

Pond (GP) II Limited

Report and Financial Statements

Year Ended

31 December 2010

Company Number SC203786



Pond (GP) II Limited

**Report and financial statements
for the year ended 31 December 2010**

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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, Emerald House, East Street, Epsom, Surrey, KT17 1HS

Pond (GP) II Limited

Report of the directors for the year ended 31 December 2010

The directors present their report together with the audited financial statements for the year ended 31 December 2010.

Results and dividends

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

We received the final distribution from IBM on 10 December 2010 in amount of \$3,742,567. This has been credited to limited partners' accounts and will be distributed towards the end of Q1 2011. We held future audit/accounts fees back from this payment and will distribute \$3,726,410 to LP's in February 2011.

Key performance indicators

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

Pond II is a 2000 vintage fund which invested in five companies of which four have been exited. The value of the remaining investment based on their most recent funding round is less than what would be required to return the capital committed to the fund. This is a very disappointing result.

Principal risk

The primary risk for any portfolio company under management is market risk caused by the dramatic slowdown in Corporate and consumer spending. We were unable to participate in the most recent funding round due to lack of funds in Pond II and thus, we are only observers on the Board of Directors. We have full information rights and continue to work with the board and company to reduce its risks and contribute towards a favourable outcome for our investment. The company raised a final F round of \$15M in June 2010, which includes \$11.8M of new money plus conversion of existing and pending bridge investments from the current VC's including Pond. We originally had a 4% stake consisting entirely of common shares, due to loss of our preference when we did not participate in the E Round. This has dropped to 2.47% in the wake of the F Round and will leave a substantial amount of preference ahead of us. Pond II Co-Investment made a \$425,763 investment in the F round for an equity holding of 0.54%. Pond Ventures III made an investment of \$2,061,236 for an equity holding of 2.59%.

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 2010 (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

Date: 18/1/11

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 2010 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 2010 and of its result 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
Epsom
United Kingdom

Date: 18/4/11

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 2010

	Note	2010 £	2009 £
Administrative expenses		-	(1,387)
Profit on ordinary activities before taxation		-	1,387
Taxation on profit on ordinary activities	3	-	14,813
Profit on ordinary activities after taxation		-	16,200

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 for the year.

The notes on pages 7 to 9 form part of these financial statements.

Pond (GP) II Limited

Balance sheet at 31 December 2010

<i>Company number SC203786</i>	Note	2010 £	2010 £	2009 £	2009 £
Current assets					
Debtors	4	229,341		229,341	
Creditors: amounts falling due within one year	5	<u>2,760</u>		<u>2,760</u>	
Total assets less current liabilities			226,581		226,581
Provisions for liabilities	6		<u>206,282</u>		<u>206,282</u>
			<u>20,299</u>		<u>20,299</u>
Capital and reserves					
Called up share capital	7		2		2
Profit and loss account			<u>20,297</u>		<u>20,297</u>
Shareholders' funds			<u>20,299</u>		<u>20,299</u>

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

18/1/11


C H Irving
Director

The notes on pages 7 to 9 form part of these financial statements.

Pond (GP) II Limited

Notes forming part of the financial statements for the year ended 31 December 2010

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 2010, 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 £3,930,681 (2009 - £4,468,441).

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 2010 (*continued*)

3 Taxation on profit on ordinary activities

	2010 £	2009 £
<i>Deferred tax</i>		
Origination and reversal of timing differences	-	(14,813)
	<u> </u>	<u> </u>

The tax assessed for the year is lower than the standard rate of corporation tax in the UK applied to profit before tax.

	2010 £	2009 £
Profit on ordinary activities before tax	-	1,387
	<u> </u>	<u> </u>
Profit on ordinary activities at the standard rate of corporation tax in the UK of 28% (2009 - 28%)	-	388
Effect of:		
Utilisation of tax losses	-	(388)
	<u> </u>	<u> </u>
Current tax charge for the year	-	-
	<u> </u>	<u> </u>

4 Debtors

	2010 £	2009 £
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

	2010 £	2009 £
Accruals and deferred income	2,760	2,760
	<u> </u>	<u> </u>

Pond (GP) II Limited

Notes forming part of the financial statements
for the year ended 31 December 2010 (*continued*)

6 Provisions for liabilities

	Deferred taxation £	
At 1 January 2010 and 31 December 2010	206,282	
<i>Deferred taxation</i>		
	2010 £	2009 £
Sundry timing differences	1,763,365	1,763,365
Unutilised tax losses	(1,557,083)	(1,557,083)
	206,282	206,282

7 Share capital

	2010 £	2009 £
<i>Allotted, called up and fully paid</i>		
100 ordinary shares of £1 each	2	2
	<u>2</u>	<u>2</u>

8 Related party disclosures

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