



Identify
Create
Grow

IP Group plc
Half-yearly Report 2012



IP Group plc develops **intellectual property-based businesses.**

Our strategy is to systematically build outstanding businesses based on intellectual property.

We provide capital to portfolio companies from our balance sheet and also from funds that we manage on behalf of others.

We pioneered the concept of a long-term partnership model with universities and we now have arrangements covering twelve of the UK's leading universities.

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 potentially high growth technology companies

Disclaimer: 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 that 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 companies within the Group's portfolio.

Throughout this Half-yearly Report the Group's holdings in portfolio companies reflect the undiluted beneficial equity interest excluding debt, unless otherwise explicitly stated.

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IBC Directors, secretary and advisers to the Group

Highlights

Operational and financial

- Net assets at 30 June 2012 increased to £250.7m (HY11: £222.6m; FY11: £221.6m)
- Investment in portfolio companies increased to £15.8m (HY11: £5.5m; FY11: £14.3m)
- Portfolio realisations: £0.5m (HY11: £0.2m; FY11: £3.7m)
- Adjusted profit before tax of £31.2m (HY11: £1.1m loss; FY11: £0.5m profit), excluding £2.5m reduction in fair value of Oxford Equity Rights asset (HY11: £3.0m; FY11: £6.0m)
- Net cash and deposits at 30 June 2012: £43.2m (HY11: £67.7m; FY11: £60.5m)

Portfolio

- Fair value of investment portfolio increased to £171.5m (HY11: £115.3m; FY11: £123.8m)
- Value of ten largest holdings: £132.2m (HY11: £84.4m; FY11: £89.0m)
- Oxford Nanopore completed a £31.4m further private financing after unveiling GridION and MinION products at a major industry conference
- Retroscreen Virology Group and, post-period end, Revolymer admitted to AIM, raising gross proceeds of £15m and £25m respectively at IPO
- Recommended offer of up to £357m for Proximagen Group by Upsher-Smith

Financial

Net assets

£250.7m

HY11: £222.6m

Net cash and deposits

£43.2m

HY11: £67.7m

Investment in portfolio

£15.8m

HY11: £5.5m

Adjusted profit before tax

£31.2m

HY11: £1.1m loss



Our partnerships

Our strategy has remained consistent since our first partnership with the University of Oxford's Chemistry Department. Today, we have arrangements with twelve of the UK's leading universities:

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

Portfolio review

Overview

During the six months to 30 June 2012, the value of the Group's portfolio increased to £171.5m (HY11: £115.3m; FY11: £123.8m), reflecting net unrealised fair value gains of £32.3m, and consisted of interests in 64 companies (HY11: 65; FY11: 64). During the period, the Group made total investments of £15.8m, a significant increase from £5.5m for the equivalent period in 2011, and made total realisations of £0.5m (HY11: £0.2m; FY11 £3.7m).

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

	For the six months ended 30 June 2012 £m	For the six months ended 30 June 2011 £m	For the year ended 31 December 2011 £m
Unrealised gains on the revaluation of investments	52.7	9.1	13.6
Unrealised losses on the revaluation of investments	(20.4)	(9.1)	(12.7)
Net fair value gains	32.3	–	0.9
Gains on disposals of equity investments	0.1	–	2.3
Change in fair value of limited and limited liability partnership interests	0.3	0.6	0.6
Total	32.7	0.6	3.8

Unrealised gains on the revaluation of investments principally arose from the Group's holding in Oxford Nanopore Technologies Limited (£26.4m) due to its £31.4m financing announced in May 2012, from an increase in the share price of AIM-listed Proximagen Group plc (£11.3m) and from the admission to AIM and subsequent share price increase of Retroscreen Virology Group plc (£7.4m).

These unrealised gains were partially offset by unrealised fair value decreases during the first half, the most significant of which include a reduction in the fair value of Photopharmica (Holdings) Limited (£10.5m), to reflect uncertainty surrounding the company's ability to secure a licence or co-development deal, and in the fair values of AIM-listed Tissue Regenix Group plc (£3.4m) and Modern Water plc (£1.1m).

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

Investments and realisations

During the period, the Group has further increased its rate of investment, with a total of £15.8m being invested across the portfolio as follows:

	For the six months ended 30 June 2012 £m	For the six months ended 30 June 2011 £m	For the year ended 31 December 2011 £m
Cash investment analysis by company stage			
Incubation projects	0.3	0.1	0.1
Seed businesses	1.5	0.8	2.1
Post-seed unquoted businesses	9.6	3.3	5.8
Post-seed quoted businesses	4.4	1.3	6.3
Total	15.8	5.5	14.3
Proceeds from sales of equity investments	0.5	0.2	3.7

Investments and realisations continued

During the first half of 2012, the Group deployed £15.8m of capital into 25 distinct portfolio companies and projects (HY11: 21; FY11: 42). The Group provided seed or incubation capital to four new opportunities (HY11: four; FY11: five). The four new opportunities included TheySay Limited, the first start-up that the Group has backed from Oxford University's Computer Science Department and Isis Innovation's Software Incubator. TheySay is developing "sentiment analysis" software that can be used to help a broad set of organisations to develop competitive advantage by understanding emotion expressed in passages of text.

As anticipated in the Group's 2011 Annual Report, the average level of capital deployed per company in the first half increased to £630,000 from £260,000 for the equivalent period in 2011. Excluding the Group's participation in Oxford Nanopore's financing round, the average investment per company was still higher at £380,000.

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 £0.5m proceeds during the period (HY11: £0.2m; FY11: £3.7m) from a partial sale of the Group's holding in maturing operational planning software provider, Tracsis plc. As described in more detail below, the completion of the sale of Proximagen Group plc to Upsher-Smith in August will result in initial proceeds of £15.4m to the Group.

Portfolio analysis - by investment stage

At 30 June 2012, the Group's portfolio fair value of £171.5m is distributed across investment stage as follows:

Company stage	As at 30 June 2012				As at 31 December 2011			
	Fair value		Number		Fair value		Number	
	£m	%		%	£m	%		%
Incubation projects	0.3	–	7	11%	0.2	–	6	9%
Seed businesses	6.9	4%	16	25%	5.3	4%	14	22%
Post-seed unquoted businesses	89.5	52%	26	41%	68.3	55%	29	46%
Post-seed quoted businesses	74.8	44%	15	23%	50.0	41%	15	23%
All portfolio businesses	171.5	100%	64	100%	123.8	100%	64	100%

Portfolio review continued

Post-seed quoted businesses

Further details of the Group's holdings in quoted businesses at 30 June 2012 are as follows:

Company name	Description	Group stake at 30 June 2012 %	Fair value of Group holding at 31 December 2011 £m	Six months to 30 June 2012		Fair value of Group holding at 30 June 2012 £m
				Net investment/(divestment) £m	Fair value movement £m	
Proximagen Group plc	Neuroscience therapeutic developer	7.6%	5.6	–	11.3	16.9
Retroscreen Virology Group plc	Anti-viral research, clinical trials and challenge studies	22.7%	0.6	1.5	7.4	9.5
Tissue Regenix Group plc	Regenerative dCELL [®] tissue implants	13.8%	12.6	–	(3.4)	9.2
Fusion IP plc	University intellectual property commercialisation	26.0%	8.0	–	0.9	8.9
Avacta Group plc	Specialist detection and analysis services and technologies	29.8%	2.2	2.4	2.5	7.1
Modern Water plc	Technologies to address the world's water crisis	20.9%	5.8	–	(1.1)	4.7
Tracsis plc	Crew scheduling software for the transport industry	12.6%	2.0	(0.4)	1.8	3.4
Synairgen plc	Developing respiratory disease therapeutics	10.8%	2.3	–	0.8	3.1
Oxford Advanced Surfaces Group plc	ONTO [™] surface modification technologies	14.6%	2.1	–	0.7	2.8
Oxford Catalysts Group plc	Speciality catalysts for the generation of clean fuels	5.0%	2.4	–	0.2	2.6
Ilika plc	Advanced cleantech materials discovery	9.2%	1.5	0.5	0.4	2.4
Green Chemicals plc	Environmentally friendly chemicals	24.5%	3.2	–	(1.0)	2.2
GETECH Group plc	Gravity and magnetic data analysis for the oil and gas industry	24.2%	1.4	–	0.2	1.6
Other quoted company holdings valued at less than £10m			0.9	–	(0.5)	0.4
Total			50.6	4.0	20.2	74.8

In June, Proximagen Group plc ("Proximagen"), in which IP Group has a 7.6% stake, announced that it had reached agreement on the terms of a unanimously recommended offer from USL Pharma International UK Limited, a wholly-owned subsidiary of Upsher-Smith Laboratories, Inc, for a total potential consideration of up to £356.8m. Under the terms of the acquisition, Proximagen shareholders receive an initial 320p per ordinary share in cash plus up to a further 192p in either cash or loan notes by way of a contingent value right ("CVR") which would value IP Group's holding at up to £24.6m, comprising an initial cash payment of £15.4m and CVRs potentially valued at up to £9.2m. The cash element represents a multiple of 35 times the Group's total investment in Proximagen of approximately £0.4m or a multiple of up to 57 times including the CVRs. Upsher-Smith announced the completion of the acquisition on 14 August and the Group anticipates the receipt of the initial cash payment by the end of August.

Post-seed quoted businesses continued

In May, Retroscreen Virology Group plc ("Retroscreen"), a spin-out from Queen Mary, University of London, announced its admission to AIM and a placing raising £15m of new money for the company before expenses. Retroscreen has pioneered the commercialisation of the Viral Challenge Model which enables research into viral infection and enables pharmaceutical companies to accelerate and reduce the cost of bringing antiviral therapeutics and vaccines to market. The admission and positive subsequent share price performance valued the Group's 22.7% beneficial interest in Retroscreen at £9.5m at 30 June 2012, a £7.4m unrealised fair value increase.

Fusion IP plc ("Fusion"), which has commercialisation partnerships with the University of Sheffield and Cardiff University, announced in February that Certara LP had acquired portfolio company Simcyp for \$32m. The sale of Simcyp, a modelling and simulation platform for predicting the fate of drugs in virtual populations, generated proceeds of £4m for Fusion, a 200-fold return on their investment. Fusion has announced further financings for five of its portfolio companies during the first half of the year as well as two new spin-outs following the period end. The Group's 26.0% interest in Fusion has seen a fair value increase of £0.9m during the first half of the year.

A number of the Group's other quoted portfolio businesses have announced positive results, trading updates and contract wins during the first half of the year, including Avacta Group plc ("Avacta"), Tracsis plc, Synairgen plc and GETECH Group plc.

- Avacta, which develops detection and analysis technology and services, announced in April that its half-year revenues to 31 January 2012 were £1.7m, a 72% increase on the comparative period, with its reported loss narrowing to £0.5m. The company's pre-close trading update in August revealed that the company was trading in line with forecasts, with growth in revenues and a significant reduction in operating losses.
- Tracsis plc, a University of Leeds spin-out providing operational planning software to passenger transport industries, announced three significant contract wins and, in June, released positive trading updates indicating that its year-end results to 31 July 2012 would significantly exceed market expectations. The company expects full-year revenues in excess of £8.5m and adjusted EBITDA in excess of £3m (prior year: £4.2m and £1.2m).
- Synairgen, a spin-out company from the University of Southampton, announced positive data in April from its Phase II clinical trial that was described by the charity Asthma UK as having the potential to be one of the biggest breakthroughs in asthma treatments in the past 20 years. Synairgen's trial investigated the potential for SNG001 (inhaled interferon beta) to protect asthmatics from respiratory virus infections (principally the common cold) that can spread to the lung, which are a major cause of worsening asthma symptoms. In July, Synairgen announced a £2.5m placing to enhance its primary programme for out-licensing.
- In March, GETECH, provider of gravity and magnetic data analysis for the oil and gas industry, announced revenue growth in its half-year results of 20% to £3.2m and a 22% increase in profit before tax to £0.4m. Following a number of significant contract wins, the company then also announced in July that it expected to exceed market expectations for its full-year results.

The Group's holdings in these four portfolio companies have seen a net fair value increase of £4.9m year-to-date, excluding net investment.

Portfolio review continued

Five largest holdings in post-seed unquoted businesses

Company name	Description	Group stake at 30 June 2012 %	Fair value of Group holding at 31 December 2011 £m	Six months to 30 June 2012		Fair value of Group holding at 30 June 2012 £m
				Net investment/ (divestment) £m	Fair value movement £m	
Oxford Nanopore Technologies Limited	Single molecule detection and analysis using nanopore technology	21.2%	33.4	6.7	26.4	66.5
Revolymmer Limited	Novel polymers e.g. "removable chewing gum"	11.1%	2.9	–	–	2.9
Photopharmica (Holdings) Limited	Photodynamic wound treatment	49.9%	13.0	–	(10.5)	2.5
Sustainable Resource Solutions Limited	Technology-based waste management	47.0%	1.8	0.7	–	2.5
Surrey Nanosystems Limited	Silicon-friendly nanomaterials growth process	21.0%	1.5	0.7	0.1	2.3

In May, University of Oxford spin-out Oxford Nanopore Technologies Limited ("Oxford Nanopore"), developer of revolutionary technology for direct electrical detection and analysis of single molecules, announced a £31.4m further financing, nearly all from existing investors. Following completion of the round, the Group's 21.2% beneficial interest in Oxford Nanopore is valued at £66.5m. The round followed Oxford Nanopore's presentation at February's Advances in Genome Biology and Technology ("AGBT") conference of DNA sequencing data using its novel nanopore "strand sequencing" technique and proprietary high performance electronic devices, GridION and MinION, which it intends to commercialise directly to customers during 2012.

Following the period end, in July, Revolymmer plc ("Revolymmer"), best known for its removable chewing gum, joined the AIM Market raising £25m of new money, before expenses. Revolymmer, a spin-out company from the University of Bristol, plans to use the proceeds primarily to expand the distribution of its confectionery gum products in the United States and into Europe, to fund additional regulatory dossiers in connection with its nicotine gum commercialisation and to fund the development of its consumer specialties products. Revolymmer has since announced the launch of its nicotine gum in Canada and that Julian Heslop, formerly chief financial officer of GlaxoSmithKline plc, had joined its board as non-executive director.

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 ("PDT"). Following the announcement of clinical trial results in October 2011, Photopharmica appointed corporate finance advisers to market the company and its lead therapeutic programme to potential partners. Although the exercise has generated interest in the technology, no co-development, partnership or other deal has yet been concluded. In order to reflect the level of uncertainty surrounding the future achievement of any such deal, the Group has reduced the fair value of its holding by £10.5m to £2.5m as at 30 June 2012.

Surrey NanoSystems Limited, a University of Surrey spin-out developing silicon-friendly processes for nanomaterials growth, announced in March that it had raised £4.5m from a consortium of new and existing investors led by New Wave Ventures. The funds will be used to commercialise innovations in materials to support the continued scaling of integrated circuits. These include an advanced dielectric thin film for insulation applications and a process for growing carbon-based interconnections or "vias". Progress in both of these back-end-of-line semiconductor fabrication areas is considered to be critical if manufacturers are to continue silicon's evolution to next-generation geometry sizes, operating speeds and power conservation.

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 2012				As at 31 December 2011			
	Fair value		Number		Fair value		Number	
	£m	%		%	£m	%		%
Medical Equipment & Supplies	96.7	56%	15	23%	52.0	42%	14	22%
Pharma & Biotech	24.5	14%	8	13%	25.4	21%	8	13%
Chemicals & Materials	18.7	11%	15	23%	17.5	14%	16	25%
Energy & Renewables	14.9	9%	11	17%	14.4	12%	13	20%
IT & Communications	7.7	5%	13	21%	6.4	5%	11	17%
Multiple sectors	9.0	5%	2	3%	8.1	6%	2	3%
	171.5	100%	64	100%	123.8	100%	64	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:

- Mode Diagnostics Limited, a University of Glasgow spin-out company, completed a £1m further financing that will support the company's development of novel health screening products for use in the home. Mode's target market, the self-testing market, is currently worth \$1bn and its first product, bSURE, will be a consumer-friendly test that will assess bowel health and aid the early detection of bowel cancer. Bowel cancer is the third most common cause of cancer deaths globally despite the fact that, when detected early, it is one of the most easily treatable and curable cancers. The Group's 45.7% undiluted beneficial interest is valued at £1.1m.
- Glythera Limited, a University of Bath spin-out specialising in protein/peptide functionalisation and glycosylation, completed a £2m financing round that will be tranching over the next three years. Glythera has recently established commercial operations at Newcastle's INEX incubator facility following an initial £0.6m investment split equally between IP Group and its managed fund, the Finance for Business North East Technology Fund. The next two tranches will be of similar sizes and are contingent on certain milestones being met. The Group's 32.2% undiluted beneficial interest is valued at £0.6m.

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 their 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 have 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 2012 £m	For the six months ended 30 June 2011 £m	For the year ended 31 December 2011 £m
Net portfolio gains	32.7	0.6	3.8
Other income	1.1	1.1	2.1
Change in fair value of Oxford equity rights asset	(2.5)	(3.0)	(6.0)
Administrative expenses - Modern Biosciences	(0.2)	(0.1)	(0.4)
Administrative expenses - all other businesses	(3.0)	(2.8)	(5.6)
Finance income	0.6	0.1	0.6
Taxation	-	-	-
Profit/(loss) and total comprehensive income for the period	28.7	(4.1)	(5.5)

Net portfolio gains 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 on the previous page, as well as movements in the fair value of the Group's interests in limited and limited liability partnerships.

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 during the first half at £1.1m (HY11: £1.1m; FY11: £2.1m). However, as described in the Group's 2011 Annual Report, one of the Group's managed funds, IP Venture Fund, reached the conclusion of its five-year "investment period" in August having invested over £19m across 26 of the Group's portfolio companies. As a result, it is expected other income will see a limited reduction in the second half of 2012 and beyond. The Group continues to receive management fees and has the potential to generate performance fees from the successful investment performance of both this fund and the £25m North East Technology Fund LP ("NETF"), whose "investment period" is currently anticipated to continue until the end of 2014.

The Group continues to allocate limited capital to the evaluation and development of early-stage therapeutic programmes through its subsidiary Modern Biosciences plc and intends to continue to do so for the foreseeable future, subject to the identification of early-stage programmes with an attractive risk/reward profile.

As a result of the June 2011 placing, the Group's additional on balance sheet cash and deposits have led to an increase in interest receivable during the period to £0.6m compared to the equivalent period in 2011 (HY11: £0.1m; FY11: £0.6m). It is currently expected that the Group's future finance income will fluctuate broadly in line with cash held on balance sheet and future interest rate changes.

Consolidated statement of financial position

Primarily as a result of the net fair value increase in the Group's holdings in portfolio companies, as described above, the Group's financial position has strengthened during the period with net assets increasing to £250.7m (HY11: £222.6m; FY11: £221.6m). The Group continues to have no borrowings and cash resources of £43.2m. Its diversified portfolio of holdings in private and publicly-listed companies is valued at £171.5m (HY11: £115.3m; FY11: £123.8m). "Hard" net assets, i.e. those excluding intangibles and the Oxford equity rights asset, total £220.7m at 30 June 2012 (HY11: £187.1m; FY11: £189.1m).

The Group's statement of financial position continues to include 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.

Consolidated statement of financial position continued

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 was the case in 2011, as the contract's expiry date draws closer, the directors' assessment of its carrying value under IFRS has resulted in a reduction in its fair value of £2.5m for the period (HY11: £3.0m; FY11: £6.0m). The remaining fair value of the asset will continue to be reduced until the contract's expiry date in 2015.

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 2012 £m	For the six months ended 30 June 2011 £m	For the year ended 31 December 2011 £m
Net Cash used in operating activities	(1.8)	(0.9)	(3.0)
Net Cash used in investing activities	(15.5)	(6.2)	(11.3)
Net Cash from financing activities	–	53.3	53.3
Movement during period	(17.3)	46.2	39.0

Mainly due to the increased level of capital deployed into the Group's portfolio, cash, cash equivalents and deposits decreased to £43.2m at 30 June 2012 (HY11: £67.7m; FY11: £60.5m).

Excluding the £0.6m negative cash impact of working capital changes (HY11: £0.4m positive impact), cash used in operations has remained broadly stable compared to the same period in 2011.

As described earlier, £15.8m of capital was committed into new and existing portfolio companies (HY11: £5.5m; FY11: £14.3m), partially offset by cash realisations of £0.5m (HY11: £0.2m; FY11: £3.7m). In addition, a further £0.2m was committed to IP Venture Fund (HY11: £0.2m; FY11: £0.4m) which invested a total of £1.9m across eight of the Group's portfolio companies.

Taxation

Since 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 2011 Annual Report and Accounts. The principal risks and uncertainties are summarised as follows:

- The Group's portfolio companies are generally early-stage and as a result they can have an increased risk of failure;
- It can be difficult for early-stage companies to attract capital;
- It can be difficult to generate value or realise cash proceeds from early-stage companies;
- Termination of university partnerships and other collaborative relationships with universities and research intensive institutions;
- Loss of key personnel from the Group; and
- Changes in legislation and government policy.

There have been no significant changes in the nature of these risks that will affect the next six months of the financial year.

Financial and operational review continued

Summary and outlook

While the current economic climate remains challenging, the Group has seen significant developments across a number of its portfolio companies and this has led to an overall increase in the fair value of the Group's portfolio to £171.5m. As intended following the Group's 2011 placing, the Group has continued to increase the level of capital deployed into its most promising portfolio companies and has maintained its level of operational and strategic support and development of these companies. A number of the Group's portfolio businesses continue to demonstrate increasing maturity and the directors believe that the proposed trade sale of Proximagen Group is a good example of the potential value that can be created through the Group's model.

While sources of capital for, and the risks inherent in, early-stage businesses are challenges facing the Group and its portfolio, intellectual property and its commercialisation remain important factors in economic development. The Group's core competencies in this field give the directors confidence that the Group remains well-placed to deliver medium to long-term value for shareholders.

Condensed consolidated statement of comprehensive income

For the six months ended 30 June 2012

	Note	Unaudited six months ended 30 June 2012 £m	Unaudited six months ended 30 June 2011 £m	Audited year ended 31 December 2011 £m
Portfolio return and revenue				
Change in fair value of equity and debt investments		32.3	–	0.9
Profit on disposal of equity investments		0.1	–	2.3
Change in fair value of limited and limited liability partnership interests		0.3	0.6	0.6
Revenue from services		1.1	1.1	2.1
		33.8	1.7	5.9
Administrative expenses				
Research and development expenses		(0.2)	(0.1)	(0.2)
Share-based payment charge		(0.4)	(0.3)	(0.7)
Change in fair value of Oxford equity rights asset	3	(2.5)	(3.0)	(6.0)
Other administrative expenses		(2.6)	(2.5)	(5.1)
		(5.7)	(5.9)	(12.0)
Operating profit/(loss)				
		28.1	(4.2)	(6.1)
Finance income - interest receivable		0.6	0.1	0.6
Profit/(loss) before taxation				
		28.7	(4.1)	(5.5)
Taxation		–	–	–
Profit/(loss) and total comprehensive income for the period				
		28.7	(4.1)	(5.5)
Earnings per share				
Basic (p)	2	7.84	(1.56)	(1.76)
Diluted (p)	2	7.64	(1.56)	(1.76)

Condensed consolidated statement of financial position

As at 30 June 2012

	Note	Unaudited 30 June 2012 £m	Unaudited 30 June 2011 £m	Audited 31 December 2011 £m
ASSETS				
Non-current assets				
Intangible assets:				
- goodwill		18.4	18.4	18.4
Property, plant and equipment		0.2	0.3	0.2
Equity rights and related acquisition costs	3	11.6	17.1	14.1
Portfolio:				
- equity investments	4	167.8	112.1	120.4
- debt investments	4	3.7	3.2	3.4
Other financial asset		0.7	0.8	0.7
Limited and limited liability partnership interests		3.8	3.1	3.3
Total non-current assets		206.2	155.0	160.5
Current assets				
Trade and other receivables		1.9	0.6	1.2
Deposits		23.0	35.0	50.0
Cash and cash equivalents		20.2	32.7	10.5
Total current assets		45.1	68.3	61.7
Total assets		251.3	223.3	222.2
EQUITY AND LIABILITIES				
Equity attributable to equity holders				
Called up share capital		7.3	7.3	7.3
Share premium account		150.4	150.4	150.4
Merger reserve		12.8	12.8	12.8
Retained earnings		80.2	52.1	51.1
Total equity		250.7	222.6	221.6
Current liabilities				
Trade and other payables		0.6	0.7	0.6
Total equity and liabilities		251.3	223.3	222.2

Condensed consolidated statement of cash flows

For the six months ended 30 June 2012

	Unaudited six months ended 30 June 2012 £m	Unaudited six months ended 30 June 2011 £m	Audited year ended 31 December 2011 £m
Operating activities			
Profit/(loss) before taxation	28.7	(4.1)	(5.5)
Adjusted for:			
Finance income - interest receivable	(0.6)	(0.1)	(0.6)
Change in fair value of equity and debt investments	(32.3)	-	(0.9)
Change in fair value of limited and limited liability partnership interests	(0.3)	(0.6)	(0.6)
Depreciation of property, plant and equipment	-	-	0.1
Profit on disposal of equity investments	(0.1)	-	(2.3)
Change in fair value of Oxford equity rights asset	2.5	3.0	6.0
Share-based payment charge	0.4	0.3	0.7
Changes in working capital:			
(Increase)/decrease in trade and other receivables	(0.5)	0.1	(0.1)
(Decrease)/increase in trade and other payables	(0.1)	0.3	(0.1)
Operating cash flows:			
Interest received	0.5	0.2	0.3
Net cash outflow from operating activities	(1.8)	(0.9)	(3.0)
Investing activities			
Purchase of equity and debt investments	(15.8)	(5.5)	(14.3)
Investment in limited partnership funds	(0.2)	(0.6)	(0.8)
Acquisition of subsidiary undertakings	-	(0.3)	-
Proceeds from sale of equity investments	0.5	0.2	3.7
Repayments of borrowings	-	-	0.1
Net cash outflow from investing activities	(15.5)	(6.2)	(11.3)
Financing activities			
Proceeds from the issue of share capital	-	53.3	53.3
Net cash flow from/(to) deposits	27.0	(27.5)	(42.5)
Net cash inflow from financing activities	27.0	25.8	10.8
Net increase/(decrease) in cash and cash equivalents	9.7	18.7	(3.5)
Cash and cash equivalents at the beginning of the period	10.5	14.0	14.0
Cash and cash equivalents at the end of the period	20.2	32.7	10.5

Condensed consolidated statement of changes in equity

For the six months ended 30 June 2012

	Share capital £m	Share premium £m	Merger reserve £m	Retained earnings £m	Total equity £m
At 1 January 2011 (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
Profit/(loss) and 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
Credit to equity for equity-settled share-based payments	–	–	–	0.4	0.4
Profit/(loss) and total comprehensive income for the period to 31 December 2011	–	–	–	(1.4)	(1.4)
At 31 December 2011 (audited)	7.3	150.4	12.8	51.1	221.6
Credit to equity for equity-settled share-based payments	–	–	–	0.4	0.4
Profit/(loss) and total comprehensive income for the period to 30 June 2012	–	–	–	28.7	28.7
At 30 June 2012 (unaudited)	7.3	150.4	12.8	80.2	250.7

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 focusing 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 2012 (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	32.3	–	–	32.3
Profit on disposal of equity investments	0.1	–	–	0.1
Change in fair value of limited and limited liability partnership interests	0.3	–	–	0.3
Revenue from advisory services	0.2	0.2	–	0.4
Revenue from fund management services	–	0.7	–	0.7
Change in fair value of Oxford equity rights asset	(2.5)	–	–	(2.5)
Administrative expenses	(2.7)	(0.3)	(0.2)	(3.2)
Operating profit/(loss)	27.7	0.6	(0.2)	28.1
Finance income - interest receivable	0.6	–	–	0.6
Profit/(loss) before taxation	28.3	0.6	(0.2)	28.7
Taxation	–	–	–	–
Profit/(loss) and total comprehensive income for the period	28.3	0.6	(0.2)	28.7

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
Change in fair value of Oxford equity rights asset	(3.0)	–	–	(3.0)
Administrative expenses	(1.4)	(1.4)	(0.1)	(2.9)
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)

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

1. Operating segments continued

Year ended 31 December 2011 (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	0.9	–	–	0.9
Profit on disposals of equity investments	2.3	–	–	2.3
Change in fair value of limited and limited liability partnership interests	0.6	–	–	0.6
Revenue from advisory services	0.6	–	–	0.6
Revenue from fund management services	–	1.5	–	1.5
Change in fair value of Oxford equity rights asset	(6.0)	–	–	(6.0)
Administrative expenses	(4.9)	(0.7)	(0.4)	(6.0)
Operating (loss)/profit	(6.5)	0.8	(0.4)	(6.1)
Finance income - interest receivable	0.6	–	–	0.6
(Loss)/profit before taxation	(5.9)	0.8	(0.4)	(5.5)
Taxation	–	–	–	–
(Loss)/profit and total comprehensive income for the period	(5.9)	0.8	(0.4)	(5.5)

2. Earnings per share

The basic earnings per share has been calculated by dividing the profit for the period of £28.7m (for the six-month period ended 30 June 2011: loss £4.1m; for the year ended 31 December 2011: loss £5.5m) by the weighted average number of shares of 365,763,664 in issue during the six-month period to 30 June 2012 (for the six-month period ended 30 June 2011: 263,900,650 shares; for the year ended 31 December 2011: 313,325,308).

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, a portion of the performance criteria for vesting of awards under the LTIP have been satisfied. Consequently, there are 9,384,335 potentially dilutive shares outstanding at the period.

3. Equity rights and related acquisition costs

Equity rights represent consideration paid to the University of Oxford between December 2000 and June 2001. In return for non-refundable, non-interest-bearing advances totalling £20.1m, the Group has the right to receive from the university the following over its 15-year term: 50% of the university's equity shares in any spin-out company created based on intellectual property created by academics that are considered to be part of the chemistry department (i.e. equity instruments in unlisted companies); and 50% of the university's share of any cash payments received by the university from parties who have licensed intellectual property created by academics that are considered to be part of the chemistry department. The contract expires on 23 November 2015.

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. In order to calculate a more accurate valuation figure given the multitude of possible scenarios generated when altering the discounted cash flows ("DCF") variables, a probability weighting expected return method is utilised. Having applied probabilities to the various possible scenarios, the method returned an estimated asset value of £11.4m at 30 June 2012.

3. Equity rights and related acquisition costs continued

	Equity rights £m	Contract costs £m	Total £m
At 1 January 2012	13.9	0.2	14.1
Change in fair value	(2.5)	–	(2.5)
At 30 June 2012	11.4	0.2	11.6

4. 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 2011	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
Investments during the period	5.0	2.5	1.3	–	8.8
Reclassifications during the period	1.0	–	(1.0)	–	–
Disposals during the period	(0.8)	(0.4)	–	–	(1.2)
Change in fair value in the period	0.3	0.7	(0.1)	–	0.9
At 31 December 2011	50.0	70.4	3.4	–	123.8
Investments during the period	4.4	10.1	1.3	–	15.8
Reclassifications during the period	1.1	(0.3)	(0.8)	–	–
Disposals during the period	(0.4)	–	–	–	(0.4)
Change in fair value in the period	19.7	12.8	(0.2)	–	32.3
At 30 June 2012 (unaudited)	74.8	93.0	3.7	–	171.5

5. 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 2012 £m	Unaudited six months ended 30 June 2011 £m	Audited year ended 31 December 2011 £m
Statement of comprehensive income			
Revenue from services	0.7	0.7	1.5
Statement of financial position			
Investment in limited partnerships	2.6	2.0	2.1

Notes to the half-yearly condensed set of financial statements

continued

5. Related party transactions continued

b) Key management transactions

The key management had investments with the following spin-out companies as at 30 June 2012:

Director	Company name	Number of shares held at 1 January 2012	Number of shares acquired/ (disposed) in the period	Number of shares held at 30 June 2012	%
Alan Aubrey	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	0.4%
	Capsant Neurotechnologies Limited	11,631	-	11,631	0.8%
	Chamelic Limited	26	-	26	0.3%
	Crysalin Limited	1,447	-	1,447	0.2%
	EmDot Limited	15	-	15	0.9%
	Evocutis plc	767,310	-	767,310	0.4%
	GETECH Group plc	15,000	-	15,000	0.1%
	Green Chemicals plc	108,350	-	108,350	1.1%
	Icona Solutions Limited	1,674	-	1,674	<0.1%
	Ilika plc	117,500	-	117,500	0.2%
	Karus Therapeutics Limited	223	-	223	0.1%
	Mode Diagnostics Limited	1,863	1,363	3,226	0.4%
	Modern Biosciences plc	1,185,150	-	1,185,150	2.1%
	Modern Water plc	519,269	-	519,269	0.8%
	Overlay Media Limited	32	-	32	0.8%
	Oxford Advanced Surfaces Group plc	2,172,809	-	2,172,809	1.0%
	Oxford Catalysts Group plc	122,109	-	122,109	0.1%
	Oxford Nanopore Technologies Limited	11,442	-	11,442	0.6%
	Oxford RF Sensors Limited	53,639	-	53,639	0.7%
	Oxtox Limited	25,363	-	25,363	0.2%
	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 Group plc	37,160	-	37,160	0.1%
	Revolymmer Limited	2,963	-	2,963	0.3%
	Structure Vision Limited	212	-	212	1.0%
	Surrey Nanosystems Limited	393	-	393	0.2%
Sustainable Resource Solutions Limited	25	5	30	1.4%	
Tissue Regenix Group plc	2,389,259	-	2,389,259	0.4%	
Tracsis plc	203,400	(35,390)	168,010	0.7%	
Xeros Limited	241	-	241	0.2%	

5. Related party transactions continued

b) Key management transactions continued

Director	Company name	Number of shares held at 1 January 2012	Number of shares acquired/ (disposed) in the period	Number of shares held at 30 June 2012	%
Ailison Fielding	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	0.2%
	Capsant Neurotechnologies Limited	7,847	-	7,847	0.5%
	Chamelic Limited	21	-	21	0.3%
	Crysalin Limited	1,447	-	1,447	0.2%
	EmDot Limited	14	-	14	0.8%
	Evocutis plc	354,770	-	354,770	0.2%
	Green Chemicals plc	126,181	-	126,181	1.3%
	Icona Solutions Limited	1,419	-	1,419	<0.1%
	Ilika plc	32,800	-	32,800	0.1%
	Karus Therapeutics Limited	43	-	43	<0.1%
	Mode Diagnostics Limited	1,632	-	1,632	0.2%
	Modern Biosciences plc	1,057,343	-	1,057,343	1.8%
	Modern Water plc	199,580	-	199,580	0.3%
	Overlay Media Limited	28	-	28	0.7%
	Oxford Advanced Surfaces Group plc	611,042	-	611,042	0.3%
	Oxford Catalysts Group plc	40,357	-	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	0.2%
	Pharminox Limited	274	-	274	0.1%
	Photopharmica (Holdings) Limited	27,350	-	27,350	0.7%
	Plexus Planning Limited	480	-	480	0.2%
	Retroscreen Virology Group plc	24,320	-	24,320	0.1%
	Revolmer Limited	1,198	-	1,198	0.1%
Structure Vision Limited	195	-	195	0.9%	
Surrey Nanosystems Limited	323	-	323	0.2%	
Sustainable Resource Solutions Limited	25	3	28	1.3%	
Tissue Regenix Group plc	2,279,660	-	2,279,660	0.3%	
Tracsis plc	197,750	(34,407)	163,343	0.7%	
Xeros Limited	197	-	197	0.1%	
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	0.3%
	Crysalin Limited	1,286	-	1,286	0.2%
	EmDot Limited	14	-	14	0.8%
	Green Chemicals plc	113,222	-	113,222	1.1%

Notes to the half-yearly condensed set of financial statements

continued

5. Related party transactions continued

b) Key management transactions continued

Director	Company name	Number of shares held at 1 January 2012	Number of shares acquired/ (disposed) in the period	Number of shares held at 30 June 2012	%
Mike Townend continued	Icona Solutions Limited	1,515	–	1,515	<0.1%
	Mode Diagnostics Limited	1,756	–	1,756	0.2%
	Modern Biosciences plc	1,185,150	–	1,185,150	2.1%
	Modern Water plc	575,000	–	575,000	0.9%
	Overlay Media Limited	29	–	29	0.7%
	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	0.2%
	Photopharmica (Holdings) Limited	37,020	–	37,020	1.0%
	Retroscreen Virology Group plc	37,160	–	37,160	0.1%
	Revolmer Limited	1,198	–	1,198	0.1%
	Structure Vision Limited	212	–	212	1.0%
	Surrey Nanosystems Limited	350	–	350	0.2%
	Sustainable Resource Solutions Limited	25	3	28	1.3%
	Tissue Regenix Group plc	1,950,862	–	1,950,862	0.3%
Tracsis plc	84,750	(14,746)	70,004	0.3%	
Xeros Limited	213	–	213	0.1%	
Greg Smith	Avacta Group plc	390,407	–	390,407	<0.1%
	Capsant Neurotechnologies Limited	895	–	895	0.1%
	Chamelic Limited	3	–	3	<0.1%
	Crysalin Limited	149	–	149	<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	169	361	<0.1%
	Modern Biosciences plc	313,425	–	313,425	0.5%
	Modern Water plc	7,250	–	7,250	<0.1%
	Overlay Media Limited	7	–	7	0.2%
	Oxford Catalysts Group plc	2,559	–	2,559	<0.1%
	Oxford Nanopore Technologies Limited	150	–	150	<0.1%
	Retroscreen Virology Group plc	61,340	–	61,340	0.1%
	Revolmer Limited	150	–	150	<0.1%
	Sustainable Resource Solutions Limited	8	1	9	0.4%
	Surrey Nanosystems Limited	76	–	76	<0.1%
	Tissue Regenix Group plc	175,358	–	175,358	<0.1%
Xeros Limited	33	–	33	<0.1%	

5. Related party transactions continued

b) Key management transactions continued

Director	Company name	Number of shares held at 1 January 2012	Number of shares acquired/ (disposed) in the period	Number of shares held at 30 June 2012	%
Charles Winward	Amaethon Limited - A Ordinary Shares	15	-	15	0.5%
	Amaethon Limited - B Ordinary Shares	1,766	-	1,766	0.2%
	Amaethon Limited - Ordinary Shares	3	-	3	<0.1%
	Capsant Neurotechnologies Limited	2,264	-	2,264	0.2%
	Chamelic Limited	3	-	3	<0.1%
	Crysalin Limited	189	-	189	<0.1%
	EmDot Limited	5	-	5	0.3%
	Encos Limited	6,530	-	6,530	0.3%
	Icona Solutions Limited	376	-	376	<0.1%
	Mode Diagnostics Limited	244	177	421	<0.1%
	Modern Biosciences plc	360,914	-	360,914	0.6%
	Modern Water plc	37,800	-	37,800	0.1%
	Overlay Media Limited	8	-	8	0.2%
	Oxford Advanced Surfaces Group plc	156,213	-	156,213	0.1%
	Oxford Nanopore Technologies Limited	150	-	150	<0.1%
	Oxtox Limited	3,742	-	3,742	<0.1%
	Photopharmica (Holdings) Limited	3,590	-	3,590	0.1%
	Retroscreen Virology Group plc	66,080	-	66,080	0.2%
	Revolymer Limited	150	-	150	<0.1%
	Structure Vision Limited	26	-	26	0.1%
Sustainable Resource Solutions Limited	9	1	10	0.5%	
Surrey Nanosystems Limited	87	-	87	0.1%	
Tracsis plc	56,500	-	56,500	0.2%	
Tissue Regenix Group plc	482,236	-	482,236	0.1%	
Xeros Limited	39	-	39	<0.1%	
Graham Richards	GETECH Group plc	30,000	-	30,000	0.1%
	Summit Corporation plc	662,958	-	662,958	0.1%
	Tissue Regenix Group plc	150,000	-	150,000	<0.1%
Bruce Smith	Capsant Neurotechnologies Limited	20,724	-	20,724	1.4%
	Evocutis plc	15,241	-	15,241	<0.1%
	GETECH Group plc	15,000	-	15,000	0.1%
	iQur Limited	2,000	-	2,000	0.8%
	Nanotecture Group plc	50,000	-	50,000	0.4%
	Oxford Catalysts Group plc	10,000	-	10,000	<0.1%
	Synairgen plc	200,000	-	200,000	0.3%

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

General information

The comparative financial information presented herein for the year ended 31 December 2011 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 2011 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.

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 2012.

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 2011, 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 20 August 2012, 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 2011.

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 2011 and which will form the basis of the 2012 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
20 August 2012

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 2012 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 report 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 2012 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 Auditor
United Kingdom
20 August 2012

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

Directors, secretary and advisers to the Group

Company registration number

4204490

Registered office

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(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)

Charles Stephen Winward
(Managing Director,
Top Technology Ventures)

Michael Humphrey
(Senior Independent Director)

**Professor William Graham
Richards, CBE**
(Non-executive Director)

Francis Adam Wakefield Carpenter
(Non-executive Director)

Jonathan Brooks
(Non-executive Director)

Company secretary
Angela Leach

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