



IP Group plc **develops intellectual property (“IP”) based businesses.** We provide capital from our balance sheet and also from funds that we manage on behalf of others.

How we work

Our aims

- ▶ To identify compelling intellectual property based opportunities in our key target sectors
- ▶ To develop these opportunities into a diversified portfolio of robust businesses
- ▶ To grow our assets and those we manage on behalf of third parties
- ▶ To provide our shareholders with quoted access to venture returns

Our partners

The Group pioneered the concept of a long-term partnership model with UK universities and we now have arrangements covering twelve of the country's leading universities, as shown below.

IP Group's core elements



IP Group plc partnerships

- 1. Glasgow
- 2. York
- 3. Leeds
- 4. Bristol
- 5. Bath
- 6. Oxford
- 7. King's College London

- 8. Queen Mary, London
- 9. Surrey
- 10. Southampton

Fusion IP plc partnerships

- 1. Sheffield
- 2. Cardiff

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This half-yearly report may contain forward-looking statements. These statements reflect the Board's current view, are subject to a number of material risks and uncertainties and could change in the future. Factors which could cause or contribute to such changes include, but are not limited to, the general economic climate and market conditions, as well as specific factors relating to the financial or commercial prospects or performance of individual portfolio companies within the Group's portfolio.



Financial highlights

Net assets:

£222.6m

(HY10: £167.4m)

Net cash and deposits:

£67.7m

(HY10: £23.9m)

Investment in portfolio:

£5.5m

(HY10: £3.1m)

Realisations from portfolio:

£0.2m

(HY10: £0.7m)

Revenue from services:

£1.1m

(HY10: £11m)

Operational highlights

Operational

- ▶ Successful completion of placing and open offer, realising gross proceeds of £55.0m
- ▶ Widening of partnership with University of Oxford through strategic stake in Technikos LLP
- ▶ Appointment of Greg Smith as Chief Financial Officer
- ▶ Appointment of Jonathan Brooks as Non-executive Director

Portfolio

- ▶ Fair value of investment portfolio: £115.3m (HY10: £101.3m; FY10: £110.0m)
- ▶ Value of ten largest holdings: £84.4m (HY10: £74.2m; FY10: £81.3m)
- ▶ Oxford Nanopore Technologies Limited completes further £25.0m private financing
- ▶ Revolymer Limited completes £5.8m fundraising
- ▶ £2.9m cash realised in July 2011 through sale of the Group's holding in Amantys Limited

Interim management report

IP Group's core business is the commercialisation of intellectual property primarily originating from leading research intensive universities. We seek to provide our companies with more than just capital, providing access to networks, experience, methodology and support.

The most significant event for the Group during the first half of 2011 was the completion of a placing and open offer raising a total of £55.0m before issue costs. The fundraising, which was supported by both existing and new shareholders, is a strong endorsement of the Group's progress to date and its strategy for seeking to capitalise on future opportunities in the intellectual property commercialisation space.

The Group has built a platform for the systematic commercialisation of leading technology innovations which, to date, have been primarily sourced from within universities with which the Group has exclusive partnerships. The Group intends to employ a significant proportion of the additional funds raised in increasing its overall rate of capital deployment in both its current portfolio and in new early stage opportunities that progress to the post-seed stage, assisting the most promising opportunities towards achieving their technical, commercial and strategic objectives.

The Group will continue to seek to identify compelling IP based opportunities arising from its current partnerships. In addition, the Group may source further opportunities from other research intensive institutions and may explore the possibility of further partnerships or other collaborative arrangements with such institutions.

One such example of the Group selectively widening its proprietary access to commercialisable intellectual property during the period was the announcement in January that the Group had broadened its relationship with the University of Oxford through the acquisition of a strategic stake and alliance with Technikos LLP. Technikos is a specialist technology fund with a long-term commercialisation agreement with the University of Oxford's Institute of Biomedical Engineering ("IBME"), which is similar in nature to the Group's existing long-term commercialisation agreement with the University of Oxford's Department of Chemistry.

The underlying performance of the Group's portfolio companies during the period has also been encouraging, with two of the Group's largest unquoted portfolio companies completing financing rounds raising a total of £30.8m. At 30 June 2011, the Group's portfolio of holdings in 65 technology businesses was valued at £115.3m (HY10: £101.3m; FY10: £110.0m) with net fair value gains arising from the Group's holdings in unquoted portfolio companies being offset by net fair value losses from holdings in companies whose shares are quoted on AIM or PLUS markets.

The Group has recently announced a number of changes to its Board. Earlier today, the Group was pleased to announce that Jonathan Brooks, the former chief financial officer of ARM Holdings plc, would be joining the Board as Non-executive Director and as Chairman of the Group's Audit Committee with immediate effect. Furthermore, the Group announced that Roger Brooke, who has served as a Non-executive Director of the Group since 2001, would be retiring from the Board, also with immediate effect. In June, Greg Smith, who has held the role of Group Financial Controller since joining the Group in January 2008, was promoted to the Board as Chief Financial Officer.

Portfolio review

Overview

At 30 June 2011, the value of the Group's portfolio was stable at £115.3m (HY10: £101.3m; FY10: £110.0m), after net investment and the fair value movements set out below, and consisted of interests in 65 companies (HY10: 64; FY10: 63). During the period, the Group made total investments of £5.5m, increased from £3.1m for the equivalent period in 2010, and realised a total of £0.2m cash proceeds (HY10: £0.7m).

A summary of the gains and losses across the portfolio is as follows:

	For the six months ended 30 June 2011 £m	For the six months ended 30 June 2010 £m	For the year ended 31 December 2010 £m
Unrealised gains on the revaluation of investments	9.1	8.3	13.8
Unrealised losses on the revaluation of investments	(9.1)	(10.6)	(9.8)
Net fair value gains	–	(2.3)	4.0
Gains on disposals of equity investments	–	0.1	0.6
Change in fair value of limited and limited liability partnership interests	0.6	0.1	0.2
Total	0.6	(2.1)	4.8

Unrealised gains on the revaluation of investments principally arose from the Group's holding in Oxford Nanopore Technologies Limited (£6.4m), as a result of its £25.0m financing announced in April 2011, and as a result of increases in the share prices of AIM-listed Tissue Regenix Group plc (£0.9m), Oxford Catalysts Group plc (£0.5m) and GETECH Group plc (£0.4m).

These unrealised gains were offset by equivalent fair value decreases in the period. The most significant of these reductions arose as a result of decreases in the fair values of AIM-listed Oxford Advanced Surfaces Group plc (£3.0m), Modern Water plc (£2.0m), Proximagen Group plc (£0.9m) and Fusion IP plc (£0.7m), and the Group experienced a fair value reduction of £0.8m as a result of Revolymer Limited's £5.8m financing completed during the period.

Further information on developments in the Group's quoted and unquoted portfolio companies is set out on the following pages.

Portfolio review continued

Investments and realisations

During the period, the Group's rate of investment has increased, with a total of £5.5m being invested as follows:

Cash investment analysis by company stage	For the six months ended 30 June 2011 £m	For the six months ended 30 June 2010 £m	For the year ended 31 December 2010 £m
Incubation projects	0.1	0.1	0.4
Seed businesses	0.8	0.7	1.5
Post-seed unquoted businesses	3.3	1.3	2.9
Post-seed quoted businesses	1.3	1.0	2.1
Total	5.5	3.1	6.9
Proceeds from sales of equity investments	0.2	0.7	2.7

During the period to date, the Group has deployed £5.5m of capital into 21 distinct projects (HY10: 17; FY10: 32). Four new incubation and seed projects received initial funding (HY10: five, FY10: seven) including £0.2m as part of a £0.5m first tranche of seed financing for Oxyntix Limited, the Group's first seed company following the acquisition of a strategic partnership interest in Technikos LLP. The average investment per company increased to £260,000 from £180,000 for the equivalent period in 2010.

Incubation opportunities comprise businesses or pre-incorporation projects that are generally at a very early stage of development and typically involve investments of less than £0.1m from the Group. Seed businesses are those that have typically received capital of up to £0.5m in total, primarily from the Group, in order to continue to progress towards agreed commercial and technology milestones and to enable the recruitment of management teams and early commercial engagement. Post-seed businesses are those that have received some level of further funding from co-investors external to the Group, with total funding received generally in excess of £0.5m. Of these, post-seed quoted businesses consist of those which are quoted on either AIM or PLUS Markets.

The Group realised £0.2m of cash during the period, compared with £0.7m during the corresponding six months in 2010. Since the period end, the Group has realised its entire holding in portfolio company Amantys Limited with the resultant £2.9m cash proceeds representing a multiple of 5.7 times the Group's original investment of £0.5m made in July 2010. The sale resulted in a realised fair value gain to the Group of £2.4m.

Portfolio analysis - by investment stage

At 30 June 2011, the Group's portfolio fair value of £115.3m is distributed across investment stage as follows:

Company stage	As at 30 June 2011				As at 31 December 2010			
	Fair value		Number		Fair value		Number	
	£m	%		%	£m	%		%
Incubation projects	0.2	0%	6	9%	0.4	1%	10	16%
Seed businesses	4.6	4%	16	25%	3.3	3%	10	16%
Post-seed unquoted businesses	65.0	56%	28	43%	56.3	51%	28	44%
Post-seed quoted businesses	45.5	40%	15	23%	50.0	45%	15	24%
All portfolio businesses	115.3	100%	65	100%	110.0	100%	63	100%

Post-seed quoted businesses

Further details of the Group's holdings in quoted businesses at 30 June 2011 are as follows:

Company name	Description	Group stake at 30 June 2011 %	Fair value of Group holding at 31 December 2010 £m	Six months to 30 June 2011		Fair value of Group holding at 30 June 2011 £m
				Net investment/ (divestment) £m	Fair value movement £m	
Tissue Regenix Group plc	Regenerative dCELL [®] tissue implants	15.3%	8.2	–	0.9	9.1
Modern Water plc	Technologies to address the world's water crisis	22.9%	8.3	–	(2.0)	6.3
Proximagen Group plc	Neuroscience therapeutic developer	8.4%	7.2	–	(0.9)	6.3
Oxford Catalysts Group plc	Speciality catalysts for the generation of clean fuels	5.0%	3.4	(0.2)	0.5	3.7
Avacta Group plc	Specialist contract analysis and research services	21.4%	2.9	0.5	0.1	3.5
Oxford Advanced Surfaces Group plc	ONTO [™] surface modification technologies	14.6%	6.3	–	(3.0)	3.3
Green Chemicals plc	Environmentally friendly chemicals	24.5%	3.2	–	(0.2)	3.0
Fusion IP plc	University intellectual property commercialisation	19.8%	3.1	–	(0.7)	2.4
Synaigen plc	Developing respiratory disease therapeutics	10.8%	1.6	0.3	(0.1)	1.8
Tracsis plc	Crew scheduling software for the transport industry	15.9%	1.8	–	(0.1)	1.7
Iluka plc	Advanced cleantech materials discovery	9.2%	1.9	–	(0.3)	1.6
GETECH Group plc	Gravitational and magnetic data for oil and gas services	24.2%	0.9	0.1	0.4	1.4
Syntopix Group plc	Topical antimicrobials for healthcare and pharmaceuticals	16.9%	1.1	0.3	(0.2)	1.2
Other quoted company holdings valued at less than £1.0m			0.1	0.1	–	0.2
Total			50.0	1.1	(5.6)	45.5

Tissue Regenix Group plc ("Tissue Regenix"), the regenerative medical devices company spun out from the University of Leeds, announced in April that it had entered into a commercialisation and IP agreement with one of its long-term clinical collaborators, the Pontifical Catholic University of Parana ("PUCPR") and Cardioprotese Ltda (representing Professor da Costa), both based in Brazil, which will facilitate Tissue Regenix's entry into the \$1.0bn global tissue heart valve market. Under the terms of the agreement Tissue Regenix obtains exclusive worldwide commercialisation rights (excluding Brazil) to all data generated from over eight years clinical use of decellularised (using Tissue Regenix's dCELL methods) human donor heart valves as heart valve replacements. The deal involves royalties but no upfront or milestone payments. In May, Tissue Regenix also announced promising follow up results in relation to an ongoing clinical evaluation of its dCELL[®] Vascular Patch following the receipt of European CE Mark Approval in 2010 for its use in vascular repair.

Modern Water plc ("Modern Water"), the owner of leading water technologies for the production of fresh water and monitoring of water quality, announced in June that it had been awarded a contract to build and operate a desalination plant by Oman's Public Authority for Electricity and Water. The contract, worth £500,000, provides for Modern Water to build a desalination plant at Al Naghdah in the Al Wusta region of Oman capable of producing 200m³ of fresh water per day. The high quality fresh water produced by the plant will be supplied to the local community.

Portfolio review continued

Oxford Catalysts Group plc ("Oxford Catalysts"), a spin-out from the University of Oxford that designs and develops technology for the smaller scale production of clean synthetic fuels from conventional fossil fuels and renewable sources such as biowaste, announced a placing raising £21.0m (before expenses) in February. The company also announced the successful fabrication of its first commercial scale Fischer-Tropsch reactor and catalyst and that its Gas-to-Liquids demonstration plant had arrived in Fortaleza, Brazil following the timely completion of its construction in Asia.

Green Chemicals, a spin-out from the University of Leeds that is developing "cleaner, greener, safer" solutions for a range of applications in the textile, health and beauty and personal care markets, announced licences in two application areas during the first half of the year. In the field of fire retardants for textiles, Green Chemicals signed an exclusive, worldwide licence agreement with Clariant International Limited, a global leader in the field of speciality chemicals, which provides for royalties on sales. In the hair colouration field, Green Chemicals concluded a licence agreement with Urban Retreats Limited ("UR"), the operator of high-end hair treatment centres and beauty spas. The 18 month licence covers the Company's proprietary hair colouration and colour removal systems and will result in a range of hair colorant products being trialled and launched at UR's spa in Harrods of Knightsbridge.

Five largest holdings in post-seed unquoted businesses

Company name	Description	Group stake at 30 June 2011 %	Fair value of Group holding at 31 December 2010 £m	Six months to 30 June 2011		Fair value of Group holding at 30 June 2011 £m
				Net investment/ (divestment) £m	Fair value movement £m	
Oxford Nanopore Technologies Limited	Single molecule detection and analysis using nanopore technology	21.5%	25.6	1.4	6.4	33.4
Photopharmica (Holdings) Limited	Photodynamic wound treatment	49.9%	13.0	–	–	13.0
Revolymmer Limited	Novel polymers e.g. "Removable Chewing Gum"	11.1%	3.0	0.7	(0.8)	2.9
Sustainable Resource Solutions Limited	Technology-based waste management	43.6%	1.5	–	–	1.5
Pharminox Limited	Small molecule drugs for treatment of cancer	17.7%	1.1	0.3	0.1	1.5

University of Oxford spin-out Oxford Nanopore Technologies Limited ("Oxford Nanopore"), developer of revolutionary technology for direct electrical detection and analysis of single molecules, completed a £25m further financing in April 2011. Following completion of the round, which comprised a number of existing and new institutional and individual investors from the US and UK, the Group's 21.5% beneficial stake in Oxford Nanopore is valued at £33.4m and the fundraising resulted in an unrealised fair value gain for the Group of £6.4m. Oxford Nanopore is developing two techniques for DNA sequencing: exonuclease sequencing and strand sequencing, both of which combine a protein nanopore with a processive enzyme for the analysis of DNA. The system is also compatible with the direct analysis of RNA. These nanopore sensing techniques are combined with the Oxford Nanopore's proprietary array chip within the GridION system.

In June, Oxford Nanopore announced that Peter Allen had joined its board as non-executive director. Peter currently serves as non-executive chairman of ProStraken Group plc, Proximagen Neuroscience plc and Chroma Therapeutics Ltd and was previously Chief Financial Officer of Celltech Group between 1992 and 2004 prior to its sale to UCB. In July, the company announced the expansion of its Oxford headquarters and the opening of a new informatics outstation in Cambridge.

Photopharmica (Holdings) Limited ("Photopharmica"), based on intellectual property from the University of Leeds, is developing photosensitiser-based technology for the treatment of chronic wounds. Photopharmica's lead product, PPA904, is a photosensitised gel that can be spread on wounds before being activated by exposure to light of a specific wavelength from the company's proprietary light source, a process known as photodynamic therapy. PPA904 is currently undergoing a Phase IIb study in 10 sites, which is placebo controlled, randomised and double-blinded,

Five largest holdings in post-seed unquoted businesses *continued*

and is testing repeat dose photodynamic therapy. The primary objective is reduction in bacterial count of chronic leg ulcers and there is a secondary objective of improved wound healing. The results from the study are expected in September 2011. Should the trial complete successfully, Photopharmica is likely to seek to enter into a licensing or co-development agreement with an appropriate partner, while an unsuccessful outcome is likely to result in a fair value reduction of the Group's holding in the company. The Group's 49.9% beneficial interest in Photopharmica is currently valued at £13.0m.

Revolmer Limited ("Revolmer"), a spin-out company from the University of Bristol, announced the completion of a £5.8m further financing in which the Group and IP Venture Fund participated along with other new and existing investors. The financing resulted in an unrealised fair value reduction of £0.8m for the Group. In addition, Revolmer announced that it has received a positive opinion from the European Food Safety Authority on the use of its Rev7™ polymer in chewing gum and that its gum was already on sale in close to 500 stores in the US. It has also announced approval by the Natural Health Products Directorate of Canada for the sale of a new generation of nicotine gum to be distributed in Canada by sales and marketing partner, SDS Pharma.

Portfolio analysis - by sector

The Group's portfolio consists of companies across five key sectors. An analysis of the portfolio by these sectors is as follows:

Sector	As at 30 June 2011				As at 31 December 2010			
	Fair value		Number		Fair value		Number	
	£m	%		%	£m	%		%
Medical Equipment & Supplies	49.2	43%	14	21%	39.8	36%	16	25%
Pharma & Biotech	25.8	22%	8	12%	26.2	24%	8	13%
Chemicals & Materials	17.2	15%	16	25%	20.7	19%	15	24%
Energy & Renewables	15.7	14%	14	22%	15.8	14%	12	19%
IT & Communications	4.9	4%	11	17%	4.4	4%	11	17%
Multiple sectors	2.5	2%	2	3%	3.1	3%	1	2%
	115.3	100%	65	100%	110.0	100%	63	100%

A number of the Group's smaller post-seed businesses have seen further technical and commercial progress during the period, with some completing further financings in which the Group, and/or funds managed by the Group, has participated. By way of example:

- ▶ Icona Solutions Limited ("Icona"), developer of "perceived quality" visualisation software, completed a £0.6m financing including the Group and The North East Technology Fund, managed by the Group. Icona's aesthetics software is used by many of the world's largest automotive manufacturers, including Fiat, GM, Bentley and China's Great Wall Motor Company.
- ▶ Perpetuum Limited, a developer of vibrational energy harvesters from the University of Southampton, completed a £1.6m equity financing round in February. Perpetuum has recently announced that its technology can be deployed in a number of wireless sensors to provide "maintenance-free, fit and forget" extended power solutions.

During the period the Group has continued to incubate early opportunities through key technical and commercial milestones, initially with low levels of capital investment. This has included members of the Group's in-house sourcing team continuing to work closely with the businesses to shape its strategic direction, often taking an interim management role (typically at no additional cost to the relevant spin-out company) until such time as the business is considered to be sufficiently developed, and has the resources, to recruit an external management team. This has also included supporting the development of projects before formation into a company and leveraging sources of translation funding.

Financial and operational review

Consolidated statement of comprehensive income

A summary analysis of the Group's performance is provided below:

	For the six months ended 30 June 2011 £m	For the six months ended 30 June 2010 £m	For the year ended 31 December 2010 £m
Net portfolio gains/(losses)	0.6	(2.1)	4.8
Other income	1.1	1.1	2.2
Administrative expenses - Modern Biosciences	(0.1)	(0.3)	(0.5)
Administrative expenses - impairment of equity rights	(3.0)	-	-
Administrative expenses - all other businesses	(2.8)	(2.6)	(4.9)
Finance income	0.1	0.1	0.2
Taxation	-	-	-
(Loss)/profit and total comprehensive income for the period	(4.1)	(3.8)	1.8

Portfolio gains/(losses) consist primarily of realised and unrealised fair value gains and losses from the Group's equity and debt holdings in spin-out businesses, which are analysed in detail in the portfolio review above, as well as movements in the fair value of the Group's interests in limited and limited liability partnerships. During the six months to 30 June 2011, the Group's limited and limited liability partnership interests, including IP Venture Fund and Technikos LLP, saw a fair value increase of £0.6m (HY10: £0.1m; FY10: £0.2m) predominantly as a result of the reflection of the Group's interest in Technikos at its fair value under IFRS.

The Group's other income, which principally comprises fund management and consultancy services fees, including private placement fees generated by the Group's Capital Markets team, remained stable at £1.1m (HY10: £1.1m; FY10: £2.2m). The Group continues to allocate limited capital to the evaluation and development of early stage therapeutic programmes through its subsidiary Modern Biosciences plc. The Group intends to continue such activities to a limited degree in the future through Modern Biosciences plc and Union Life Sciences Limited, a similar business, in which it took a majority stake during the period.

Consolidated statement of financial position

The Group's financial position has been significantly strengthened during the period with net assets increasing by 29% to £222.6m (HY10: £167.4m; FY10: £173.1m), primarily as a result of the £53.3m net proceeds from the issue of share capital. The Group continues to have no borrowings and its diversified portfolio of holdings in private and publicly-listed companies remained broadly stable at £115.3m (HY10: £101.3m; FY10: £110.0m). 'Hard' net assets, excluding intangibles and the equity rights asset, at 30 June 2011 total £187.1m or 51.1p per share.

The Group's statement of financial position includes an equity rights asset reflecting, primarily, the Group's right to 50% of the initial equity in any spin-out company created from the University of Oxford's Department of Chemistry ("Oxford Chemistry") during the 15 year term of the agreement to November 2015. The partnership was formed in 2000 and has been highly productive for both the University of Oxford and the Group, with a number of valuable spin-out companies, including Oxford Nanopore and Oxford Catalysts, being formed so far during its term.

The Directors expect the Group's long-standing contractual and non-contractual relationships with the University of Oxford to remain successful and mutually valuable. However, as has previously been described in the Group's annual report and accounts, as the contract's expiry date draws closer, the Directors' assessment of its carrying value under IFRS has resulted in the recognition of an impairment charge of £3.0m for the six months to 30 June 2011. The remaining fair value of the asset will be reduced by way of impairment or fair value reduction until its expiry date in 2015. As at 30 June 2011, the fair value of the Group's holdings in Oxford Chemistry spin-out companies totalled £42.3m and, having invested £7.5m and realised £7.5m to date, a total value of £42.3m has been derived by the Group from the contract to date.

Cash and cash equivalents and deposits ("Cash")

The principal constituents of the movement in Cash during the period are as follows:

	For the six months ended 30 June 2011 £m	For the six months ended 30 June 2010 £m	For the year ended 31 December 2010 £m
Net Cash used in operating activities	(0.9)	(1.7)	(2.5)
Net Cash used in investing activities	(6.2)	(2.5)	(4.1)
Net Cash from financing activities	53.3	–	–
Movement during period	46.2	(4.2)	(6.6)

Cash, cash equivalents and deposits increased to £67.7m at 30 June 2011 (HY10: £23.9m; FY10: £21.5m) predominantly due to net proceeds of £53.3m from the Group's placing and open offer. As described above, the Group increased its rate of capital deployment into portfolio companies during the period to £5.5m (HY10: £3.1m; FY10: £6.9m). In addition, a further £0.2m was committed to IP Venture Fund (HY10: £0.1m; FY10: £0.2m) which invested a total of £1.6m across ten of the Group's portfolio companies.

Taxation

As a result of the fact that the Group's activities are predominantly trading in nature, the Directors continue to believe that the Group qualifies for the Substantial Shareholdings Exemption ("SSE") on chargeable gains arising on the disposal of qualifying holdings and, as such, the Group has continued not to recognise a provision for deferred taxation in respect of uplifts in value on those equity holdings in portfolio businesses that meet the qualifying criteria.

Principal risks and uncertainties

A detailed explanation of the principal risks and uncertainties faced by the Group, and the steps taken to manage them, is set out in the Corporate Governance section of the Group's 2010 Annual Report and Accounts. The principal risks and uncertainties are summarised as follows:

- ▶ financial risks, primarily market price and liquidity risks;
- ▶ group investments are generally into companies at an early stage of development;
- ▶ risk of failure of companies within the Group's portfolio;
- ▶ loss of key personnel from the Group;
- ▶ changes in legislation and government policy;
- ▶ termination of university partnerships, fund management contracts and change of control provisions; and
- ▶ recoverability of the Oxford equity rights asset.

There have been no significant changes in the nature of these risks that will affect the next six months of the financial year although, as described above, as the Oxford University contract nears its conclusion in November 2015, the corresponding value of the equity rights asset will continue to be reduced from its current carrying value through impairment or fair value reduction through the income statement.

Summary and outlook

Despite continued challenging market conditions, the Group has had an encouraging first half, including a significant placing raising £55.0m of new capital, before costs. The funds raised have strengthened the Group's balance sheet and the Directors believe that this will enable the acceleration of the Group's growth through increased deployment of capital in its most promising companies as they mature.

In the current economic climate, funding for higher risk, early stage businesses continues to be constrained and trading conditions for small businesses remain challenging. However, against this backdrop, the Directors consider that the Group has an increasingly competitive position given its diverse and developing portfolio, strong cash position and proprietary access to leading scientific innovation. As a result, we maintain our belief that the Group is well placed to deliver significant value for shareholders over the medium to long term.

Condensed consolidated statement of comprehensive income

For the six months ended 30 June 2011

	Note	Unaudited six months ended 30 June 2011 £m	Unaudited six months ended 30 June 2010 £m	Audited year ended 31 December 2010 £m
Portfolio return and revenue				
Change in fair value of equity and debt investments		–	(2.3)	4.0
Profit on disposal of equity investments		–	0.1	0.6
Change in fair value of limited and limited liability partnership interests		0.6	0.1	0.2
Revenue from services		1.1	1.1	2.2
		1.7	(1.0)	7.0
Administrative expenses				
Research and development expenses		(0.1)	(0.2)	(0.4)
Share-based payment charge		(0.3)	(0.2)	(0.3)
Impairment of equity rights	3	(3.0)	–	–
Other administrative expenses		(2.5)	(2.5)	(4.7)
		(5.9)	(2.9)	(5.4)
		(4.2)	(3.9)	1.6
Operating (loss)/profit				
Finance income - interest receivable		0.1	0.1	0.2
		(4.1)	(3.8)	1.8
(Loss)/profit before taxation				
Taxation		–	–	–
		(4.1)	(3.8)	1.8
(Loss)/profit and total comprehensive income for the period				
Earnings per share				
Basic (p)	2	(1.56)	(1.49)	0.69
Diluted (p)	2	(1.56)	(1.49)	0.69

Condensed consolidated statement of financial position

As at 30 June 2011

	Note	Unaudited 30 June 2011 £m	Unaudited 30 June 2010 £m	Audited 31 December 2010 £m
ASSETS				
Non-current assets				
Intangible assets:				
- goodwill		18.4	18.4	18.4
Property, plant and equipment		0.3	0.3	0.3
Equity rights and related acquisition costs	3	17.1	20.2	20.1
Portfolio:				
- equity investments	5	112.1	98.7	106.3
- debt investments	5	3.2	2.6	3.7
Other financial asset		0.8	1.1	0.8
Limited and limited liability partnership interests		3.1	1.7	1.9
Total non-current assets		155.0	143.0	151.5
Current assets				
Trade and other receivables		0.6	0.9	0.8
Deposits		35.0	15.0	7.5
Cash and cash equivalents		32.7	8.9	14.0
Total current assets		68.3	24.8	22.3
Total assets		223.3	167.8	173.8
EQUITY AND LIABILITIES				
Equity attributable to equity holders				
Called up share capital	4	7.3	5.1	5.1
Share premium account	4	150.4	99.3	99.3
Merger reserve		12.8	12.8	12.8
Retained earnings		52.1	50.2	55.9
		222.6	167.4	173.1
Non-controlling interest		-	-	-
Total equity		222.6	167.4	173.1
Current liabilities				
Trade and other payables		0.7	0.4	0.7
Total equity and liabilities		223.3	167.8	173.8

Condensed consolidated statement of cash flows

For the six months ended 30 June 2011

	Unaudited six months ended 30 June 2011 £m	Unaudited six months ended 30 June 2010 £m	Audited year ended 31 December 2010 £m
Operating activities			
(Loss)/profit before taxation	(4.1)	(3.8)	1.8
Adjusted for:			
Finance income - interest receivable	(0.1)	(0.1)	(0.2)
Change in fair value of equity and debt investments	-	2.3	(4.0)
Change in fair value of limited and limited liability partnership interests	(0.6)	(0.1)	(0.2)
Depreciation of property, plant and equipment	-	0.1	0.1
Profit on disposal of equity investments	-	(0.1)	(0.6)
Impairment of equity rights	3.0	-	-
Share-based payment charge	0.3	0.2	0.3
Changes in working capital:			
Decrease/(increase) in trade and other receivables	0.1	(0.1)	-
Increase/(decrease) in trade and other payables	0.3	(0.2)	0.1
Operating cash flows:			
Interest received	0.2	0.1	0.2
Net cash outflow from operating activities	(0.9)	(1.7)	(2.5)
Investing activities			
Purchase of equity and debt investments	(5.5)	(3.1)	(6.9)
Investment in limited partnership funds	(0.6)	(0.1)	(0.2)
Acquisition of subsidiary undertakings	(0.3)	-	-
Proceeds from sale of equity investments	0.2	0.7	2.7
Repayments of borrowings	-	-	0.3
Net cash outflow from investing activities	(6.2)	(2.5)	(4.1)
Financing activities			
Proceeds from the issue of share capital	53.3	-	-
Net cash flow (to)/from deposits	(27.5)	-	7.5
Net cash inflow from financing activities	25.8	-	7.5
Net increase/(decrease) in cash and cash equivalents	18.7	(4.2)	0.9
Cash and cash equivalents at the beginning of the period	14.0	13.1	13.1
Cash and cash equivalents at the end of the period	32.7	8.9	14.0

Condensed consolidated statement of changes in equity

For the six months ended 30 June 2011

	Share capital £m	Share premium £m	Merger reserve £m	Retained earnings £m	Total equity £m
At 1 January 2010 (audited)	5.1	99.3	12.8	53.8	171.0
Credit to equity for equity-settled share-based payments	–	–	–	0.2	0.2
Total comprehensive income for the period to 30 June 2010	–	–	–	(3.8)	(3.8)
At 30 June 2010 (unaudited)	5.1	99.3	12.8	50.2	167.4
Credit to equity for equity-settled share-based payments	–	–	–	0.1	0.1
Total comprehensive income for the period to 31 December 2010	–	–	–	5.6	5.6
At 31 December 2010 (audited)	5.1	99.3	12.8	55.9	173.1
Issue of equity	2.2	51.1	–	–	53.3
Credit to equity for equity-settled share-based payments	–	–	–	0.3	0.3
Total comprehensive income for the period to 30 June 2011	–	–	–	(4.1)	(4.1)
At 30 June 2011 (unaudited)	7.3	150.4	12.8	52.1	222.6

Notes to the half-yearly condensed set of financial statements

1. Operating segments

The Group is currently organised into three operating divisions; (i) the commercialisation of intellectual property via the formation of long-term partnerships with universities; (ii) management of venture funds focussing on early-stage UK technology companies; and (iii) the in-licensing of drugable intellectual property from research intensive institutions currently represented by Modern Biosciences plc.

Six months ended 30 June 2011 (unaudited)	University partnership business £m	Venture capital fund management £m	In-licensing activity £m	Consolidated £m
Statement of comprehensive income				
Change in fair value of limited and limited liability partnership interests	0.6	–	–	0.6
Revenue from advisory services	0.3	–	–	0.3
Revenue from fund management services	–	0.8	–	0.8
Administrative expenses	(4.4)	(1.4)	(0.1)	(5.9)
Operating loss	(3.5)	(0.6)	(0.1)	(4.2)
Finance income - interest receivable	0.1	–	–	0.1
Loss before taxation	(3.4)	(0.6)	(0.1)	(4.1)
Taxation	–	–	–	–
Loss and total comprehensive income for the period	(3.4)	(0.6)	(0.1)	(4.1)

Six months ended 30 June 2010 (unaudited)	University partnership business £m	Venture capital fund management £m	In-licensing activity £m	Consolidated £m
Statement of comprehensive income				
Change in fair value of equity and debt investments	(2.3)	–	–	(2.3)
Gain on disposals of equity investments	0.1	–	–	0.1
Change in fair value of limited partnership interests	0.1	–	–	0.1
Revenue from advisory services	0.2	–	–	0.2
Revenue from fund management services	–	0.9	–	0.9
Administrative expenses	(2.2)	(0.4)	(0.3)	(2.9)
Operating (loss)/profit	(4.1)	0.5	(0.3)	(3.9)
Finance income - interest receivable	0.1	–	–	0.1
(Loss)/profit before taxation	(4.0)	0.5	(0.3)	(3.8)
Taxation	–	–	–	–
(Loss)/profit and total comprehensive income for the period	(4.0)	0.5	(0.3)	(3.8)

1. Operating segments continued

Year ended 31 December 2010 (audited)	University partnership business £m	Venture capital fund management £m	In-licensing activity £m	Consolidated £m
Statement of comprehensive income				
Change in fair value of equity and debt investments	4.0	–	–	4.0
Profit on disposal of equity investments	0.6	–	–	0.6
Change in fair value of limited partnership interests	0.2	–	–	0.2
Revenue from advisory services	0.4	0.1	–	0.5
Revenue from fund management services	–	1.7	–	1.7
Administrative expenses	(4.3)	(0.6)	(0.5)	(5.4)
Operating profit/(loss)	0.9	1.2	(0.5)	1.6
Finance income - interest receivable	0.2	–	–	0.2
Profit/(loss) before taxation	1.1	1.2	(0.5)	1.8
Taxation	–	–	–	–
Profit/(loss) and total comprehensive income for the year	1.1	1.2	(0.5)	1.8

2. Earnings per share

The basic earnings per share has been calculated by dividing the loss for the period of £4.1m (for the six month period ended 30 June 2010: loss £3.8m; for the year ended 31 December 2010: profit £1.8m) by the weighted average number of shares of 263,900,650 in issue during the six month period to 30 June 2011 (for the six month period ended 30 June 2010: 255,763,664 shares, and for the year ended 31 December 2010: 255,763,664).

The Group has only one class of potentially dilutive ordinary shares. These are contingently issuable shares arising under the Group Long Term Incentive Plan ("LTIP"). Based upon information available at the end of the reporting period, none of the performance criteria for vesting of awards under the LTIP have been satisfied. Consequently, there are no potentially dilutive shares outstanding at the period end and therefore the diluted earnings per share is equal to the basic earnings per share.

3. Equity rights and related acquisition costs

Equity rights represent consideration paid to the University of Oxford between December 2000 and June 2001. The payments give the Group the right to receive 50% of the university's entitlement to equity in any spin-out company or of any licensing income emanating from the university's Department of Chemistry. The contract expires on 23 November 2015.

The agreement is considered to be a derivative contract and is classified as a held for trading financial instrument, with changes in fair value recognised in the statement of comprehensive income. The Directors make use of a valuation model to seek to determine the fair value of the asset, however, there is a range of reasonably possible values for each key variable within the model and this in turn results in a wide range of reasonably possible alternative fair values for the asset. None of these estimates of fair value are considered more appropriate or relevant than any other. As a result, the Directors have not been able to determine a reliable fair value for the agreement since its inception, which is therefore held at cost less any provision for impairment.

As anticipated in the Group's 2010 Annual Report and Accounts, some outcomes within the valuation range are lower than the asset's carrying value and it has, therefore, been considered appropriate to recognise an impairment of £3m against this value. The remaining fair value of the asset will be reduced by way of impairment or fair value reduction until its expiry date in 2015.

	Equity rights £m	Contract costs £m	Total £m
At 1 January 2011	19.9	0.2	20.1
Impairment	(3.0)	–	(3.0)
At 30 June 2011	16.9	0.2	17.1

Notes to the half-yearly condensed set of financial statements continued

4. Share capital and share premium

In June 2011 the Group issued 110,000,000 new ordinary shares with a par value of 2p through a placing and open offer at an issue price of 50p per share realising net proceeds of £53.3m. All issued shares are fully paid.

5. Investment portfolio

	Equity investments in quoted spin-out companies £m	Equity investments in unquoted spin-out companies £m	Unquoted debt investments in spin-out companies £m	Equity investments in other companies £m	Total £m
At 1 January 2010	40.5	58.2	2.3	0.3	101.3
Investments during the period	1.0	1.7	0.4	–	3.1
Reclassifications during the period	5.4	(5.3)	(0.1)	–	–
Disposals during the period	(0.5)	(0.1)	–	–	(0.6)
Change in fair value in the period	(3.7)	1.4	–	–	(2.3)
Equity allocated to staff in the period	(0.1)	(0.1)	–	–	(0.2)
At 30 June 2010 (unaudited)	42.6	55.8	2.6	0.3	101.3
Investments during the period	0.5	2.2	1.2	–	3.9
Reclassifications during the period	0.2	0.1	–	(0.3)	–
Disposals during the period	(1.4)	(0.2)	–	–	(1.6)
Change in fair value in the period	7.1	(0.7)	(0.1)	–	6.3
Equity allocated to staff in the period	–	0.1	–	–	0.1
At 31 December 2010	49.0	57.3	3.7	–	110.0
Investments during the period	1.3	4.0	0.2	–	5.5
Reclassifications during the period	–	0.6	(0.6)	–	–
Disposals during the period	(0.2)	–	–	–	(0.2)
Change in fair value in the period	(5.6)	5.7	(0.1)	–	–
At 30 June 2011 (unaudited)	44.5	67.6	3.2	–	115.3

6. Related party transactions

a) Limited partnerships

The Group manages a number of investment funds structured as limited partnerships. Group entities act as the general partners of these limited partnerships and have the power to exert significant influence over them. The following amounts have been included in respect of these limited partnerships:

	Unaudited six months ended 30 June 2011 £m	Unaudited six months ended 30 June 2010 £m	Audited year ended 31 December 2010 £m
Income statement			
Revenue from services	0.7	0.8	1.7
Statement of financial position			
Investment in limited partnerships	2.0	1.7	1.9

6. Related party transactions *continued*

b) Key management transactions

The key management had investments with the following spin-out companies as at 30 June 2011:

Director	Company name	Number of shares held at 1 January 2011 or date of appointment	Number of shares acquired/ (disposed) in the period	Number of shares held at 30 June 2011	%
Alan Aubrey	Activotec SPP Limited ¹	1,500	–	1,500	0.9%
	Amaethon Limited - A Ordinary Shares	104	–	104	3.1%
	Amaethon Limited - B Ordinary Shares	11,966	–	11,966	1.0%
	Amaethon Limited - Ordinary shares	21	–	21	0.3%
	Avacta Group plc	13,276,113	–	13,276,113	0.8%
	Capsant Neurotechnologies Limited	11,631	–	11,631	0.8%
	Chamelic Limited	26	–	26	0.5%
	Crysalin Limited	1,447	–	1,447	0.3%
	Dispertia Limited	416	–	416	1.0%
	EmDot Limited	15	–	15	0.9%
	GETECH Group plc	15,000	–	15,000	<0.1%
	Green Chemicals plc	108,350	–	108,350	1.3%
	Icona Solutions Limited	1,674	–	1,674	0.6%
	Ilika plc	117,500	–	117,500	0.3%
	Karus Therapeutics Limited	223	–	223	0.7%
	Leeds Reproductive Biosciences Limited ²	18	–	18	1.1%
	Mode Diagnostics Limited	1,863	–	1,863	0.8%
	Modern Biosciences plc	1,185,150	–	1,185,150	2.1%
	Modern Water plc	575,000	–	575,000	1.0%
	Overlay Media Limited	32	–	32	1.2%
	Oxford Advanced Surfaces Group plc	2,172,809	–	2,172,809	1.1%
	Oxford Catalysts Group plc	207,399	(85,290)	122,109	0.1%
	Oxford Nanopore Technologies Limited	11,442	–	11,442	0.7%
	Oxford RF Sensors Limited	53,639	–	53,639	0.8%
	Oxtox Limited	25,363	–	25,363	0.5%
	Pharminox Limited	685	–	685	0.3%
	Photopharmica (Holdings) Limited	37,020	–	37,020	1.0%
	Plexus Planning Limited	1,732	–	1,732	0.8%
	Retroscreen Virology Limited	1,858	–	1,858	0.2%
	Revolymmer Limited	2,963	–	2,963	0.3%
	Simulstrat Limited - A Preference shares ³	24,063	(24,063)	–	–
	Simulstrat Limited - Ordinary shares ³	2,255	(2,255)	–	–
	Structure Vision Limited	212	–	212	1.0%
	Surrey Nanosystems Limited	393	–	393	0.5%
	Sustainable Resource Solutions Limited	25	–	25	1.1%
	Syntopix Group plc	76,731	–	76,731	0.7%
Tissue Regenix Group plc	2,389,259	–	2,389,259	0.5%	
Tracsis plc	203,400	–	203,400	1.0%	
Xeros Limited	241	–	241	0.3%	

Notes to the half-yearly condensed set of financial statements continued

6. Related party transactions continued

b) Key management transactions continued

Director	Company name	Number of shares held at 1 January 2011 or date of appointment	Number of shares acquired/ (disposed) in the period	Number of shares held at 30 June 2011	%
Alison Fielding	Activotec SPP Limited ¹	300	–	300	0.2%
	Amaethon Limited – A Ordinary Shares	105	–	105	3.2%
	Amaethon Limited – B Ordinary Shares	12,049	–	12,049	1.0%
	Amaethon Limited – Ordinary shares	21	–	21	0.3%
	Avacta Group plc	7,664,105	–	7,664,105	0.5%
	Capsant Neurotechnologies Limited	7,847	–	7,847	0.5%
	Chamelic Limited	21	–	21	0.4%
	Crysalin Limited	1,447	–	1,447	0.3%
	Dispertia Limited	342	–	342	0.8%
	EmDot Limited	14	–	14	0.8%
	Green Chemicals plc	126,181	–	126,181	1.5%
	Icona Solutions Limited	1,419	–	1,419	0.5%
	Ilika plc	32,800	–	32,800	<0.1%
	Karus Therapeutics Limited	43	–	43	0.1%
	Leeds Reproductive Biosciences Limited ²	17	–	17	1.0%
	Mode Diagnostics Limited	1,632	–	1,632	0.7%
	Modern Biosciences plc	1,057,343	–	1,057,343	1.9%
	Modern Water plc	221,000	–	221,000	0.4%
	Overlay Media Limited	28	–	28	1.1%
	Oxford Advanced Surfaces Group plc	611,042	–	611,042	0.3%
	Oxford Catalysts Group plc	68,547	(28,190)	40,357	<0.1%
	Oxford Nanopore Technologies Limited	5,721	–	5,721	0.3%
	Oxford RF Sensors Limited	15,085	–	15,085	0.2%
	Oxtox Limited	16,601	–	16,601	0.3%
	Pharminox Limited	274	–	274	0.1%
	Photopharmica (Holdings) Limited	27,350	–	27,350	0.7%
	Plexus Planning Limited	480	–	480	0.2%
	Retroscreen Virology Limited	1,216	–	1,216	0.1%
	Revolymex Limited	1,198	–	1,198	0.1%
	Simulstrat Limited – A Preference shares ³	15,750	(15,750)	–	–
	Simulstrat Limited – Ordinary shares ³	1,476	(1,476)	–	–
	Structure Vision Limited	195	–	195	0.9%
	Surrey Nanosystems Limited	323	–	323	0.4%
	Sustainable Resource Solutions Limited	25	–	25	1.1%
Syntopix Group plc	35,477	–	35,477	0.3%	
Tissue Regenix Group plc	2,279,660	–	2,279,660	0.5%	
Tracsis plc	197,750	–	197,750	1.0%	
Xeros Limited	197	–	197	0.2%	

6. Related party transactions continued

b) Key management transactions continued

Director	Company name	Number of shares held at 1 January 2011 or date of appointment	Number of shares acquired/ (disposed) in the period	Number of shares held at 30 June 2011	%
Mike Townend	Amaethon Limited - A Ordinary Shares	104	–	104	3.1%
	Amaethon Limited - B Ordinary Shares	11,966	–	11,966	1.0%
	Amaethon Limited - Ordinary shares	21	–	21	0.3%
	Capsant Neurotechnologies Limited	11,282	–	11,282	0.8%
	Chamelic Limited	23	–	23	0.5%
	Crysalin Limited	1,286	–	1,286	0.2%
	Dispersia Limited	370	–	370	0.9%
	EmDot Limited	14	–	14	0.8%
	Green Chemicals plc	113,222	–	113,222	1.4%
	Icona Solutions Limited	1,515	–	1,515	0.6%
	Leeds Reproductive Biosciences Limited ²	18	–	18	1.1%
	Mode Diagnostics Limited	1,756	–	1,756	0.8%
	Modern Biosciences plc	1,185,150	–	1,185,150	2.1%
	Modern Water plc	575,000	–	575,000	1.0%
	Overlay Media Limited	29	–	29	1.1%
	Oxford Advanced Surfaces Group plc	932,994	–	932,994	0.5%
	Oxford Nanopore Technologies Limited	3,490	–	3,490	0.2%
	Oxtox Limited	25,363	–	25,363	0.5%
	Photopharmica (Holdings) Limited	37,020	–	37,020	1.0%
	Retroscreen Virology Limited	1,858	–	1,858	0.2%
	Revolmer Limited	1,198	–	1,198	0.1%
	Simulstrat Limited - A Preference shares ³	24,063	(24,063)	–	–
	Simulstrat Limited - Ordinary shares ³	2,255	(2,255)	–	–
	Structure Vision Limited	212	–	212	1.0%
	Surrey Nanosystems Limited	350	–	350	0.4%
	Sustainable Resource Solutions Limited	25	–	25	1.1%
	Tissue Regenix Group plc	1,950,862	–	1,950,862	0.4%
	Tracsis plc	84,750	–	84,750	0.4%
	Xeros Limited	213	–	213	0.2%

Notes to the half-yearly condensed set of financial statements continued

6. Related party transactions continued

b) Key management transactions continued

Director	Company name	Number of shares held at 1 January 2011 or date of appointment	Number of shares acquired/ (disposed) in the period	Number of shares held at 30 June 2011	%
Graham Richards	GETECH Group plc	30,000	–	30,000	0.1%
	Oxtox Limited	24,194	–	24,194	0.5%
	Summit Corporation plc	662,958	–	662,958	0.4%
	Tissue Regenix Group plc	150,000	–	150,000	<0.1%
Bruce Smith	Capsant Neurotechnologies Limited	20,724	–	20,724	1.4%
	GETECH Group plc	15,000	–	15,000	<0.1%
	iQur Limited	2,000	–	2,000	0.8%
	Nanotection Group plc	50,000	–	50,000	0.5%
	Oxford Catalysts Group plc	10,000	–	10,000	<0.1%
	Synairgen plc	200,000	–	200,000	0.3%
Syntopix Group plc	15,241	–	15,241	0.1%	
Roger Brooke	Activotec SPP Limited ¹	1,459	–	1,459	0.8%
	Avacta Group plc	661,318	–	661,318	<0.1%
	Capsant Neurotechnologies Limited	2,667	–	2,667	0.2%
	GETECH Group plc	30,000	–	30,000	0.1%
	Glycoform Limited ¹	937	–	937	0.3%
	Inhibox Limited	500	–	500	<0.1%
	iQur Limited	1,400	–	1,400	0.6%
	Nanotection Group plc	33,335	–	33,335	0.3%
	Oxford Nanopore Technologies Limited	3,481	(1,741)	1,740	0.1%
	Pharminox Limited	786	–	786	0.3%
	Proximagen Group plc	135,000	–	135,000	0.2%
	Revolymex Limited	1,351	–	1,351	0.1%
	Stratophase Limited	4,549	–	4,549	0.5%
	Summit Corporation plc	11,400	–	11,400	<0.1%
Syntopix Group plc	11,299	–	11,299	0.1%	

6. Related party transactions continued

b) Key management transactions continued

Director	Company name	Number of shares held at 1 January 2011 or date of appointment	Number of shares acquired/ (disposed) in the period	Number of shares held at 30 June 2011	%
Greg Smith⁴	Avacta Group plc	390,407	–	390,407	<0.1%
	Capsant Neurotechnologies Limited	895	–	895	<0.1%
	Chamelic Limited	3	–	3	0.2%
	Crysalin Limited	149	–	149	<0.1%
	Dispersia Limited	43	–	43	0.1%
	EmDot Limited	4	–	4	0.2%
	Encos Limited	5,671	–	5,671	0.3%
	GETECH Group plc	8,000	–	8,000	<0.1%
	Green Chemicals plc	1,500	–	1,500	<0.1%
	Icona Solutions Limited	148	–	148	0.1%
	Mode Diagnostics Limited	192	–	192	<0.1%
	Modern Biosciences plc	313,425	–	313,425	0.6%
	Modern Water plc	7,250	–	7,250	<0.1%
	Overlay Media Limited	7	–	7	0.3%
	Oxford Catalysts Group plc	2,559	–	2,559	<0.1%
	Oxford Nanopore Technologies Limited	150	–	150	<0.1%
	Retroscreen Virology Limited	3,067	–	3,067	0.3%
	Revolmer Limited	150	–	150	<0.1%
Sustainable Resource Solutions Limited	8	–	8	0.4%	
Surrey Nanosystems Limited	76	–	76	0.1%	
Tissue Regenix Group plc	175,358	–	175,358	<0.1%	

¹ Company in administration.

² Company dissolved on 2 August 2011.

³ Company dissolved on 2 February 2011.

⁴ From date of appointment to Board, 2 June 2011.

General information

The comparative financial information presented herein for the year ended 31 December 2010 does not constitute full statutory accounts within the meaning of the Companies Act 2006. The Group's Annual Report and Accounts for the year ended 31 December 2010 have been delivered to the Registrar of Companies. The Group's independent auditor's report on those accounts was unqualified, did not include references to any matters to which the auditor drew attention by way of emphasis without qualifying their report and did not contain a statement under Section 498(2) or 498(3) of the Companies Act 2006.

Notes to the half-yearly condensed set of financial statements continued

Accounting policies

Basis of preparation

The financial information presented in these half-yearly results constitutes the condensed consolidated financial statements of IP Group plc, a company incorporated in Great Britain and registered in England and Wales, and its subsidiaries (together, the "Group") for the six months ended 30 June 2011.

The condensed consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting and should be read in conjunction with the Annual Report and Accounts for the year ended 31 December 2010 which have been prepared in accordance with International Financial Reporting Standards as adopted for use in the EU ("IFRS"). The financial information in these half-yearly results, which were approved by the Board and authorised for issue on 30 August 2011, is unaudited but has been subject to a review by the Group's independent auditor.

The preparation of the half-yearly results requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Estimates and judgements are continually evaluated and are based on historical experience and other factors, such as expectations of future events, and are believed to be reasonable under the circumstances. Actual results may differ from these estimates. In preparing these half-yearly results, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the audited consolidated financial statements for the year ended 31 December 2010.

Accounting policies

The accounting policies applied by the Group in these half-yearly results are the same as those applied by the Group in its audited consolidated financial statements for the year ended 31 December 2010 and which will form the basis of the 2011 Annual Report and Accounts. No new standards that have become effective in the period have had a material effect on the Group's financial statements.

Statement of directors' responsibilities

The Directors confirm to the best of their knowledge that:

- a) the half-yearly results have been prepared in accordance with IAS 34 as adopted by the European Union; and
- b) the interim management report includes a fair review of the information required by the FSA's Disclosure and Transparency Rules (4.2.7 R and 4.2.8 R).

The Directors of IP Group plc and their functions are listed on the inside back cover.

By order of the Board

Bruce Smith
Chairman
30 August 2011

Alan Aubrey
Chief Executive Officer

Independent review report

To IP Group plc

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2011 which comprises the condensed consolidated statement of comprehensive income, condensed consolidated statement of financial position, condensed consolidated statement of cash flows, condensed consolidated statement of changes in equity and the related notes.

We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The directors are responsible for preparing the half-yearly financial statement in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As stated in the Basis of Preparation, the annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting, as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Our report has been prepared in accordance with the terms of our engagement to assist the Company in meeting its responsibilities in respect of half-yearly financial reporting in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2011 is not prepared, in all material respects, in accordance with International Accounting Standard 34, as adopted by the European Union, and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

BDO LLP

Chartered Accountants and Registered Auditors

United Kingdom
30 August 2011

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

Shareholder information

Company registration number

4204490

Registered office

24 Cornhill
London EC3V 3ND

Company secretary

Angela Leach

Directors

Dr Bruce Gordon Smith, CBE

Non-executive Chairman

Alan John Aubrey

Chief Executive Officer

Dr Alison Margaret Fielding

Chief Operating Officer

Michael Charles Nettleton Townend

Chief Investment Officer

Gregory Simon Smith

Chief Financial Officer

Professor William Graham Richards, CBE

Senior Non-executive Director

Francis Adam Wakefield Carpenter

Non-executive Director

Jonathan Brooks

Non-executive Director

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biodegradable

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