

Pond (GP) II Limited

Report and Financial Statements

Year Ended

31 December 2012

Company Number SC203786



Pond (GP) II Limited

Report and financial statements for the year ended 31 December 2012

Contents

Page:

1	Report of the directors
3	Independent auditor's report
5	Profit and loss account
6	Balance sheet
7	Notes forming part of the financial statements

Directors

C H Irving
R H Irving

Secretary and registered office

C H Irving, 50 Lothian Road, Edinburgh, Midlothian, EH 9BY

Company number

SC203786

Auditors

BDO LLP, 2 City Place, Beehive Ring Road, Gatwick, West Sussex, RH6 0PA

Pond (GP) II Limited

Report of the directors for the year ended 31 December 2012

The directors present their report together with the audited financial statements for the year ended 31 December 2012.

Results and dividends

The profit and loss account is set out on page 5 and shows the profit for the year.

Principal activities, review of business and future developments

The company's principal activity is that of general partner and manager of limited partnerships. Pond II is mature with one remaining portfolio company that we are actively managing through to exit. No management fees were generated by Pond II Limited Partnerships during the year.

At the end of December 2012, we marked down Pond II's investment in picoChip due to a term sheet being signed to acquire picoChip.

On 5 January 2012 Mindspeed announced it has signed a definitive agreement to acquire picoChip. Total consideration is approximately \$51.8M in cash and stock, and up to a further \$25M in earn-out. The transaction is expected to close in February. Since these totals are well below the preference stack, common shareholders will not receive any of the proceeds. Since Pond II's stake in picoChip was converted to common stock under existing pay-to-play provisions in 2009 on completion of the E round in which Pond II did not participate, Pond II Fund will not see any proceeds from its investment in picoChip. Pond was not in a position to block this transaction. This is a most unsatisfactory outcome after all our years of effort and investment in this company, but the company did not have a choice either of bidders nor an alternative route forward. Pond did not vote in favour of the acquisition.

Since this is the last investment remaining in Pond II, we will now begin the process of winding up Pond II Funds.

Key performance indicators

The primary performance indicators are the number of portfolio companies, successful exiting of investments and the valuation of portfolio companies.

Directors

The directors of the company during the year were:

C H Irving
R H Irving

Pond (GP) II Limited

Report of the directors for the year ended 31 December 2012 (continued)

Directors' responsibilities

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

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

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

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

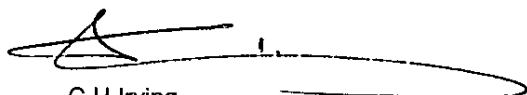
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies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

Auditors

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

BDO LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

By order of the board



C H Irving
Secretary

18 April 2013

Pond (GP) II Limited

Independent auditor's report

To the members of Pond (GP) II Limited

We have audited the financial statements of Pond (GP) II Limited for the year ended 31 December 2012 which comprise the profit and loss account, the balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

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

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2012 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Pond (GP) II Limited

Independent auditor's report (*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 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements and the directors' report in accordance with the small companies' regime.



David Eagle (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
Gatwick
United Kingdom

19 April 2013

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

Pond (GP) II Limited

Profit and loss account for the year ended 31 December 2012

	Note	2012 £	2011 £
Turnover, gross profit and result on ordinary activities before taxation		-	-
Taxation on turnover, gross profit and result on ordinary activities	3	<u>184,249</u>	<u>(7,986)</u>
Profit/(loss) on ordinary activities after taxation		<u><u>184,249</u></u>	<u><u>(7,986)</u></u>

All amounts relate to continuing activities.

All recognised gains and losses in the current and prior year are included in the profit and loss account.

There are no movements in shareholders' funds in the current or prior year apart from the profit/(loss) for the year.

The notes on pages 7 to 10 form part of these financial statements.

Pond (GP) II Limited

Balance sheet at 31 December 2012

<i>Company number SC203786</i>	Note	2012 £	2012 £	2011 £	2011 £
Current assets					
Debtors	4	229,341		229,341	
Creditors: amounts falling due within one year	5	<u>32,779</u>		<u>2,760</u>	
Total assets less current liabilities			196,562		226,581
Provisions for liabilities	6		-		214,268
			<u>196,562</u>		<u>12,313</u>
Capital and reserves					
Called up share capital	7		2		2
Profit and loss account			<u>196,560</u>		<u>12,311</u>
Shareholders' funds			<u>196,562</u>		<u>12,313</u>

The financial statements were approved by the board of directors and authorised for issue on 18 April 2013


C H Irving
Director

The notes on pages 7 to 10 form part of these financial statements.

Pond (GP) II Limited

Notes forming part of the financial statements for the year ended 31 December 2012

1 Accounting policies

The financial statements have been prepared under the historical cost convention.

The following principal accounting policies have been applied:

Cash flow statement

The company has taken advantage of the exemption conferred by Financial Reporting Standard 1 'Cash Flow Statements (Revised 1996)' not to prepare a cash flow statement on the grounds that it is a 'small' company under the Companies Act 2006.

Foreign currency

Foreign currency transactions are translated into sterling at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet date. Any differences are taken to the profit and loss account.

Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:
Deferred tax balances are not discounted.

Limited partnership funds and investment

As at 31 December 2011, the company managed venture capital Limited Partnership funds. The funds are Pond Ventures II LPA, Pond Ventures II LPB, Pond Ventures II GmbH & Co KG, Pond Ventures II Associates LP and Pond II Co-Investments LP and Pond (GP) II Limited is the general partner of Pond General Partner LP which in turn is the general partner of Pond General Partner II LP which in turn is the general partner in each of those limited partnerships. Investments held through the Limited Partnerships are made with the express intention of capital appreciation. The Limited Partnerships technically fall within the definition of subsidiaries of the General Partner under the Companies Act 2006 and Financial Reporting Standard 2 and are required by the Act and that Standard to be consolidated into the Group accounts.

In the opinion of the Directors, consolidating the Limited Partnerships would not give a true and fair view of the interest of the Group in the Limited Partnerships since the nature of the Partnerships are such that the company only provides investment management services. If the Limited Partnership Funds had been consolidated into the group financial statements in full the effect would have been to increase the shareholder funds before minority interests and minority interests by £523,628 (2010 - £3,956,746).

2 Turnover

Turnover is wholly attributable to the principal activity of the company and arises solely within the United Kingdom.

Pond (GP) II Limited

Notes forming part of the financial statements
for the year ended 31 December 2012 (continued)

3 Taxation on profit on ordinary activities

	2012 £	2011 £
<i>UK Corporation tax</i>		
Current tax on profits of the year	30,019	-
<i>Deferred tax</i>		
Origination and reversal of timing differences	(214,268)	7,986
	<u> </u>	<u> </u>
Taxation on profit on ordinary activities	(184,249)	7,986
	<u> </u>	<u> </u>

The tax assessed for the year is higher than the standard rate of corporation tax in the UK applied to result before tax. The differences are explained below:

	2012 £	2011 £
	<u> </u>	<u> </u>
Profit on ordinary activities at the standard rate of corporation tax in the UK of 25% (2011 - 26%)	-	-
Effect of:		
Losses created	(1,362,296)	-
Allocation of net expenditure from Pond General Partner (III) LP	1,572,172	-
Group relief	(175,819)	-
Marginal relief	(4,038)	-
	<u> </u>	<u> </u>
Current tax charge for the year	30,019	-
	<u> </u>	<u> </u>

4 Debtors

	2012 £	2011 £
Amounts owed by group undertakings	229,341	229,341
	<u> </u>	<u> </u>

All amounts shown under debtors fall due for payment within one year.

5 Creditors: amounts falling due within one year

Pond (GP) II Limited

Notes forming part of the financial statements
for the year ended 31 December 2012 *(continued)*

5 Creditors: amounts falling due within one year *(continued)*

	2012	2011
	£	£
Taxation and social security	30,019	-
Accruals and deferred income	2,760	2,760
	<hr/>	<hr/>
	32,779	2,760
	<hr/>	<hr/>

Pond (GP) II Limited

Notes forming part of the financial statements
for the year ended 31 December 2012 *(continued)*

6 Provisions for liabilities

	Deferred taxation £
At 1 January 2012	214,268
Credited to profit and loss account	(214,268)
	<hr/>
At 31 December 2012	-
	<hr/>

Deferred taxation

	2012 £	2011 £
Sundry timing differences	-	1,604,435
Unutilised tax losses	-	(1,390,167)
	<hr/>	<hr/>
	-	214,268
	<hr/>	<hr/>

7 Share capital

	2012 £	2011 £
<i>Allotted, called up and fully paid</i>		
2 ordinary shares of £1 each	2	2
	<hr/>	<hr/>

8 Related party disclosures

The company is a wholly owned subsidiary of Pond Venture Partners Limited and has taken advantage of the exemption conferred by Financial Reporting Standard 8 'Related party disclosures' not to disclose transactions with Pond Venture Partners Limited or other wholly owned subsidiaries within the group.

9 Ultimate parent company and parent undertaking of larger group

The company is a subsidiary of Pond Venture Partners Limited which is the ultimate parent company incorporated in England and Wales.

The largest and smallest group in which the results of the company are consolidated is that headed by Pond Venture Partners Limited, incorporated in England and Wales. The consolidated accounts of this company are available to the public and may be obtained from The Registrar of Companies, Companies House, Cardiff, CF14 3UZ. No other group accounts include the results of the company.