

IMPERIAL INNOVATIONS BUSINESSES LLP

Report and Accounts

for the year ended 31 July 2011

Registered in England and Wales



Registered number OC333709

IMPERIAL INNOVATIONS BUSINESSES LLP

Report and Accounts for the year ended 31 July 2011

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IMPERIAL INNOVATIONS BUSINESSES LLP

Members' report

The members present their report and audited financial statements of the LLP for the year ended 31 July 2011.

Principal activities

The principal activity of Imperial Innovations Businesses LLP ("the LLP") is that of an investment holding vehicle with investments in both start up and more established technology companies. The vehicle also serves as the Imperial Innovations Group plc ("the Group") carried interest plan for employees.

The principal risks and uncertainties of the LLP are managed and mitigated at Group level.

Revenue of £116k (2010 £176k) during the period represents corporate finance fees and distributions from portfolio companies. The net gain on investments at fair value through profit and loss of £4.3m (2010 £11.1m) represents net fair value gains on the value of investments held. At the period end net assets attributable to members increased to £144.5m (2010 £23.4m). This increase reflects investments made and fair value gains.

Transactions with members

Members' capital is subscribed, drawn down and repaid under the terms of the Limited Liability Partnership deed.

In January 2011, Imperial Innovations Limited and Imperial Innovations Investments Limited transferred their shares in the LLP to a new Luxembourg Holding Company ("Imperial Innovations Sarl") in a share for share exchange.

During the period a Promissory Note ('PN') was issued by Imperial Innovations Investments Limited in favour of Imperial Innovations Limited for up to £70 million of funding. Imperial Innovations Limited exchanged the PN asset for shares in Imperial Innovations Sarl, who in turn, exchanged the PN for membership in the LLP.

Members Drawings

Before any payment to a participant becomes due certain hurdles should be met. The Group (the Investor members) must have first received back the amount of the Group's original investment in the Group's underlying investments that are subject to the plan, together with interest on that original investment at a rate of 8% per annum compounded each year. This return to the Group is known as the 'hurdle'. The amount of the proceeds from the sale of investments in excess of the hurdle (the Excess Return) may be shared with the participants (Managing members) in the ratio 15% to the participants/85% to the Group. Further details of the plan are available on page 27 of the Group accounts.

Disclosure of information to the independent auditors

So far as each of the members is aware there is no relevant audit information of which the auditors are unaware. Each member has taken all steps that they ought to have taken as a member in order to make themselves aware.

IMPERIAL INNOVATIONS BUSINESSES LLP

Members' report (*Continued*)

Disclosure of information to the independent auditors

of any relevant audit information and to establish that the members' independent auditors are aware of that information

Designated members

The designated members of the LLP who were in office during the year and up to the date of signing the financial statements were

Imperial Innovations Investments Limited

Imperial Innovations Limited

Statement of members' responsibilities in respect of the financial statements

The designated members are responsible for preparing the annual Member's report and the financial statements in accordance with applicable law and regulations


Company law as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 (the "Regulations") requires the members to prepare financial statements for each financial year. Under that law the members have prepared the LLP financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law as applied to limited liability partnerships the members 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 LLP and of the profit or loss of the LLP for that period. In preparing these financial statements, the members are required to

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

The members are responsible for keeping adequate accounting records that are sufficient to show and explain the LLP's transactions and disclose with reasonable accuracy at any time the financial position of the LLP and enable them to ensure that the financial statements comply with the Companies Act 2006 as applied to limited liability partnerships by the Regulations. They are also responsible for safeguarding the assets of the LLP and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

These responsibilities are exercised by the designated members

On behalf of the members



Imperial Innovations Investments Limited
(Designated Member)



Imperial Innovations Limited
(Designated Member)

IMPERIAL INNOVATIONS BUSINESSES LLP

Independent auditors' report to the members of Imperial Innovations Businesses LLP

We have audited the financial statements of Imperial Innovations Businesses LLP for the year ended 31 July 2011 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).

Respective responsibilities of members and auditors

As explained more fully in the Members' Responsibilities Statement set out on page 2, the members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the members of the LLP as a body in accordance with the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the limited liability partnership's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the designated members, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the report and accounts to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the limited liability partnership's affairs as at 31 July 2011 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 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008

IMPERIAL INNOVATIONS BUSINESSES LLP

Independent auditors' report to the members of Imperial Innovations Businesses LLP (*Continued*)

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 as applied to limited liability partnerships 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
- we have not received all the information and explanations we require for our audit

Stuart Newman

Stuart Newman (senior statutory auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cambridge

27 April 2012

IMPERIAL INNOVATIONS BUSINESSES LLP

Profit and loss account for the year ended 31 July 2011

| | Note | Year ended 31 July 2011 £ | Year ended 31 July 2010 £ |
|---|------|---------------------------------|---------------------------------|
| Turnover | | 115,560 | 175,500 |
| Cost of sales | | - | - |
| Gross profit | | 115,560 | 175,500 |
| Administrative expenses ¹ | | 41,985 | (103,285) |
| Net gains on investments at fair value through profit and loss | 5 | 4,261,540 | 11,113,689 |
| Profit for the financial year before members' remuneration and profit shares available for discretionary division among members' | 12 | 4,419,085 | 11,185,904 |

The results above relate to continuing operations

The LLP had no recognised gains or losses other than those included in the profit above and therefore no separate statement of total recognised gains and losses has been presented

The LLP has adopted FRS 26 Financial Instruments and Recognition and FRS 29 Financial Instruments Disclosures and excluding the impact of these standards, there is no difference in historical cost and reported profit

¹ Administrative expenses have benefited from a favourable movement in a foreign currency receivable (note 8)

Registered number OC333709

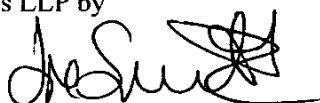
IMPERIAL INNOVATIONS BUSINESSES LLP

Balance sheet as at 31 July 2011

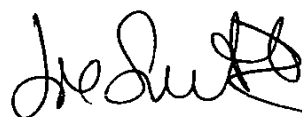
| | Note | 2011 £ | 2010 £ |
|--|------|--------------|--------------|
| Fixed assets | | | |
| Investments at fair value through profit and loss | 7 | 101,948,624 | 63,161,987 |
| Current assets | | | |
| Debtors | 8 | 47,180,860 | 7,076,410 |
| Cash at bank and in hand | | 322,278 | 235,984 |
| | | 47,503,138 | 7,312,394 |
| Creditors: amounts falling due within one year | 9 | (244,887) | (149,136) |
| Net current assets | | 47,258,251 | 7,163,258 |
| Total assets less current liabilities | | 149,206,875 | 70,325,245 |
| Creditors: amounts falling due after more than one year | | | |
| Provisions for liabilities | 10 | (4,613,695) | (3,680,319) |
| Loans and other debts due | 11 | (70,351) | (43,230,300) |
| | | (4,684,046) | (46,910,619) |
| Net assets attributable to members | | 144,522,829 | 23,414,626 |
| Represented by: | | | |
| Loans and other debts due to members within one year | | | |
| Members' capital classified as a liability under FRS 25 | 15 | 116,690,213 | 1,095 |
| Other reserves classified as a liability under FRS 25 | | 24,048,506 | 19,629,421 |
| | | 140,738,719 | 19,630,516 |
| Equity | | | |
| Members' other interest - capital introduced reserve | | 3,784,110 | 3,784,110 |
| | | 144,522,829 | 23,414,626 |
| Total members' interests | | | |
| Loans and other debts due to members | | 140,738,719 | 19,630,516 |
| Amounts due from members | 8 | (40,462,890) | (864) |
| Amounts due to members | 11 | - | 43,223,918 |
| | 12 | 100,275,829 | 62,853,570 |
| Members' other interest | 12 | 3,784,110 | 3,784,110 |
| | 12 | 104,059,939 | 66,637,680 |

These accounts have been prepared in accordance with the provisions applicable to limited liability partnerships subject to the small limited liability partnership regime

The accounts on pages 5 to 16 were approved on 27 April 2012 and signed on behalf of Imperial Innovations Businesses LLP by



Imperial Innovations Investments Limited
(Designated Member)



Imperial Innovations Limited
(Designated Member)

IMPERIAL INNOVATIONS BUSINESSES LLP

Notes to Accounts for the year ended 31 July 2011

1. Accounting Policies

Accounting convention

The accounts have been prepared in accordance with the Companies Act 2006, as applied to Limited Liability Partnerships and applicable accounting standards in the United Kingdom. The accounts have been prepared under the historical cost convention, as modified by the revaluation of fixed asset investments. A summary of the more important accounting policies, which have been consistently applied, are stated below.

Basis of preparation

The accounts have been prepared on the going concern basis, which assumes that the LLP will continue in operational existence for the foreseeable future, on the basis that the members have indicated their willingness to provide the necessary financial support to the LLP to ensure that it is able to meet its debts as they fall due for a period of not less than 12 months from the date upon which these accounts are signed. The LLP has taken advantage of the provisions under the terms of section 400 of the Companies Act 2006 not to prepare consolidated financial statements since it is a wholly controlled undertaking registered in England and Wales. The results, assets and liabilities of the LLP's undertakings are included in the consolidated financial statements of the LLP's parent, Imperial innovations Group plc.

Turnover

Turnover, which excludes VAT, represents the income generated by the LLP from corporate finance fee and dividends received from portfolio investments.

Corporate finance fees

Corporate finance fees are generally earned as a fixed percentage of total funds raised and recognised at the time the related transaction is successfully concluded.

Investments at fair value through profit and loss

In accordance with FRS 29, the LLP classifies all its equity investments as financial assets at fair value through profit and loss upon recognition. Realised and unrealised gains and losses on financial assets at fair value through profit or loss are included in the Profit and Loss Account in the period in which they arise. The fair value movement is net of revenue share.

Valuation of Investments

The fair values of quoted investments are based on bid prices at the Balance Sheet date.

The fair value of unlisted securities is established using International Private Equity and Venture Capital Valuation Guidelines (IPEVCVG). The valuation methodology used most commonly by the LLP is the 'price of recent investment' contained in the IPEVCVG. The following considerations are used when calculating the fair value using the 'price of recent investment' guidelines:

- where the investment being valued was itself made recently, its cost will generally provide a good indication of fair value unless there is objective evidence that the investment has since been impaired, such as observable data suggesting a deterioration of the financial, technical, or commercial performance of the underlying business,
- where there has been any recent investment by third parties, the price of that investment will provide a basis of the valuation,
- if there is no readily ascertainable value from following the 'price of recent investment' methodology, the LLP considers alternative methodologies in the IPEVCVG guidelines, being principally discounted cash flows and price-earnings multiples requiring management to make assumptions over the timing and nature of future earnings and cash flows when calculating fair value,
- where a fair value cannot be estimated reliably, the investment is reported at the carrying value at the previous reporting date unless there is evidence that the investment has since been impaired,
- all recorded values of investments are regularly reviewed for any indication of impairment and adjusted accordingly.

IMPERIAL INNOVATIONS BUSINESSES LLP

Notes to Accounts for the year ended 31 July 2011 (*Continued*)

1. Accounting policies (*continued*)

- the length of period for which it remains appropriate to use the price of recent investment depends on the specific circumstances of the investment and the stability of the external environment. During this period the LLP considers whether any changes or events subsequent to the transaction would imply a change in the fair value of the investment may be required,
- where the LLP 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 LLP 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 LLP 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 LLP 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 LLP. However any adjustment is, by its very nature, subjective. Where deterioration in value has occurred, the LLP reduces the carrying value of the investment to reflect the estimated decrease. If there is evidence of value creation, the LLP 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. These critical accounting judgements are fully disclosed in Imperial Innovations Group plc accounts note 19, which are publicly available,
- factors which the LLP 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, and
- where the equity structure of a portfolio company involves different class rights in a sale or liquidity event, the LLP takes these different rights into account when forming a view of the value of its investment

Recognition of Financial Assets

The purchase or sale of investments is recognised using trade date accounting for all assets held at fair value through profit and loss. The recognition of an asset and the liability to pay for it or the de-recognition of an asset, recognition of any gain or loss on disposal and the recognition of a receivable from a buyer occur on the date that an irrevocable commitment is made to purchase or to sell the asset.

Cash flow statement

The LLP is wholly controlled by Imperial Innovations Group plc. The cash flows of the LLP are included in the consolidated group cash flow statement of Imperial Innovations Group plc whose accounts are publicly available. Consequently, the LLP is exempt under the terms of FRS 1 (revised 1996), Cash flow statements, from publishing a cash flow statement.

IMPERIAL INNOVATIONS BUSINESSES LLP

Notes to Accounts for the year ended 31 July 2011 (*Continued*)

1. Accounting policies (*continued*)

Provisions

Provisions are recognised when the LLP has a present obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation

2. Profit for the financial year before members' remuneration and profit shares available for discretionary division among members'

Profit is stated after charging

Year ended
31 July 2011

Year ended
31 July 2010

Auditors' remuneration in respect of audit services

-

-

Auditors' remuneration of £18,000 (2010 £18,000) is borne at the group level by Imperial Innovations Group plc and is fully disclosed in note 7 of those accounts, which are publicly available

3. Employees

There were no employees during the year (2010 nil)

4. Members

The number of members (including designated and managing members) at the beginning and end of the period was 34 and 36 respectively (2010 43 and 34 respectively)

5. Net change in fair value of investments

| | Year ended 31 July 2011 | Year ended 31 July 2010 |
|---|----------------------------|----------------------------|
| | £ | £ |
| Change in fair value during the year | 5,372,250 | 11,129,460 |
| Revenue share on investments held | (1,110,710) | (23,538) |
| Revenue share over provided | - | 7,767 |
| Gains on investments held at fair value | <u>4,261,540</u> | <u>11,113,689</u> |

6. Members' remuneration charged as an expense

No members received any remuneration for the provision of portfolio management and accounting services in the current year (2010 £nil)

IMPERIAL INNOVATIONS BUSINESSES LLP

Notes to Accounts for the year ended 31 July 2011 *(Continued)*

7. Investments in companies

| | 2011 | 2010 |
|-------------------------------|--------------------|-------------------|
| | £ | £ |
| Opening balance at 1 August | 63,161,987 | 48,416,653 |
| Investments during the period | 35,063,788 | 13,988,595 |
| Disposals during the period | (1,649,401) | (10,372,721) |
| Net change in fair value | 5,372,250 | 11,129,460 |
| Closing balance at 31 July | <u>101,948,624</u> | <u>63,161,987</u> |

The LLP's holding exceeds 20% of issued share capital in the following entities

| Name | % Holding | Aggregate capital & reserves (£000) | Profit/(loss) in period (£000) | Date of financial statements |
|---|-----------|-------------------------------------|--------------------------------|------------------------------|
| Aldwych 2011 limited (formerly Quantasol Limited) | 38.1% | (252) | (2,304) | 31 December 2009 |
| Asep Healthcare Limited | 28.5% | (123) | (48) | 28 February 2010 |
| Cell Medica Limited | 41.1% | (754) | (1,079) | 30 December 2009 |
| Cortexica Vision Systems Limited | 30.6% | (919) | (730) | 31 July 2010 |
| Emcision Limited | 23.6% | 413 | (113) | 30 June 2010 |
| Equinox Pharma Limited | 42.5% | 50 | (31) | 31 July 2010 |
| Ervitech Limited | 23.7% | N/A | N/A | None available |
| EVO Electric Limited | 32.3% | (1,716) | (1,811) | 31 March 2010 |
| Heliswirl Holdings Limited | 22.6% | (36) | (355) | 31 December 2010 |
| I2India Holdings Limited | 35.2% | N/A | N/A | None available |
| Indigix Limited | 50.0% | N/A | N/A | None available |
| IR Pharma Limited | 27.9% | N/A | N/A | None available |
| Jointanalysis Limited | 20.0% | (5) | (5) | 31 December 2009 |
| Medermica Limited | 24.9% | (115) | (83) | 30 April 2010 |
| Midaz Lasers Limited | 48.0% | 49 | (150) | 31 December 2010 |
| Molecular Vision Limited | 57.2% | 350 | (715) | 31 July 2010 |
| Mycologix Limited | 41.4% | (134) | (134) | 31 August 2010 |
| Navion Pharma Limited | 54.8% | 3 | (113) | 31 July 2010 |
| Nexeon Limited | 40.0% | 6,244 | (4,011) | 31 December 2010 |
| Novacem Limited | 43.9% | 294 | (410) | 31 July 2010 |
| OSspray Limited | 56.6% | 1,564 | (994) | 31 December 2010 |
| Permasense Limited | 27.8% | 592 | 515 | 31 October 2010 |
| Plaxica Limited | 41.5% | 2,762 | (1,389) | 31 December 2010 |
| Polytherics Limited | 34.1% | (189) | (1,477) | 31 December 2010 |
| Process Systems Enterprise Limited | 25.4% | 1,606 | 75 | 31 July 2010 |
| PsiOxus Therapeutics Limited (formerly Myotec Therapeutics) | 40.8% | 1,290 | (1,467) | 30 November 2010 |

IMPERIAL INNOVATIONS BUSINESSES LLP

Notes to Accounts for the year ended 31 July 2011 *(Continued)*

7. Investments in companies *(continued)*

| Name | % Holding | Aggregate capital & reserves (£000) | Profit/(loss) in period (£000) | Date of financial statements |
|-----------------------------------|-----------|-------------------------------------|--------------------------------|------------------------------|
| RepRegen Limited | 33 3% | 354 | (951) | 30 June 2010 |
| Sensixa Limited | 42 7% | 92 | 60 | 31 July 2010 |
| Smart Surgical Appliances Limited | 36 6% | (9) | (145) | 31 August 2010 |
| Sweetspot Therapeutics Limited | 100 0% | N/A | N/A | None available |
| Topivert Limited | 50 0% | N/A | N/A | None available |
| Veryan Medical Limited | 47 4% | 1,876 | (2,497) | 31 December 2010 |

The members' believe that the carrying value of the investments is supported by their underlying net assets or potential. The LLP is a member of Imperial Innovations LLP.

Financial statements are not available where companies have recently been incorporated or have not yet filed their annual accounts. N/A in the Profit/(loss) in period column indicates that the companies have filed abbreviated accounts which do not disclose the Profit and loss account.

All companies are incorporated in England and Wales with the exception of I2India Holdings Limited, which is registered in Mauritius.

The principal activity of both Imperial Innovations Business LLP and the ultimate controlling party (Imperial Innovations Group plc) is that of an investment holding vehicle with investments in both start up and more established technology companies.

8. Debtors

| | 2011 £ | 2010 £ |
|--|-------------------|------------------|
| Amounts due after more than one year: | | |
| Debtor balance due on 30 November 2011 following the Respivert disposal on 28 May 2010 | - | 443,000 |
| Amounts falling due within one year: | | |
| Trade and other receivables ² | 6,167,970 | 6,632,546 |
| Amounts due from members | | |
| Unpaid subscription in respect of the LLP membership ¹ | - | 864 |
| Amounts owed by Imperial Innovations Limited | 1,282,971 | - |
| Unpaid Promissory Note ³ | 39,179,919 | - |
| | 40,462,890 | 864 |
| Amounts due from other group companies | | |
| Amounts owed by Imperial Innovations Group plc | 550,000 | - |
| | 47,180,860 | 7,076,410 |

¹ This balance represents amounts owing from Imperial Innovations Limited and Imperial Innovations Investments Limited.

IMPERIAL INNOVATIONS BUSINESSES LLP

Notes to Accounts for the year ended 31 July 2011 *(Continued)*

8. Debtors *(continued)*

² Current year receivable includes £5,746,000 (2010 £5,746,000) deferred consideration due on the disposal of Thiakis and £422,000 (2010 £886,000) on the disposal of Respivert

On 18 December 2008 the LLP divested its holding in Thiakis Limited. Under the sales agreement, the LLP could receive cash payments of £22.2 million (net of transaction costs). After revenue-sharing obligations of £6.1 million payable to Imperial College London and other research sponsors, the net receipt to the LLP would be £16.1 million. As at 31 July 2009, the first payment of £3.3 million had been received and after revenue-sharing obligations, the net receipt was £2.9 million. The estimated fair-value uplift of the remaining contingent deferred consideration, after risk adjustment using industry-standard criteria and discounting for time at 12% per annum, resulted in a fair value uplift in the 12 months ended 31 July 2009 of £6.0 million. At each accounting reference date the fair value of the contingent deferred consideration is adjusted to reflect the probability of completion of the associated milestones and any cash receipts. At 31 July 2011, there has been no change to the contingent deferred consideration carrying value (2010 receipts of £0.4 million), and the probability of milestone receipts is considered unchanged.

³ This balance represents the remaining amount due to the LLP in terms of a Promissory Note ('PN') issued by Imperial Innovations Investments Limited in favour of Imperial Innovations Limited for £70 million funding received. Imperial Innovations Limited exchanged the PN asset for shares in Imperial Innovations Sarl, who in turn, exchanged the PN for membership in the LLP.

9. Creditors: amounts falling due within one year

| | 2011 | 2010 |
|--|----------------|----------------|
| | £ | £ |
| Provision for liabilities and charges arising on revenue sharing obligations | <u>244,887</u> | <u>149,136</u> |

10. Provisions for liabilities

| | Revenue sharing - College | Revenue sharing - Other | Total |
|---|------------------------------|----------------------------|------------------|
| | £ | £ | £ |
| At 1 August 2010 | 3,486,694 | 193,625 | 3,680,319 |
| Realisations during the period | (177,334) | - | (177,334) |
| Increase in value attributable to revenue share | 1,106,888 | 3,822 | 1,110,710 |
| At 31 July 2011 | <u>4,416,248</u> | <u>197,447</u> | <u>4,613,695</u> |

The revenue sharing provision represents monies due to Imperial College upon the eventual realisation of investments held by the LLP under the revenue sharing arrangements of the Technology Pipeline Agreement (TPA) and in recognition of Imperial College's right to call for a transfer of its share of the LLP's holding in investments. The TPA agreement has been entered into between Imperial College and Imperial Innovations Limited. The timing and amount of the realisation of the provision is dependent on the timing of the disposal of investments which is uncertain as this is determined by the investment strategy.

The other revenue share represents monies due to other third parties also in respect of investments held by the LLP which have been the subject of commercial agreements.

IMPERIAL INNOVATIONS BUSINESSES LLP

Notes to Accounts for the year ended 31 July 2011 *(Continued)*

11. Loans and other debts due

| | | | 2011 £ | 2010 £ |
|--|------------------------------------|---|---------------------|-------------------|
| Amounts due to members | Imperial Innovations Limited | Imperial Innovations Investments Limited | Total | Total |
| Opening balance at 1 August | 5,596,354 | 37,627,564 | 43,223,918 | 24,082,193 |
| Total movements for the year (analysed below) | (6,879,325) | (37,627,564) | (44,506,889) | 19,141,725 |
| Investments made with PLC funding | - | 3,466,063 | 3,466,063 | 27,491,953 |
| Conversion to members' capital contributions | (5,596,354) | (41,093,627) | (46,689,981) | - |
| Corporate Finance charges deducted on investments | - | - | - | 617,731 |
| Monies received on the LLP's behalf | - | - | - | (15,688) |
| Monies received on member's behalf | - | - | - | 100,688 |
| Revenue share paid on disposals | 93,607 | - | 93,607 | 408,517 |
| Amounts received by designated member on disposal of investments | (1,376,578) | - | (1,376,578) | (9,638,734) |
| Amounts owed for investments made | - | - | - | 177,258 |
| Members' interests at 31 July | (1,282,971) | - | (1,282,971) | 43,223,918 |
| Transfer loan to debtors (note 8) | 1,282,971 | - | 1,282,971 | - |
| Members' interests at 31 July | - | - | - | 43,223,918 |
| Amounts due to other group companies | | | | |
| Amounts owed to Imperial Innovations Investments Management Ltd | | | 6,382 | 6,382 |
| Amounts owed to Imperial Innovations Group plc | | | 63,969 | - |
| Total loans and other debts due at 31 July | | | 70,351 | 43,230,300 |

These loans are interest-free and unsecured. These amounts owed are classified as non-current because repayment is not required until the investments are realised.

IMPERIAL INNOVATIONS BUSINESSES LLP

Notes to Accounts for the year ended 31 July 2011 *(Continued)*

12. Members' interests

| | Members' other Interests | Loans and other debts due to members less any amount due from members in debtors | Total |
|--|----------------------------|--|-------------|
| | Capital introduced reserve | | |
| | £ | £ | £ |
| Amounts due to members | | 62,854,434 | |
| Amounts due from members | | (864) | |
| Members' interests at 1 August 2010 | 3,784,110 | 62,853,570 | 66,637,680 |
| Members' remuneration charged as an expense, including employment and retirement benefit costs | - | - | - |
| Profit for the financial year available for discretionary division among members ¹ | - | 4,419,085 | 4,419,085 |
| Members' interests after profit for the year | 3,784,110 | 67,272,655 | 71,056,765 |
| Other movements ² | - | 33,003,174 | 33,003,174 |
| Amounts due to/(from) members | 3,784,110 | 100,275,829 | 104,059,939 |
| Amounts due to members | - | 140,738,719 | - |
| Amounts due from members | - | (40,462,890) | - |
| Members' interests at 31 July 2011 | 3,784,110 | 100,275,829 | 104,059,939 |

Loans and other amounts due to members rank *pari passu* with unsecured creditors

¹ There is no distribution arising to the members as a result of the profit as the return must first exceed the 'hurdle'. See members report on page 1 for further details

² Other movements represents amounts introduced by members of £73,466,064, less amounts due from members of £40,462,890. The £73,466,064 represents £70m introduced by Imperial Innovations SARL and £3,466,063 received from Imperial Innovations Investments Limited (see note 11) during the period prior to Imperial Innovations Investments Limited's transfer of its shares to Imperial Innovations SARL

13. Related Party Transactions

The LLP has taken advantage of the exemption under FRS 8 not to disclose transactions or balances with entities that are part of the Imperial Innovations Group plc or investees of the group qualifying as related parties

14. Financial risk management

Financial risk factors

In the normal course of business, the LLP uses certain financial instruments including equity rights, equity investments and loans to investee companies. These are held at fair value

IMPERIAL INNOVATIONS BUSINESSES LLP

Notes to Accounts for the year ended 31 July 2011 *(Continued)*

14. Financial risk management *(continued)*

Risk Management Objectives

The LLP is exposed to a market price risk

Financial risk factors

In the normal course of business, the LLP uses certain financial instruments including equity rights, equity investments and loans to investee companies. These are held at fair value.

Risk Management Objectives

The LLP is exposed to a market price risk.

The LLP's main objective in using financial instruments is to promote the commercialisation of intellectual property held by technology businesses through the raising and investing of funds for this purpose. The LLP's policies in calculating the nature, amount and timing of investments are determined by planned future investment activity.

Market Price Risk

The LLP is exposed to price risk in respect of equity rights, equity investments and loans to the technology businesses held by the LLP and classified on the balance sheet as fair value through profit and loss. The LLP seeks to manage this risk by routinely monitoring the performance of these investments. The LLP employs stringent investment appraisal processes prior to deciding on investment.

Regular reports are made to the parent company board ("Group Board") on the status and valuation of investments and significant disposals require Group Board approval.

The value of the investment portfolio is affected by the performance of the international equity markets and the carrying value is likely to be adversely affected by material declines in these markets. Furthermore, the ability to liquidate market positions will be affected by weak equity markets.

The LLP holds investments which are not traded on an active market. The impact of one percent increase/decrease in price of investments on the LLP's profit for the financial period would be £1,019,486. Profit for the period would increase/decrease as a result of fair value gains/losses on investments classified at fair value through profit and loss. There would be no impact on other components of net assets.

Capital risk management

The LLP's objectives when managing capital are to safeguard the LLP's ability to continue as a going concern in order to provide returns for members and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

IMPERIAL INNOVATIONS BUSINESSES LLP

Notes to Accounts for the year ended 31 July 2011 *(Continued)*

14. Financial risk management *(continued)*

Fair values

The fair values of financial assets and liabilities, together with the carrying values shown in the balance sheet, are as follows

| | Period ended 31 July 2011 | |
|---|---------------------------|--------------------|
| | Carrying amount | Fair value |
| | £ | £ |
| Amounts due from members | 40,462,890 | 40,462,890 |
| Cash at bank and in hand | 322,278 | 322,278 |
| Investments at fair value through profit and loss | 101,948,624 | 101,948,624 |
| Loans and other debts due | (70,351) | (70,351) |
| Total | 142,663,441 | 142,663,441 |

The basis for determining fair values for investments is disclosed in note 1. The other assets disclosed are held at fair value.

15. Members capital

The increase of £116,689,118 represents the debt to equity conversion of loan accounts with designated members (see note 11) plus further member's contribution received from Imperial Innovations Sarl. At 31 July 2010, the increase of £78 represented carried interest points issued to the Managing Members.

16. Parent undertaking

The immediate parent undertaking is Imperial Innovations Sarl. The ultimate parent undertaking and the controlling party is Imperial Innovations Group plc, a company incorporated in England and Wales.

Imperial Innovations Group plc is the parent undertaking of both the largest and the smallest group of undertakings to consolidate these financial statements at 31 July 2011. The consolidated financial statements for Imperial Innovations Group plc can be obtained from the Company Secretary, Imperial Innovations Group plc, 52 Princes Gate, Exhibition Road, London, SW7 2PG.