

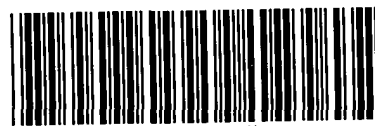
IMPERIAL INNOVATIONS BUSINESSES LLP

Report and financial statements for the year ended 31 July 2015

Registered in England and Wales

Registered number: OC333709

TUESDAY



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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 2015.

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 5, the Chief Executive Officer's review on pages 26 to 29 and the Financial review on pages 60 to 63 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 64 to 65 and pages 66 to 70 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.

The LLP had revenue of £31,247 (2014: £nil) during the year. The net gain on investments at fair value through profit and loss of £20,582,323 (2014: £40,669,126) represents net fair value gains on the value of investments held. At the year end net assets attributable to members increased to £371,366,927 (2014: £289,547,653). This increase reflects fair value gains recognised during the year and an increase in members' capital.

Transactions with members

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

During the year a promissory note ('PN') was issued by Imperial Innovations Investments Limited in favour of Imperial Innovations Limited for an additional £60,000,000 (2014: £40,000,000) 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 11.5% to participants / 89.5% and 88.5% to the Group for portfolios ending 31 July 2012 and beyond. Further details of the plan are available on page 90 of the Group financials statements, which does not form part of these financial statements. There have been no transfers of members' interests between equity and debt during the year or since the year end. See note 16 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 LLP's 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.

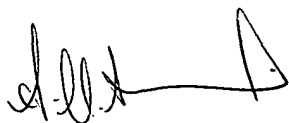
Company law as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 (the "Regulations") requires the members to prepare financial statements for each financial year. Under that law the members have prepared 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's 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.

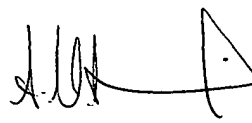
On behalf of the members



Imperial Innovations Investments Limited

(Designated member)

25th November 2015



Imperial Innovations Limited

(Designated member)

25th November 2015

IMPERIAL INNOVATIONS BUSINESSES LLP

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

Report on the financial statements

Our opinion

In our opinion, Imperial Innovations Businesses LLP's financial statements (the "financial statements"):

- give a true and fair view of the state of the limited liability partnership's affairs as at 31 July 2015 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.

What we have audited

The financial statements, included within the Report and financial statements (the "Annual Report"), comprise:

- the balance sheet as at 31 July 2015;
- the profit and loss account for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

In applying the financial reporting framework, the members have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 as applicable to limited liability partnerships we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

IMPERIAL INNOVATIONS BUSINESSES LLP

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

Responsibilities for the financial statements and the audit

Our responsibilities and those of the members

As explained more fully in the Statement of members' responsibilities in respect of the financial statements 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) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinion, 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 this opinion, 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.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). 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 members; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the members' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Stuart Newman

Stuart Newman (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cambridge

25 November 2015

IMPERIAL INNOVATIONS BUSINESSES LLP

Profit and loss account for the year ended 31 July 2015

	Note	2015 £	2014 £
Turnover	5	31,247	-
Gross profit		31,247	-
Administrative expenses		(309)	(1,231)
Carried interest plan release/ (charge)	3	1,161,150	(4,821,104)
Net gains on investments at fair value through profit and loss	8	20,582,323	40,669,126
Other income		44,721	-
Operating profit	4	21,819,132	35,846,791
Profit for the financial year before members' remuneration and profit shares available for discretionary division among members	16	21,819,132	35,846,791

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 2015

	Note	2015 £	2014 £
Fixed assets			
Investments	10	332,746,106	256,094,263
Higher Education Innovation Fund (HEIF) Loans	10	179,000	69,000
		<u>332,925,106</u>	<u>256,163,263</u>
Current assets			
Debtors	11	49,027,999	43,989,924
Cash at bank and in hand		179,610	15,379
		<u>49,207,609</u>	<u>44,005,303</u>
Creditors: amounts falling due within one year	12	(717)	(1,761)
Net current assets		<u>49,206,892</u>	<u>44,003,542</u>
Total assets less current liabilities		<u>382,131,998</u>	<u>300,166,805</u>
Provisions for liabilities	13	(5,863,644)	(4,666,575)
Higher Education Innovation Fund (HEIF) Liability	14	(179,000)	(69,000)
Creditors: amounts falling due after more than one year	15	(4,722,427)	(5,883,577)
		<u>(10,765,071)</u>	<u>(10,619,152)</u>
Net assets attributable to members		<u>371,366,927</u>	<u>289,547,653</u>
Represented by:			
Loans and other debts due to members within one year			
Members' capital	19	266,690,753	206,690,611
Other reserves		100,892,064	79,072,932
		<u>367,582,817</u>	<u>285,763,543</u>
Equity			
Members' other interest - capital introduced reserve		3,784,110	3,784,110
		<u>371,366,927</u>	<u>289,547,653</u>
Total members' interests			
Loans and other debts due to members	16	367,582,817	285,763,543
Amounts due from members	16	(46,921,147)	(41,729,449)
		<u>320,661,670</u>	<u>244,034,094</u>
Members' other interest	16	3,784,110	3,784,110
		<u>324,445,780</u>	<u>247,818,204</u>

The financial statements on pages 5 to 25 were approved by the members on 25th November 2015 and signed on their behalf by:

Imperial Innovations Investments Limited
(Designated member)
25th November 2015

Registered number: OC333709

Imperial Innovations Limited
(Designated member)
25th November 2015

IMPERIAL INNOVATIONS BUSINESSES LLP

Statement of changes in equity for the year ended 31 July 2015

	Members capital £	Other reserves £	Members other interest £	Total equity £
At 1 August 2013	166,690,213	43,226,141	3,784,110	213,700,464
Profit for the financial year	-	35,846,791	-	35,846,791
Transactions with Members				
Amounts introduced by Members	40,000,398	-	-	40,000,398
At 31 July 2014	206,690,611	79,072,932	3,784,110	289,547,653
Profit for the financial year	-	21,819,132	-	21,819,132
Transactions with Members				
Amounts introduced by Members	60,000,142	-	-	60,000,142
At 31 July 2015	266,690,753	100,892,064	3,784,110	371,366,927

IMPERIAL INNOVATIONS BUSINESSES LLP

Notes to the financial statements for the year ended 31 July 2015

1. ACCOUNTING POLICIES

Imperial Innovations Businesses LLP is a limited liability partnership incorporated and domiciled in the United Kingdom.

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). 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.

The LLP is a qualifying entity for the purposes of FRS 101. Note 20 gives details of the company's parent and from where its consolidated financial statements prepared in accordance with IFRS may be obtained.

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.

TURNOVER

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

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.

INTEREST ON LOAN NOTES

Interest income on loan notes is recognised when the right to receive payment is established.

IMPERIAL INNOVATIONS BUSINESSES LLP

Notes to the financial statements for the year ended 31 July 2015 (continued)

1. ACCOUNTING POLICIES (continued)

OTHER INCOME

Other income includes exchange rate gains.

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 8 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 (IPEVCVG). 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 2015 (continued)

1. ACCOUNTING POLICIES (continued)

The following considerations are used when calculating the fair value:

- 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;
- 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 financial statements 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 2015 (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 8).

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.

2.1 SUMMARY OF DISCLOSURE EXEMPTIONS ADOPTED

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- IFRS 7, 'Financial Instruments: Disclosures'
- IAS 7, 'Statement of cash flows'
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group

IMPERIAL INNOVATIONS BUSINESSES LLP

Notes to the financial statements for the year ended 31 July 2015 (continued)

2.1 SUMMARY OF DISCLOSURE EXEMPTIONS ADOPTED (continued)

- The following paragraphs of IAS 1, 'Presentation of financial statements':
 - 10(d), (statement of cash flows);
 - 16 (statement of compliance with all IFRS);
 - 111 (cash flow statement information); and
 - 134-136 (capital management disclosures)
- Paragraph 30 and 31 of IAS8, 'Accounting policies, change in accounting estimates and errors', requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued, but is not yet effective.
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities)

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

2.2 NEW AND AMENDED STANDARDS ADOPTED BY THE COMPANY

The following standards have been adopted by the LLP for the first time for the financial year beginning 1 August 2014:

- IFRS 10, 'Consolidated financial statements'
- IAS 28 (revised 2011) 'Associates and joint ventures'
- Amendments to IFRS 10,11 and 12 on transition guidance
- Amendments to IFRS 10, 12 and IAS 27 on consolidation for investment entities
- Amendments to IAS 32 on Financial instruments asset and liability offsetting
- Amendment to IAS 36, 'Impairment of assets' on recoverable amount disclosures
- Amendment to IAS 39 'Financial instruments: Recognition and measurement', on novation of derivatives and hedge accounting
- IFRIC 21, 'Levies'

No impact on the reported results or disclosures of the LLP has occurred as a result of the introduction of the standards above.

IMPERIAL INNOVATIONS BUSINESSES LLP

Notes to the financial statements for the year ended 31 July 2015 (continued)

3. CARRIED INTEREST PLAN RELEASE/ (CHARGE)

2015	2014
£	£
1,161,150	(4,821,104)

The LLP's carried interest plan generated an accounting release of £1,161,150 (2014: charge of £4,821,104) for the year ended 31 July 2015, with a corresponding liability of £4,703,045 (2014: £5,864,195). An accounting liability is reflected as the fair value of the portfolio of companies has exceeded the investments made by the LLP plus 8% interest compounded. 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.

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

Profit is stated after charging:

	2015	2014
	£	£
Auditors' remuneration in respect of audit services	-	-

Auditors' remuneration of £18,000 (2014: £18,000) is borne at the Group level by Imperial Innovations Group plc and is fully disclosed in 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.

5. TURNOVER

For the year ended 31 July 2015, the LLP's turnover was derived from its principal activity, within the United Kingdom. Turnover includes interest received on loan notes issued to portfolio companies. For management purposes, the LLP has one business stream, which is that of an investment holding vehicle. The LLP operates exclusively in the United Kingdom and therefore no additional disclosures are given.

IMPERIAL INNOVATIONS BUSINESSES LLP

Notes to the financial statements for the year ended 31 July 2015 (continued)

6. EMPLOYEES

There were no employees during the year (2014: none).

7. MEMBERS

The number of members (including designated and managing members) at the beginning and end of the year was 46 and 45 respectively (2014: 38 and 46 respectively).

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

	2015	2014
	£	£
Change in fair value during the year	21,779,392	40,780,374
Revenue share on investments held	(1,197,069)	(111,248)
Net gains on investments held at fair value	20,582,323	40,669,126

9. MEMBERS' REMUNERATION CHARGED AS AN EXPENSE

No members received any remuneration for the provision of portfolio management and accounting services in the current year (2014: £nil).

IMPERIAL INNOVATIONS BUSINESSES LLP

Notes to the financial statements for the year ended 31 July 2015 (continued)

10. INVESTMENTS

a) Investments through profit and loss

	2015	2014
	£	£
Opening balance at 1 August	256,094,263	186,493,642
Investments during the year	60,816,652	32,768,476
Disposals during the year	(5,944,201)	(3,948,229)
Change in fair value ¹	21,779,392	40,780,374
Closing balance at 31 July	332,746,106	256,094,263

¹ The previous year change in fair value includes a net gain in Circassia of £33.2 million, as well as increases across the portfolio. During the prior year four entities in which the Company holds investment, listed on regulated markets (including Circassia).

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

Name	% Holding	Net assets/ (liabilities) of the portfolio company (£000)	Profit/(loss) of the portfolio company (£000)	Date of financial statements
Abingdon Health Limited	33.7%	4,241	(2,382)	31 December 2014
Abzena plc (formerly PolyTherics Limited)	23.4%	213	-	30 June 2014
Aldwych 2011 limited (formerly Quantasol Limited)	37.6%	(7,154)	114	30 June 2013
Auspherix Limited ¹	27.5%	N/A	N/A	None available
Autifony Therapeutics Limited	26.9%	6,849	(3,291)	31 December 2014
Calcico Therapeutics Limited	30.3%	379	(684)	31 December 2014
Cell Medica Limited	27.0%	25,520	(8,176)	31 December 2014
Convincis limited	49.9%	8	(2)	31 August 2014
Cortexica Vision Systems Limited	30.0%	(4,903)	(1,476)	31 December 2014
Crescendo Biologics Limited	22.7%	6,436	(1,045)	30 June 2014
Digitalstitch Limited	25.7%	(14)	(11)	31 May 2014
Econic Technologies Limited ²	56.1%	4,501	(1,373)	31 December 2014
Embody Orthopaedic Limited	36.8%	48	40	31 July 2014
Emcision Limited	22.7%	(322)	(182)	30 June 2014
Enterprise Therapeutics Limited ¹	42.1%	N/A	N/A	None available
Epsilon3 Bio Limited	22.6%	850	(446)	31 December 2014
Eva Diagnostics Limited ¹	48.0%	N/A	N/A	None available
Featurespace Limited	37.5%	2,380	(831)	31 December 2014

IMPERIAL INNOVATIONS BUSINESSES LLP

Notes to the financial statements for the year ended 31 July 2015

(continued)

10. INVESTMENTS (continued)

a) Investments through profit and loss (continued)

Ieso Digital Health Limited (formerly Psychologyonline.co.uk Limited)	28.8%	587	(860)	31 December 2014
Impression Technologies Limited ²	59.1%	395	(80)	31 December 2014
Indigix Limited ²	50.0%	(94)	(53)	30 June 2014
Inivata Limited ¹	27.3%	N/A	N/A	None available
IR Pharma Limited	27.9%	60	(41)	31 March 2014
Jointanalysis Limited	20.0%	(19)	-	31 December 2014
Kesios Therapeutics Limited ²	51.4%	(570)	(300)	31 July 2014
Microtech Ceramics Limited	28.9%	(71)	-	30 April 2014
Mission Therapeutics Limited	21.2%	16,479	(3,947)	31 December 2014
Nascent Limited ²	78.8%	500	(629)	31 January 2015
Nexeon Limited	39.3%	24,918	(5,674)	31 December 2014
Novocore Limited	46.0%	9	-	31 August 2014
Oxford Biotrans Limited	41.0%	500	-	30 September 2014
Permasense Limited	26.0%	2,656	461	31 October 2014
Plaxica Limited	45.7%	5,150	(3,131)	31 October 2014
Process Systems Enterprise Limited	23.3%	2,691	77	31 December 2014
PsiOxus Therapeutics Limited	27.9%	10,438	(4,836)	30 November 2014
Pulmocide Limited	25.0%	(1,544)	(1,544)	31 March 2014
Puridify Limited	37.2%	10	-	31 March 2014
Ryvoan Limited (formerly EVO Electric Limited)	34.1%	462	(139)	31 December 2014
Sensixa Limited	42.7%	132	29	31 July 2014
Smart Surgical Appliances Limited	38.0%	170	(159)	31 August 2014
Sub Salt Solutions Limited ¹	37.9%	N/A	N/A	None available
TopiVert Limited	30.6%	14,713	186	31 December 2014
Veryan Holdings Limited	47.8%	(9,001)	(3,329)	31 December 2014
Yoyo Wallet Limited (formerly JustYoyo Limited) ²	51.4%	511	(1,905)	31 December 2014

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.

IMPERIAL INNOVATIONS BUSINESSES LLP

Notes to the financial statements for the year ended 31 July 2015

(continued)

10. INVESTMENTS (continued)

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'.

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 14.

	2015	2014
	£	£
Loans – Fair value		
At 1 August	69,000	59,000
Investments during the year	110,000	35,000
Change in fair value	-	(25,000)
At 31 July	179,000	69,000

11. DEBTORS

	2015	2014
	£	£
Trade and other debtors ¹	430,821	584,444
Amounts due from members		
Amounts owed by Imperial Innovations Limited	1,199,428	1,090,730
Unpaid Promissory Note ²	45,721,719	40,638,719
	46,921,147	41,729,449
Amounts owed by other group companies		
Amounts owed by Imperial Innovations Group plc	1,676,031	1,676,031
	49,027,999	43,989,924

¹ The prior year figure includes an amount of £584,039 due after more than one year.

² This balance represents the outstanding promissory note receivable due to the LLP in relation to Imperial Innovations Sarl's additional amounts of £60,000,000 introduced during the current year. The promissory

IMPERIAL INNOVATIONS BUSINESSES LLP

Notes to the financial statements for the year ended 31 July 2015

(continued)

11. DEBTORS (continued)

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.

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2015	2014
	£	£
Provision for liabilities and charges	717	1,761
	717	1,761

13. PROVISIONS FOR LIABILITIES

	Revenue sharing - College £	Revenue sharing - Other £	Total £
At 1 August 2014	4,432,628	233,947	4,666,575
Charged to the profit and loss account	1,132,808	64,261	1,197,069
At 31 July 2015	5,565,436	298,208	5,863,644

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.

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

	2015	2014
	£	£
HEIF amounts represented by:		
Investments and loans	179,000	69,000
	179,000	69,000

IMPERIAL INNOVATIONS BUSINESSES LLP

Notes to the financial statements for the year ended 31 July 2015

(continued)

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

	2015	2014
	£	£
Amounts due to other group companies	19,382	19,382
Carried interest plan liability	4,703,045	5,864,195
	4,722,427	5,883,577

The loans due to other group companies are interest free and unsecured. The Carried interest plan liability is classified as falling due after more than one year, because repayment is not required until the investments are realised.

16. 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		285,763,543	
Amounts due from members		(41,729,449)	
Members' interests at 1 August 2014	3,784,110	244,034,094	247,818,204
Profit for the financial year available for discretionary division among members ¹	-	21,819,132	21,819,132
Members' interests after profit for the year	3,784,110	265,853,226	269,637,336
Other movements ²	-	54,808,444	54,808,444
	3,784,110	320,661,670	324,445,780
Amounts due to members		367,582,817	
Amounts due from members		(46,921,147)	
Members' interests at 31 July 2015	3,784,110	320,661,670	324,445,780

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 3 for further details.

² Other movements of £54,808,444 represents net amounts received from members.

IMPERIAL INNOVATIONS BUSINESSES LLP

Notes to the financial statements for the year ended 31 July 2015

(continued)

17. 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. The details of the Group's related party transactions are disclosed in the consolidated financial statements of Imperial Innovations Group plc.

18. 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 market price risk and credit 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 traded on AIM, NASDAQ and the main market of the London Stock Exchange and investments which are not traded on an active market. The table below summarises the impact of one per cent increase/decrease in price of quoted and unquoted investments on the LLP's post tax profit for the year.

	2015 Quoted £000	2015 Unquoted £000	Total £000	2014 Quoted £000	2014 Unquoted £000	Total £000
Investments – designated at fair value through profit or loss	1,071,126	2,258,125	3,329,251	1,052,506	1,509,127	2,561,633

Profit for the year 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.

IMPERIAL INNOVATIONS BUSINESSES LLP

Notes to the financial statements for the year ended 31 July 2015

(continued)

18. FINANCIAL RISK MANAGEMENT (continued)

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 2015 is in sterling and has F2 credit rating (2014: F1 credit rating).

The maximum exposure to credit risk for debtors is represented by their carrying values set out in note 11. The majority of debtors are owed by Group undertakings and are therefore considered to constitute low credit risk.

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 2015:

	Level 1 £	Level 2 £	Level 3 £	Total £
Assets				
Financial assets at fair value through profit or loss	107,112,576	-	225,812,530	332,925,106
Total Assets	107,112,576	-	225,812,530	332,925,106

The following table represented LLP's assets that are measured at fair value at 31 July 2014:

	Level 1 £	Level 2 £	Level 3 £	Total £
Assets				
Financial assets at fair value through profit or loss	105,250,569	-	150,912,694	256,163,263
Total Assets	105,250,569	-	150,912,694	256,163,263

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.

IMPERIAL INNOVATIONS BUSINESSES LLP

Notes to the financial statements for the year ended 31 July 2015

(continued)

18. FINANCIAL RISK MANAGEMENT (continued)

Instruments included in Level 1 comprise investments traded on AIM, NASDAQ and the main market of the London Stock Exchange.

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.

The following table presents the changes in Level 3 instruments for the year ended 31 July 2015 and the year ended 31 July 2014:

	2015	2014
	£	£
Opening balance	150,912,694	186,552,642
Investments into Level 3	59,375,600	32,803,476
Disposals from Level 3	(5,944,201)	(3,948,229)
Fair value movement of HEIF loans	-	(25,000)
Transfers to level 1	-	(106,349,736)
Gains and losses recognised in profit or loss	21,468,437	41,879,541
Closing balance	225,812,530	150,912,694

Financial instruments by category

	Loans & Receivables	Assets at fair value through profit and loss
	£	£
Assets per balance sheet at 31 July 2015		
Debtors (excluding prepayments and VAT)	49,027,999	-
Financial assets at fair value through profit or loss	-	332,925,106
Cash at bank and in hand	179,610	-
	49,207,609	332,925,106

Liabilities per balance sheet at 31 July 2015

	Financial liabilities at amortised cost
	£
Provisions for liabilities and charges	5,863,644
Higher Education Innovation Fund (HEIF) liability	179,000
Creditors: amounts falling due within one year (excluding tax and social security)	717
	6,043,361

IMPERIAL INNOVATIONS BUSINESSES LLP

Notes to the financial statements for the year ended 31 July 2015

(continued)

18. FINANCIAL RISK MANAGEMENT (continued)

Assets per balance sheet at 31 July 2014

Loans & Receivables through profit and loss

	£	£
Debtors (excluding prepayments and VAT)	43,989,924	-
Financial assets at fair value through profit or loss	-	256,163,263
Cash at bank and in hand	15,379	-
	<u>44,005,303</u>	<u>256,163,263</u>

Liabilities per balance sheet at 31 July 2014

Financial liabilities at amortised cost

	£
Provisions for liabilities and charges	4,666,575
Higher Education Innovation Fund (HEIF) liability	69,000
Creditors: amounts falling due within one year (excluding tax and social security)	19,382
	<u>4,754,957</u>

19. MEMBERS' CAPITAL

The current year increase of £60,000,142 represents further member's contribution received from Imperial Innovations Sarl of £60,000,000 and £142 from managing members. There were no capital contributions in the prior year.

20. 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 2015. 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.

21. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The members have made the following judgements and estimates that have had the most significant effect on the carrying amounts of the assets and liabilities in the financial statements:

Valuation of Unquoted Equity Investments

The judgements required to determine the appropriate valuation methodology of unquoted equity investments means there is a risk of material adjustment to the carrying amounts of assets and liabilities. These judgements include a decision whether or not to increase or decrease investment valuations.

IMPERIAL INNOVATIONS BUSINESSES LLP

Notes to the financial statements for the year ended 31 July 2015

(continued)

21. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

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' 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.

The following considerations are used when calculating the fair value:

- 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;
- 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.

IMPERIAL INNOVATIONS BUSINESSES LLP

Notes to the financial statements for the year ended 31 July 2015

(continued)

21. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

- 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;
- 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.

Note 18 summarises the impact of a one per cent increase/decrease in the price of unquoted investments on the LLP's post tax profit for the year.

Valuation of Carried Interest Plan Liability

For several years, the LLP has maintained a long-term incentive arrangement known as the carried interest plan. It is the intention of the LLP to continue to use the carried interest plan as part of the LLP's long-term incentive arrangements, alongside the introduction of share options.

The provision is measured by reference to the fair value of the relevant investments. The judgements required to determine the appropriate valuation methodology of unquoted equity investments means there is a corresponding risk of material adjustment to the carrying amounts of the carried interest plan liability. The additional considerations used when calculating the carried interest plan liability include estimates for an appropriate discount rate, leaver provisions, rates of investment and year of realisation.