

IMPERIAL INNOVATIONS BUSINESSES LLP

Report and financial statements for the year ended 31 July 2013

Registered in England and Wales

Registered number OC333709

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IMPERIAL INNOVATIONS BUSINESSES LLP

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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 2013

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 LLP is the vehicle for the Imperial Innovations Group plc ("the Group") carried interest plan for employees.

Further discussion of the principal activities, review of business and future developments in the context of the group (Imperial Innovations Group plc) as a whole including the LLP, is provided in the Chairman's Statement on page 3, the Chief Executive's Report on pages 6 to 11 and the Financial Report on pages 12 to 16 of Imperial Innovations Group plc's annual report, which does not form part of this report.

Additionally, the key performance indicators and the principal risks and uncertainties are discussed in the context of the group as a whole, including the LLP, on pages 17 to 18 and pages 20 to 21 of Imperial Innovations Group plc's annual report, which does not form part of this report. The principal risks and uncertainties of the LLP are managed and mitigated at group level.

Revenue of £4,044 (2012: £10,391) during the year represents corporate finance fees and distributions from portfolio companies. The net gain on investments at fair value through profit and loss of £10,865,511 (2012: £15,026,619) represents net fair value gains on the value of investments held. At the year end net assets attributable to members increased to £213,700,464 (2012: £203,966,308). This increase reflects investments made and fair value gains recognised during the year.

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 interests in the LLP to a new Luxembourg Holding Company ("Imperial Innovations Sarl") in a share for share exchange.

During the prior year a promissory note ('PN') was issued by Imperial Innovations Investments Limited in favour of Imperial Innovations Limited for an additional £50,000,000 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 member 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 managing members in the profit sharing ratio which varies between different portfolios being 15% to the participants / 85% to the Group, for portfolios until 31 July 2011, and a ratio, agreed annually by the Group's Remuneration Committee, of between 10.5% and 12.0% to participants / 89.5% and 88.0% to the Group for portfolios ending 31 July 2013 and beyond. Further details of the plan are available on page 31 of the Group financials statements. There have been no transfers of members' interests between equity and debt during the year or since the year end. See note 17 for further details.

IMPERIAL INNOVATIONS BUSINESSES LLP

Members' report (continued)

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 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 members are responsible for preparing the annual 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 partnership financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101). 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 partnership and of the profit or loss of the partnership 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, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the partnership and group will continue in business.

The members are responsible for keeping adequate accounting records that are sufficient to show and explain the partnerships' transactions and disclose with reasonable accuracy at any time the financial position of the partnership 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 partnership 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)
27 November 2013



Imperial Innovations Limited
(Designated member)
27 November 2013

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 2013 which comprise the profit and loss account, the balance sheet, the statement of changes in equity 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), including FRS 101 "Reduced Disclosure Framework".

Respective responsibilities of members and auditors

As explained more fully in the statement of members' responsibilities 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 partnership 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 financial statements 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 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 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 November 2013

IMPERIAL INNOVATIONS BUSINESSES LLP

Profit and loss account for the year ended 31 July 2013

	Note	2013 £	2012 £
Turnover	6	4,044	10,391
Cost of sales		-	-
Gross profit		4,044	10,391
Administrative (expenses)/income		(876)	55,111
Impairment of contingent proceeds	3	(3,491,961)	(2,254,187)
Carried interest plan release/(charge)	4	2,357,719	(3,400,810)
Net gains on investments at fair value through profit and loss	9	10,865,511	15,026,619
Operating profit		9,734,437	9,437,124
Interest (paid)/receivable		(281)	6,355
Profit for the financial year before members' remuneration and profit shares available for discretionary division among members	5	9,734,156	9,443,479

The results above relate to continuing operations

The partnership had no other recognised gains or losses other than its profit for the year.

IMPERIAL INNOVATIONS BUSINESSES LLP

Balance sheet as at 31 July 2013

	Note	2013 £	2012 £
Fixed assets			
Investments	11	186,493,642	153,473,351
Higher Education Innovation Fund (HEIF) Loans	11	59,000	-
		<u>186,552,642</u>	<u>153,473,351</u>
Current assets			
Debtors	12	32,821,824	58,470,168
Cash at bank and in hand		4,538	8,500
		<u>32,826,362</u>	<u>58,478,668</u>
Creditors: amounts falling due within one year		<u>(1,044,301)</u>	<u>(3,586,448)</u>
Net current assets		31,782,061	54,892,220
Total assets less current liabilities		218,334,703	208,365,571
Provisions for liabilities	14	(4,555,857)	(4,379,881)
Higher Education Innovation Fund (HEIF) Liability	15	(59,000)	-
Creditors' amounts falling due after more than one year	16	(19,382)	(19,382)
		<u>(4,634,239)</u>	<u>(4,399,263)</u>
Net assets attributable to members		<u>213,700,464</u>	<u>203,966,308</u>
Represented by:			
Loans and other debts due to members within one year			
Members' capital	20	166,690,213	166,690,213
Other reserves		43,226,141	33,491,985
		<u>209,916,354</u>	<u>200,182,198</u>
Equity			
Members' other interest - capital introduced reserve		3,784,110	3,784,110
		<u>213,700,464</u>	<u>203,966,308</u>
Total members' interests			
Loans and other debts due to members	17	209,916,354	200,182,198
Amounts due from members	17	(31,145,794)	(53,302,176)
		<u>178,770,560</u>	<u>146,880,022</u>
Members' other interest	17	3,784,110	3,784,110
		<u>182,554,670</u>	<u>150,664,132</u>

The financial statements on pages 5 to 22 were approved by the members on 27 November 2013 and signed on their behalf by

Imperial Innovations Investments Limited
(Designated member)
27 November 2013

Registered number OC333709

Imperial Innovations Limited
(Designated member)
27 November 2013

IMPERIAL INNOVATIONS BUSINESSES LLP

Statement of changes in Equity as at 31 July 2013

	Members capital £	Other reserves £	Members other interest £	Total equity £
At 1 August 2011	116,690,213	24,048,506	3,784,110	144,522,829
Profit for the year	-	9,443,479	-	9,443,479
Transactions with Members				
Amounts introduced by Members	50,000,000	-	-	50,000,000
At 31 July 2012	166,690,213	33,491,985	3,784,110	203,966,308
Profit for the year	-	9,734,156	-	9,734,156
At 31 July 2013	166,690,213	43,226,141	3,784,110	213,700,464

IMPERIAL INNOVATIONS BUSINESSES LLP

Notes to the financial statements for the year ended 31 July 2013

1. ACCOUNTING POLICIES

ACCOUNTING CONVENTION

These financial statements have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101) and the Companies Act 2006 (the Act), as applied to Limited Liability Partnerships and the Statement of Recommended Practice "Accounting by Limited Liability Partnerships" FRS 101 sets out a reduced disclosure framework for a 'qualifying entity' as defined in the standard which addresses the financial reporting requirements and disclosure exemptions in the individual financial statements of qualifying entities that otherwise apply the recognition, measurement and disclosure requirements of EU-adopted IFRS

These are the first financial statements of the LLP prepared in accordance with FRS 101. The LLP has elected to early adopt FRS 101. The LLP's date of transition to FRS 101 is 1 August 2011. The LLP has notified its members in writing about, and they do not object to, the use of the disclosure exemptions used by the company in these financial statements.

FRS 101 sets out amendments to EU-adopted IFRS that are necessary to achieve compliance with the Act and related Regulations. The impact of these amendments to the LLP's previously adopted accounting policies was not material on the members' interests as at the date of transition and as at 31 July 2012 and on the profit or loss for the year ended 31 July 2012. Details of impact of FRS 101 adoption on previously reported old UK GAAP results are provided in note 22.

The financial statements have been prepared on a going concern basis and under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities at fair value through profit and loss (including derivative financial instruments), as required by International Accounting Standard (IAS) 39 'Financial Instruments' Recognition and Measurement.

Investments that are held as part of the LLP's investment portfolio are carried in the balance sheet at fair value even though the Group may have significant influence over these companies. This treatment is permitted by IAS 28 'Investments in Associates', which requires such investments to be excluded from its scope where those investments are designated, upon initial recognition, as at fair value through profit or loss and accounted for in accordance with IAS 39 (Financial Instruments Recognition and measurement), with changes in fair value recognised in the period of change.

A summary of the more important Company accounting policies, which have been consistently applied except where noted, is set out below.

BASIS OF PREPARATION

The financial statements 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 financial statements 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 ultimate parent, Imperial Innovations Group plc.

TURNOVER

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

IMPERIAL INNOVATIONS BUSINESSES LLP

Notes to the financial statements for the year ended 31 July 2013 (continued)

1. ACCOUNTING POLICIES (continued)

TURNOVER (continued)

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

DIVIDEND INCOME

Dividend income is recognised when the right to receive payment is established

INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

Investments in subsidiary undertakings are held at cost less any provision for impairment

INVESTMENTS AT FAIR VALUE THROUGH PROFIT AND LOSS

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 (see note 9 for further details)

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 (IPEVCGV). The valuation methodology used most commonly by the LLP is the 'price of recent investment' or a 'milestone analysis' approach. Given the nature of the LLP'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. The LLP considers that fair value estimates that are based entirely on observable market data will be of greater reliability than those based on assumptions and accordingly where there has been any recent investment by third parties, the price of that investment will generally provide a basis of the valuation.

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. When considered appropriate, the LLP may use external valuers to assess the reasonableness of any change in fair value estimated by management.

IMPERIAL INNOVATIONS BUSINESSES LLP

Notes to the financial statements for the year ended 31 July 2013 (continued)

1. ACCOUNTING POLICIES (continued)

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 IPEVCGV 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
- 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 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 the Imperial Innovations Group plc accounts in 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.

IMPERIAL INNOVATIONS BUSINESSES LLP

Notes to the financial statements for the year ended 31 July 2013 (continued)

1. ACCOUNTING POLICIES (continued)

TRADE AND OTHER DEBTORS

Trade debtors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade debtors is established when there is objective evidence that the LLP will not be able to collect all amounts due according to the original terms of debtors. The amount of the provision is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the profit and loss account within administrative expenses.

Other debtors includes deferred contingent consideration. Deferred contingent consideration is recognised at its fair value at the date of sale and subsequently categorised as an available-for-sale debt asset. If there is a change in the expected level of consideration to be received, the LLP re-calculates the carrying amount of the debt instrument by discounting the revised estimated cash flows using the original effective interest rate. The resulting adjustment to the carrying amount is recognised immediately in the Profit and loss account as a gain or loss. Other fair value movements (for example, those caused by changes in market interest rates) are recognised in equity.

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.

Technology Pipeline Agreement

The LLP provides for liabilities in respect of revenue sharing with Imperial College London, arising under the Technology Pipeline Agreement (TPA), and other parties. Provision for revenue share, based on fair value, on the future realisation of quoted and unquoted investments is recognised as part of the movement in fair value through profit and loss (see note 9).

CASH AT BANK AND IN HAND

Cash at bank and in hand includes cash in hand, deposits held with banks, bank overdrafts and other short-term highly liquid investments with original maturities of less than 3 months.

2. SUMMARY OF DISCLOSURE EXEMPTIONS ADOPTED

The LLP has taken advantage of the disclosure exemptions in FRS 101 which provide that where equivalent disclosures are available in Consolidated Financial Statements, individual financial statements do not need to comply with certain disclosure requirements of the following standards:

- IAS 1 – Presentation of Financial Statements
- IAS 7 – Cash Flow Statement
- IAS 24 – Related Party Disclosures

Consolidated financial statements of Imperial Innovations Group plc in which the Company's balances have been consolidated can be obtained from the Company Secretary, Imperial Innovations Group plc, 52 Princes Gate, Exhibition Road, London, SW7 2PG.

IMPERIAL INNOVATIONS BUSINESSES LLP

Notes to the financial statements for the year ended 31 July 2013 (continued)

3. IMPAIRMENT OF CONTINGENT PROCEEDS

2013	2012
£	£
<u>(3,491,961)</u>	<u>(2,254,187)</u>

In April 2012, Pfizer gave notice that they are seeking an acquirer for, and discontinuing R&D of products relating to Thiakis. On 16 March 2013, Pfizer gave notice that the company is now seeking to negotiate with the vendors of the products relating to Thiakis, of which the LLP is a party, for the return of the assets. The LLP has been negotiating with Pfizer to re-acquire these assets. The LLP has considered the impact of this on the probability of milestone receipts and has written off this contingent consideration by £3,491,961 (2012 £2,254,187), resulting in a fall in the carrying value, which was held in other receivables, to £nil (2012 £3,491,961).

4. CARRIED INTEREST PLAN RELEASE/ (CHARGE)

2013	2012
£	£
<u>2,357,719</u>	<u>(3,400,810)</u>

The LLP's carried interest plan generated an accounting release of £2,357,719 (2012 charge of £3,400,810). This reflects the write off of the Thiakis contingent consideration (see note 3). Until the fair value of the portfolio of companies has exceeded the investments made by the LLP plus 8% interest compounded there is no accounting liability. Last year, for the first time, this target was exceeded resulting in an accounting charge. Once future disposals are made they are distributed in the following order: repayment of monies back to the LLP, repayment of an 8% hurdle back to the LLP, then a catch up until an 85% 15% investor executive ratio has been achieved and then a range of rates from 85% - 89.5% 15% - 10.5% thereafter. Accordingly there is no cash payment due to the members of the scheme until the LLP has ceased investment in the companies in the relevant portfolio and has made future realisations.

5. PROFIT FOR THE FINANCIAL YEAR BEFORE MEMBERS' REMUNERATION AND PROFIT SHARES AVAILABLE FOR DISCRETIONARY DIVISION AMONG MEMBERS

Profit is stated after charging

	2013	2012
	£	£
Auditors' remuneration in respect of audit services	<u>-</u>	<u>-</u>

Auditors' remuneration of £18,000 (2012: £18,000) is borne at the Group level by Imperial Innovations Group plc and is fully disclosed those financial statements, which are publicly available.

Income tax payable on the LLP's profits is solely the personal liability of the individual members and consequently is not dealt with in these financial statements.

IMPERIAL INNOVATIONS BUSINESSES LLP

Notes to the financial statements for the year ended 31 July 2013 (continued)

6. TURNOVER

For the year ended 31 July 2013 and the year ended 31 July 2012, the LLP's turnover was derived from its principal activity, within the United Kingdom. For management purposes, the LLP is organised into one business segment, which is that of an investment holding vehicle. The LLP operates exclusively in the United Kingdom and therefore no additional disclosures are given.

7. EMPLOYEES

There were no employees during the year (2012: nil).

8. MEMBERS

The number of members (including designated and managing members) at the beginning and end of the year was 38 and 38 respectively (2012: 36 and 38 respectively).

9. NET GAINS ON INVESTMENTS AT FAIR VALUE THROUGH PROFIT AND LOSS

	2013	2012
	£	£
Change in fair value during the year	10,826,139	15,126,604
Revenue share on investments held	26,872	(100,966)
Revenue share over provided	12,500	981
Net gains on investments held at fair value	10,865,511	15,026,619

10. MEMBERS' REMUNERATION CHARGED AS AN EXPENSE

No members received any remuneration for the provision of portfolio management and accounting services in the current year (2012: £nil).

IMPERIAL INNOVATIONS BUSINESSES LLP

Notes to the financial statements for the year ended 31 July 2013 (continued)

11. INVESTMENTS

a) Investments through profit and loss

	2013	2012
	£	£
Opening balance at 1 August	153,473,351	101,948,624
Investments during the year	22,184,296	37,886,703
Disposals during the year	(395,839)	(1,488,580)
Transfers from Imperial Innovations Limited	405,695	-
Change in fair value	10,826,139	15,126,604
Closing balance at 31 July	186,493,642	153,473,351

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
Abingdon Health Limited	36.4%	2,136	1,393	31 December 2012
Aldwych 2011 limited (formerly Quantasol Limited)	37.6%	(7,347)	732	30 June 2012
Autifony Therapeutics Limited	31.0%	7,668	(2,471)	31 December 2012
Calcico Therapeutics Limited	30.3%	N/A	N/A	None available ¹
Cell Medica Limited	28.0%	1,555	(2,329)	31 December 2012
Cellular Designs ²	100.0%	N/A	N/A	None available ¹
Convincis limited	40.0%	N/A	N/A	None available ¹
Cortexica Vision Systems Limited	30.0%	(2,419)	(836)	31 July 2012
Digitalstitch	25.7%	N/A	N/A	None available ¹
Econic Limited	31.1%	301	(310)	31 December 2012
Embody Technologies Limited	49.0%	N/A	N/A	None available ¹
Emcision Limited	23.6%	281	(110)	30 June 2012
Ervitech Limited	23.7%	16	(45)	31 January 2012
EVO Electric Limited	33.8%	770	(1,989)	31 December 2012
Hexxcell Limited	36.6%	N/A	N/A	None available ¹
Impression Technologies Limited	39.1%	(178)	-	31 March 2013
Indigix Limited ²	50.0%	106	(343)	30 June 2012
IR Pharma Limited	27.9%	48	10	31 March 2012
Jointanalysis Limited	20.0%	(20)	(10)	31 December 2012
Kesios Therapeutics Limited ²	52.7%	N/A	N/A	None available ¹

IMPERIAL INNOVATIONS BUSINESSES LLP

Notes to the financial statements for the year ended 31 July 2013 (continued)

11. INVESTMENTS (continued)

Medermica Limited	24 9%	(190)	(19)	30 April 2012
Molecular Vision Limited	37 9%	(410)	(760)	31 July 2011
Mycologix Limited	41 4%	(575)	(441)	31 August 2011
Nascent Limited ²	68 7%	526	-	31 January 2013
Navion Limited ²	54 8%	113	(132)	31 July 2012
Nexeon Limited	36 3%	36,046	(5,225)	31 December 2012
Novacem Limited	43 9%	(1,093)	(1,420)	31 July 2011
OSspray Limited ²	56 6%	(673)	(2,237)	31 December 2011
Permasense Limited	26 0%	1,724	703	31 October 2012
Plaxica Limited	44 1%	4,077	(3,312)	31 December 2012
Polytherics Limited	28 0%	4,267	(392)	31 December 2012
Process Systems Enterprise Limited	23 3%	2,098	82	31 December 2012
PsiOxus Therapeutics Limited	29 9%	11,637	(4,914)	30 November 2012
Psychology online	20 9%	28	(324)	30 September 2012
RepRegen Limited	38 1%	369	(1,003)	30 June 2011
Semetric Limited	23 7%	(348)	(627)	30 April 2012
Sensixa Limited	42 7%	102	(1)	31 July 2012
Smart Surgical Appliances Limited	36 6%	(102)	(16)	31 August 2012
Topivert Limited	36 1%	7,477	(4,030)	31 December 2012
Veryan Medical Limited	44 3%	(1,527)	(2,480)	31 December 2012

¹ Financial statements are not available where companies have recently been incorporated or have not yet filed their annual return

² The LLP does not control these companies, and therefore does not consolidate them. The LLP does not have, directly or indirectly, more than half of the voting power of these entities, nor does it have power over more than half of the voting rights by virtue of any agreement with any other investor. As a result, these investment companies have not been consolidated.

All these companies are incorporated in England and Wales.

The principal activity of both Imperial Innovations Businesses 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.

b) Higher Education Innovation Fund

The Higher Education Innovations Fund (HEIF) reflects an award made by the UK government and must be deployed according to the conditions of that award. The purpose of the fund covers seed investment and funds for proof of concept awards. These terms include a restriction on distribution of monies. Realisation must be paid back to the fund for re-deployment. The corresponding creditor balance is reflected on the balance sheet under 'creditors amounts falling due after more than one year'.

IMPERIAL INNOVATIONS BUSINESSES LLP

Notes to the financial statements for the year ended 31 July 2013 (continued)

11. INVESTMENTS (continued)

Higher Education Innovation Fund – Loans

The table below represents the carrying values of the loans held in the Higher Education Innovation Fund. Changes in the fair value of loans are set against the value of the HEIF fund and not through the profit and loss account. See also note 15.

	2013	2012
	£	£
Loans – Fair value		
At 1 August	-	-
Investments during the year	59,000	-
	59,000	-

12. DEBTORS

	2013	2012
	£	£
Amounts falling due within one year:		
Trade and other debtors ¹	250,403	3,491,961
Amounts due from members		
Amounts owed by Imperial Innovations Limited	1,106,671	1,531,257
Unpaid Promissory Note ²	29,788,719	51,770,919
	31,145,793	53,302,176
Amounts owed by other group companies		
Amounts owed by Imperial Innovations Group plc	1,676,031	1,676,031
	32,821,824	58,470,168

¹ Current year debtors reflects the write off of the balance of the deferred consideration on the disposal of Thiakis.

² This balance represents the outstanding promissory note receivable due to the LLP in relation to Imperial Innovations Sarl's additional amounts of £50,000,000 introduced during the previous year. The promissory note ('PN') was recognised in Imperial Innovations Limited and subsequently exchanged for shares in Imperial Innovations Sarl. Imperial Innovations Sarl exchanged the PN asset for membership in the LLP.

Amounts due from group undertakings are unsecured, interest free and there is no fixed repayment term.

IMPERIAL INNOVATIONS BUSINESSES LLP

Notes to the financial statements for the year ended 31 July 2013 (continued)

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2013	2012
	£	£
Provision for liabilities and charges arising on revenue sharing obligations	1,210	185,638
Accrual for carried interest plan expense	1,043,091	3,400,810
	1,044,301	3,586,448

14. PROVISIONS FOR LIABILITIES

	Revenue sharing - College £	Revenue sharing - Other £	Total £
At 1 August 2012	4,138,887	240,994	4,379,881
Transfers from Imperial Innovations Limited	202,848	-	202,848
Increase/(decrease) in value attributable to revenue share	(28,072)	1,200	(26,872)
At 31 July 2013	4,313,663	242,194	4,555,857

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.

15. HIGHER EDUCATION INNOVATION FUND (HEIF) – AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2013	2012
	£	£
HEIF amounts represented by		
Investments and loans less provisions	59,000	-
	59,000	-

IMPERIAL INNOVATIONS BUSINESSES LLP

Notes to the financial statements for the year ended 31 July 2013 (continued)

16. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2013	2012
	£	£
Amounts due to other group companies		
Amounts owed to Imperial Innovations Investments Management Ltd	6,382	6,382
Amounts owed to Imperial Innovations LLP	13,000	13,000
Total loans and other debts due at 31 July	19,382	19,382

These loans are interest free and unsecured. These amounts owed are classified as falling due after more than one year, because repayment is not required until the investments are realised.

17. MEMBERS' INTERESTS

	Members' other interests Capital introduced reserve £	Loans and other debts due to members less any amount due from members in debtors £	Total £
Amounts due to members		200,182,198	
Amounts due from members		(53,302,176)	
Members' interests at 1 August 2012	3,784,110	146,880,022	150,664,132
Profit for the financial year available for discretionary division among members ¹	-	9,734,156	9,734,156
Members' interests after profit for the year	3,784,110	156,614,178	160,398,288
Other movements ²	-	22,156,382	22,156,382
	3,784,110	178,770,560	182,554,670
Amounts due to members		209,916,354	
Amounts due from members		(31,145,794)	
Members' interests at 31 July 2013	3,784,110	178,770,560	182,554,670

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 until the LLP has ceased investment in the companies in the relevant portfolio and has made future realisations. See members' report on page 1 and note 4 for further details.

² Other movements represents amounts received from members of £22,156,382

IMPERIAL INNOVATIONS BUSINESSES LLP

Notes to the financial statements for the year ended 31 July 2013 (continued)

18. RELATED PARTY TRANSACTIONS

The LLP has taken advantage of the exemption available under FRS 101, 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. The details of the Group's related party transactions are disclosed in the Consolidated Financial Statements of Imperial Innovations Group plc.

19. 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.

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 £1,864,936 (2012: £1,534,734). 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.

Credit Risk

Credit risk is managed on a Group basis. Credit risk arises from cash at bank, as well as credit risk exposure to debtors.

All LLP's cash at bank at 31 July 2013 is in sterling and has F1 credit rating (2012: F1 credit rating).

The maximum exposure to credit risk for debtors is represented by their carrying values set out in note 12. The majority of debtors are owed by Group undertakings and are therefore considered to constitute low credit risk.

IMPERIAL INNOVATIONS BUSINESSES LLP

Notes to the financial statements for the year ended 31 July 2013 (continued)

19. FINANCIAL RISK MANAGEMENT (continued)

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

Fair values

The fair values of the LLP's financial assets and liabilities are considered a reasonable approximation to the carrying values shown in the balance sheet. The basis for determining fair values for investments is disclosed in note 1.

Fair value estimation

The following table represented LLP's assets that are measured at fair value at 31 July 2013

	Level 1 £	Level 2 £	Level 3 £	Total £
Assets				
Financial assets at fair value through profit or loss	-	-	186,552,642	186,552,642
Total Assets	-	-	186,552,642	186,552,642

The following table represented LLP's assets that are measured at fair value at 31 July 2012

	Level 1 £	Level 2 £	Level 3 £	Total £
Assets				
Financial assets at fair value through profit or loss	-	-	153,473,351	153,473,351
Total Assets	-	-	153,473,351	153,473,351

The fair value of financial instruments traded in active markets is based upon quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, price service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market prices used for financial assets held by the LLP is the current bid price. These instruments are included in Level 1. Instruments included in Level 1 comprise AIM registered equity investments.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. For the LLP, this category includes derivatives used for hedging and quoted securities that are not actively traded in an active market.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. For the LLP, this includes all unquoted companies, and HEIF loans.

IMPERIAL INNOVATIONS BUSINESSES LLP

Notes to the financial statements for the year ended 31 July 2013 (continued)

19. FINANCIAL RISK MANAGEMENT (continued)

The following table presents the changes in Level 3 instruments for the year ended 31 July 2013 and the year ended 31 July 2012

	2013 £	2012 £
Opening balance	153,473,351	101,948,624
Investments into Level 3	22,243,296	37,886,703
Disposals from Level 3	(395,839)	(1,488,580)
Transfers from Imperial Innovations Limited	405,695	-
Gains and losses recognised in profit or loss	10,826,139	15,126,604
Closing balance	186,552,642	153,473,351
Total gains or losses for the period recognised in profit or loss for assets held at the end of the reporting year	10,826,139	15,126,604

Financial instruments by category

Assets per balance sheet at 31 July 2013	Loans & Receivables through profit and loss	Assets at fair value
Debtors (excluding prepayments and VAT)	32,821,824	-
Financial assets at fair value through profit or loss	-	186,552,642
Cash at bank and in hand	4,538	-
	32,826,362	186,552,642

Liabilities per balance sheet at 31 July 2013	Financial liabilities at amortised cost
Provisions for liabilities and charges	4,555,857
Higher Education Innovation Fund (HEIF) liability	59,000
Creditors amounts falling due within one year (excluding tax and social security)	19,382
	4,634,239

Assets per balance sheet at 31 July 2012	Loans & Receivables through profit and loss	Assets at fair value
Debtors (excluding prepayments and VAT)	58,470,168	-
Financial assets at fair value through profit or loss	-	153,473,351
Cash at bank and in hand	8,500	-
	58,478,668	153,473,351

IMPERIAL INNOVATIONS BUSINESSES LLP

Notes to the financial statements for the year ended 31 July 2013 (continued)

19. FINANCIAL RISK MANAGEMENT (continued)

Liabilities per balance sheet at 31 July 2012	Financial liabilities at amortised cost
Provisions for liabilities and charges	4,379,881
Creditors amounts falling due within one year (excluding tax and social security)	19,382
	<u>4,399,263</u>

20. MEMBERS' CAPITAL

There were no capital contributions in the current year. The prior year increase of £50,000,000 represents further member's contribution received from Imperial Innovations Sarl.

21. 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 2013. 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.

22. IMPACT OF FRS 101 ADOPTION

There was no impact of FRS 101 adoption on balances reported as at 31 July 2012.