuation methodology used most commonly by the Company 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 may 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 Company considers that fair value estimates, which 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.

Given the nature of the Company'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 Company 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 Company 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 Company 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 Group 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 Group. However, any adjustment is, by its very nature, subjective. Where a deterioration in value has occurred, the Group reduces the carrying value of the investment to reflect the estimated decrease. If there is evidence of value creation the Group 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.

Notes to the Financial Statements - continued
for the year ended 31 December 2017

2. ACCOUNTING POLICIES - continued

Equity investments (continued)

Factors that the Group 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.

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 Group 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.

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.

Investments in subsidiary

Investments in subsidiaries are stated at historic cost less any provision for impairment in value. Provisions are based upon an assessment of events or changes in circumstances that indicate that an impairment has occurred such as the performance and/or prospects of the subsidiary 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 significant deterioration in general market conditions.

3. EMPLOYEES AND DIRECTORS

The average number of employees during the year was NIL (2016 - NIL).

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 Americas Limited.

4. EXCHANGE RATE (LOSSES)/GAINS

	2017	2016
	£	£
Exchange rate (losses)/gains	<u>(71,399)</u>	<u>31,065</u>

5. PROFIT BEFORE TAXATION

The profit before taxation is stated after charging:

	2017	2016
	£	£
Auditors' remuneration	<u>4,752</u>	<u>2,370</u>

Notes to the Financial Statements - continued
for the year ended 31 December 2017

6. TAXATION

Analysis of tax expense

No liability to UK corporation tax arose for the year ended 31 December 2017 nor for the year ended 31 December 2016.

Factors affecting the tax expense

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

	2017 £	2016 £
Profit before income tax	<u>1,647,291</u>	<u>513,859</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19.25% (2016: 20%)	317,047	102,772
Effects of: purposes		
Deferred tax not recognised	686,826	472,534
Expenses not deductible for tax purposes	<u>(1,003,873)</u>	<u>(575,306)</u>
Tax expense	<u>-</u>	<u>-</u>

There is a potential deferred tax asset at 31 December 2017 of £1,299,319 (2016: £495,944), relating to carried forward losses of £7,591,913 (2016: £4,056,089) and capital losses of £51,141 (2016: capital gains of £1,138,772). This asset has not been recognised in the financial statements due to current uncertainties surrounding the reversal of the underlying timing differences. The deferred tax asset would be recovered if there were future taxable profits from which the reversal of the underlying timing differences could be deducted.

7. INVESTMENTS

	Equity investments in subsidiary £	Equity investments in unquoted spin out £	Debt investments in unquoted spin out £	Totals £
COST OR VALUATION				
At 1 January 2017	1,297,035	7,693,846	794,425	9,785,306
Additions	2,150,837	5,013,852	612,192	7,776,881
Change in fair value during the year	(143,167)	6,343,870	-	6,200,703
Exchange differences	-	(977,848)	(54,322)	(1,032,170)
Reclassification/transfer	<u>-</u>	<u>227,435</u>	<u>(227,434)</u>	<u>-</u>
At 31 December 2017	<u>3,304,705</u>	<u>18,301,155</u>	<u>1,124,861</u>	<u>22,730,720</u>
NET BOOK VALUE				
At 31 December 2017	<u>3,304,705</u>	<u>18,301,155</u>	<u>1,124,861</u>	<u>22,730,720</u>
At 31 December 2016	<u>1,297,035</u>	<u>7,693,846</u>	<u>794,425</u>	<u>9,785,306</u>

IP2IPO Americas Limited (Registered number: 08320013)

Notes to the Financial Statements - continued
for the year ended 31 December 2017

7. INVESTMENTS - continued

Details of significant holdings

<u>Name of undertaking</u>	<u>Proportion of nominal value held %</u>
Exyn Technologies, Inc - Common Stock	46.7%
Lumiode, Inc - Common Stock	49.7%
Mobillon Systems, Inc - Common Stock	88.0%
Uniformity Labs, Inc - Common Stock	25.1%

8. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017	2016
	£	£
Amounts owed by group undertakings	547,085	344,867
VAT	-	760
	<u>547,085</u>	<u>345,627</u>

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017	2016
	£	£
Trade creditors	995	996
Amounts owed to group undertakings	22,760,851	11,165,197
Accruals and deferred income	2,432	98,870
	<u>22,764,278</u>	<u>11,265,063</u>

Amounts owed to group undertakings are interest free, unsecured and have no fixed date of repayment. IP2IPO Limited, the Company's immediate parent, has confirmed that while these amounts are repayable on demand, it will not require the loans to be repaid in cash within twelve months from the date of approval of these financial statements.

10. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2017	2016
			£	£
1	Ordinary	£1	<u>1</u>	<u>1</u>

11. 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 considered to be IP Group plc. Copies of the ultimate parent company's financial statements may be obtained from www.ipgroupplc.com or the Secretary of IP Group plc, The Walbrook Building, 25 Walbrook, London, EC4N 8AF.