

Evolving  
great ideas  
into world-changing businesses



Half-yearly Report

for the six months ended 30 June 2015  
Stock Code: IPO

## Welcome to IP Group

# IP Group plc develops intellectual property-based businesses.

**We are passionate about evolving great ideas into world-changing businesses and we achieve this by systematically helping to create, build and support outstanding intellectual property-based companies.**

We provide our portfolio companies with financial capital from our balance sheet and also from funds that we manage on behalf of others. Our **pioneering** approach to supporting our portfolio companies differentiates us from traditional venture capital companies. Beyond financial capital provision, we support our portfolio companies with strategic and commercial expertise, executive search and development, corporate finance and capital raising, and a range of administrative services.

We run the Company in a **principled** manner and we are committed to building a successful and sustainable business that will provide attractive returns over the long term for our shareholders and other stakeholders.

### Strategic Aims



To **create** and maintain a pipeline of compelling intellectual property-based opportunities



To **develop** and support these opportunities into a diversified portfolio of robust businesses



To **deliver** attractive financial returns on our asset and third party funds

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 portfolio companies within the Group's portfolio of investments.

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

# Highlights

## Financial and operational update

- Net assets excluding intangibles and the Oxford equity rights asset increased to £700.6m (HY14: £449.4m; FY14: £451.3m)
- Adjusted profit before tax of £70.1m (HY14: £15.0m; FY14: £16.2m), excluding amortisation of intangible assets and reduction in fair value of Oxford Equity Rights asset of £3.7m (HY14: £2.4m; FY14: £6.7m)
- £178.8m (net of expenses) raised through the issue of new equity capital
- Acquisition of a strategic holding in Oxford Sciences Innovation plc, broadening the Group's exposure to spin-out companies from the University of Oxford
- Modern Biosciences plc reached the first development-related milestone in its agreement with Janssen Biotech, Inc.
- Two further spin-out companies created in the US; the Group has now formed its first spin-out company from each of Columbia, Pennsylvania and Princeton universities
- Net cash and deposits at 30 June 2015: £219.6m (HY14: £122.6m; FY14: £97.3m).

## Portfolio update

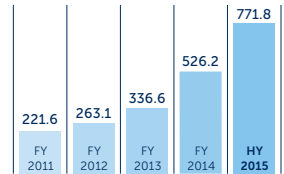
- Fair value of portfolio: £478.2m (HY14: £319.6m; FY14: £349.9m)
- Capital provided to portfolio companies and projects: £55.1m (HY14: £14.9m; FY14: £46.8m)
- Portfolio realisations: £0.4m (HY14: £3.3m; FY14: £9.7m)
- Group's portfolio companies raised approximately £80m of new capital during the half year
- Oxford Nanopore Technologies Limited held well-received "London Calling" conference and launched PromethION Early Access Programme
- Diurnal Limited made significant progress with its primary lead products for the treatment of chronic endocrine diseases
- Tissue Regenix Group plc and Actual Experience plc completed funding rounds of £20m and £15.2m respectively.

## Post-period-end update

- £30m, 8-year debt facility secured from the European Investment Bank, representing an additional source of long-term capital and an evolution in the Group's capital structure
- Oxford Nanopore Technologies Limited and Avacta Group plc completed funding rounds of £70m and £22m respectively
- Elaine Sullivan, appointed as Non-executive Director, brings further life sciences expertise to the Board.

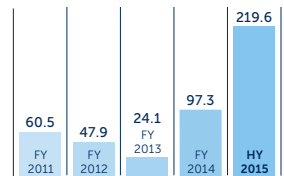
## Net assets (£m)

£771.8m (HY14: £528.6m)



## Net cash and deposits (£m)

£219.6m (HY14: £122.6m)



## What's inside

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# An extremely active and successful first half



### Summary

IP Group is passionate about evolving great ideas into world-changing businesses and we achieve this by systematically helping to create, build and support outstanding intellectual property-based companies. Our aim is to provide attractive returns over the long term for our shareholders and other stakeholders. The Group has had an active year so far in 2015 and many companies within its portfolio have made positive progress during this period.

At 30 June 2015, the fair value of the Group's 96 portfolio companies increased to £478.2m (HY14: £319.6m), reflecting a net unrealised fair value gain of £73.7m. This includes an increase in the fair value of the Group's holding in Oxford Nanopore Technologies Limited (£50.3m) based on the significant commercial and technical progress made by the company during 2015 corroborated by its £70m financing round that completed shortly after the period end. Many of the Group's portfolio companies continued to achieve significant milestones during the period, as detailed in the portfolio review. Modern Biosciences plc ("MBS"), the Group's drug-discovery subsidiary, also performed well and achieved the first development-related milestone in its agreement with Janssen Biotech, Inc., triggering the associated gross milestone payment of £3m. The goal of the collaboration is to develop new drugs for the treatment of rheumatoid arthritis and the agreement could be worth up to £176m in milestone payments plus royalties.

The Group regularly reviews its capital structure to ensure that it is able to continue to support its existing portfolio and new opportunities in all of its sectors in both the UK and the US. During the first half of the year, the Group completed two significantly oversubscribed issues of new equity capital: the first, in March, raised £124.9m (net of expenses) and the second, in May, raised net proceeds of approximately £53.9m. The majority of the proceeds from the second capital raise were used to acquire a strategic shareholding in Oxford Sciences Innovation plc, as described further below. In addition, in July, the Group secured a £30m, 8-year debt facility from the European Investment Bank ("EIB"), having fulfilled a number of criteria set by the EIB in order to obtain this funding. This additional long-term capital will allow the Group to continue to work with leading UK universities and commercialise the outstanding intellectual property that emanates from their scientific research.

In May, the Group announced that it had acquired a strategic shareholding in Oxford Sciences Innovation plc ("OSI"), thereby broadening the Group's exposure to spin-out companies from the University of Oxford. OSI is a newly formed company that, for a minimum of 15 years, will be the contractually preferred partner of the University of Oxford and its wholly owned subsidiary, Isis Innovation Limited, to provide capital to, and develop, spin-out companies based on research from the University of Oxford's Mathematical, Physical and Life Sciences Division and its Medical Sciences Division. In June, OSI completed the second round of its fundraising and announced that it had raised a total amount of £320m. IP Group participated in the initial round, along with other cornerstone investors, committing £40m of funding for an undiluted beneficial equity holding of 11.8%. Alan Aubrey, the Group's Chief Executive Officer, is a non-executive director of OSI.



For the six months to 30 June 2015, the Group deployed a total of £55.1m of capital (HY14: £14.9m) into its portfolio companies and projects, including the £40m committed to OSI. During the first half of 2015, a number of quoted and unquoted companies in the Group's portfolio announced financing rounds and this fundraising activity has continued since the period end. Excluding OSI, the Group deployed £15.1m of capital into 31 portfolio companies and projects during the period (HY14: £14.9m capital; 29 opportunities).



In the US, the Group continued to make good progress and it has now formed spin-out companies from each of the three universities with which it has a pilot commercialisation agreement. During the period, the Group took significant minority stakes in Uniformity Labs, Inc. (Princeton University), which is developing equipment, materials and software for 3D printing; and in AptaCo Inc. (Columbia University), which is developing an aptamer-based biosensing platform that is capable of providing rapid and accurate diagnostic information essential to the management of a wide range of conditions. The Group agreed to provide initial capital of up to \$1.5m and \$1.0m to each company respectively; this capital will be provided in tranches subject to successful attainment of commercial and technical milestones. Exyn Technologies Inc., which is the Group's first spin-out company from the University of Pennsylvania and has developed software to control multi-sensory including rotorcraft micro aerial vehicles as well as communication between flying vehicles, received seed financing from the Group in 2015.

In March, Mike Humphrey, who has been a member of the Group's Board since 2011, was appointed as Non-executive Chairman of the Board, replacing Dr Bruce Smith CBE who stepped down after 12 years with the Group. In July, Dr Elaine Sullivan was appointed to the Board as Non-executive Director. Dr Sullivan has over 25 years' international experience in the pharmaceutical industry, including roles with Eli Lilly and AstraZeneca, and is currently chief executive officer of Carrick Therapeutics, a specialist oncology company that she founded in early 2015.

## Outlook

In the UK, the sector in which the Group operates has continued to attract a number of new entrants resulting in more available capital, and therefore competition, to fund and support innovation and commercialisation opportunities. The Group has partnerships with 15 of the UK's and 3 of the US's leading research universities and a sector-balanced portfolio valued at £478.2m that has grown and evolved as a result of IP Group's proven ability to source and develop innovation into successful businesses over the long term. The Group continues to see opportunities for increased capital deployment within its existing portfolio and has a healthy pipeline of new and potential businesses. These factors, combined with a strong cash position of £219.6m, mean the Group is well-positioned to respond effectively to, and capitalise on, opportunities in the second half of the year.

# Interim management report

continued

## Portfolio review

### Overview

During the six months ended 30 June 2015, the value of the Group's portfolio increased to £478.2m (HY14: £319.6m; FY14: £349.9m), reflecting a net unrealised fair value gain of £73.7m, and consisted of interests in 96 companies (HY14: 86; FY14: 90). During the period, the Group provided capital to portfolio companies totalling £55.1m (HY14: £14.9m; FY14: £46.8m) and made total cash realisations of £0.4m (HY14: £3.3m; FY14: £9.7m).

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

	For the six months ended 30 June 2015 £m	For the six months ended 30 June 2014 £m	For the year ended 31 December 2014 £m
Unrealised increases in fair value of equity and debt investments	84.2	30.8	63.2
Unrealised decreases in fair value of equity and debt investments	(10.5)	(13.0)	(42.5)
Net unrealised fair value gains	73.7	17.8	20.7
(Loss)/profit on disposals of equity investments	(0.1)	1.3	1.6
Change in fair value of limited and limited liability partnership interests	0.9	0.2	0.5
<b>Total</b>	<b>74.5</b>	<b>19.3</b>	<b>22.8</b>

Unrealised increases in the fair value of equity and debt investments principally arose from an increase in the fair value of unquoted Oxford Nanopore Technologies Limited (£50.3m), which was recorded in recognition of a number of key commercial and technical developments corroborated by the financing round that closed on 21 July 2015, as well as the increases in the share prices of AIM-listed Xeros Technology Group plc (£8.3m), Avacta Group plc (£8.0m) and hVIVO plc<sup>1</sup> (£7.2m). These unrealised gains were partially offset by the fair value reductions in the Group's interests in unquoted companies Oxtox Limited (£2.0m) and Azuri Technologies Limited (£1.2m), as well as the decrease in the share price of AIM-listed Modern Water plc (£1.0m).

### Investments and realisations

During the first half of 2015, the Group deployed £55.1m of capital into 32 portfolio companies and projects (HY14: £14.9m, 29; FY14: £46.8m, 51). The majority of the capital (£40.0m) was invested in the newly formed OSI. The Group provided initial seed or incubation capital to six opportunities (HY14: five; FY14: ten). The Group exited its interest in two companies (HY14: three; FY14: four) and realised total cash proceeds during the period of £0.4m (HY14: £3.3m; FY14: £9.7m).

The Group continues to support its most promising businesses, while identifying and backing new opportunities, and in so doing has deployed an average level of capital per company of £0.5m during the period (HY14: £0.4m; FY14 £0.8m) excluding the Group's participation in the OSI financing. Including OSI, the average level of capital deployed per company is £1.7m.

<sup>1</sup> Formerly known as Retroscreen Virology Group plc.

## Portfolio analysis – by sector

The Group's portfolio consists of companies operating in four key sectors, being Healthcare, Technology, Cleantech and Biotech, as well as companies operating across all of these sectors. An analysis of the portfolio by sector is as follows:

Sector	As at 30 June 2015				As at 31 December 2014			
	Fair value		Number		Fair Value		Number	
	£m	%		%	£m	%		%
Healthcare <sup>1</sup>	264.8	55%	31	32%	204.7	59%	30	33%
Technology	71.8	15%	27	28%	58.6	17%	25	28%
Cleantech	62.0	13%	20	21%	56.2	16%	18	20%
Biotech <sup>1</sup>	34.2	7%	14	15%	24.8	7%	14	16%
Multiple sectors	45.4	10%	4	4%	5.6	1%	3	3%
	<b>478.2<sup>2</sup></b>	<b>100%</b>	<b>96</b>	<b>100%</b>	<b>349.9<sup>2</sup></b>	<b>100%</b>	<b>90</b>	<b>100%</b>

<sup>1</sup> Avacta Group plc reclassified from Healthcare to Biotech; 2014 comparatives have been restated.

<sup>2</sup> Total fair value includes £4.5m (FY14: £4.2m) attributable to minority interests represented by third party limited partners in the consolidated fund, IPVFI.

## Healthcare

Company name	Description	Quoted/ Unquoted	Group stake at 30 June 2015 %	Fair value of Group holding at 31 December 2014 £m	Net investment/ (divestment) £m	Six months to 30 June 2015 Fair value movement £m	Fair value of Group holding at 30 June 2015 £m
Oxford Nanopore Technologies Limited	Single-molecule detection. 1st application in 3rd generation DNA sequencing ("S1000 genome")	Unquoted	19.9%	128.3	0.4	50.3	179.0
hVIVO plc <sup>1</sup>	Viral challenge and "virometrics" specialist ("conquering viral disease")	Quoted	17.4%	28.4	—	7.2	35.6
Tissue Regenix Group plc	Regenerative dCELL® soft tissue body parts	Quoted	13.6%	18.0	2.5	(0.9)	19.6
Alesi Surgical Limited	Medical devices to improve the safety and efficiency of laparoscopic surgery	Unquoted	58.9%	3.9	1.4	1.2	6.5
Genomics plc	Platform for analysis and interpretation of genomic sequence data	Unquoted	18.6%	4.8	—	—	4.8
Other companies (26 companies)				18.6	1.1	(3.4)	16.3
Value not attributable to equity holders				2.7	0.3	—	3.0
<b>Total<sup>2</sup></b>				<b>204.7</b>	<b>5.7</b>	<b>54.4</b>	<b>264.8</b>

<sup>1</sup> Formerly known as Retroscreen Virology Group plc.

<sup>2</sup> Avacta Group plc reclassified from Healthcare to Biotech; 2014 comparatives have been restated.

## Interim management report

continued

The value of the Group's holdings in healthcare companies significantly increased during the period, with the value of the 31 companies increasing to £264.8m (FY14: £204.7m – restated following the reclassification of Avacta Group plc to the Biotech Sector). Significant developments included:

Oxford Nanopore Technologies Limited ("Oxford Nanopore"), a spin-out company from the University of Oxford specialising in nanopore-based electronic molecular analysis systems, announced on 21 July 2015 that it had closed a significantly oversubscribed £70m fundraising. Funds from the financing will be used to support improvements to Oxford Nanopore's existing range of products and services and to further develop and expand its innovative pipeline. Manufacturing and commercial activities will also be expanded. Oxford Nanopore's handheld device, MinION, is commercially available and registration has opened to access its high throughput/high sample number PromethION.

During the period, Oxford Nanopore announced a number of key commercial and technical developments, including the publication by MinION users of a number of applications, methods and tools; pricing for products and services aimed at low total-cost-of-ownership DNA sequencing (or other analyses); and the development and provision of products and services to simplify all parts of the nanopore-based molecular analysis workflow. These include VolTRAX for automated, programmable sample preparation and Metrichor for cloud-based analyses. The significance of these developments, coupled with the advanced status of the financing as at the period end that included final-form legal documentation having been circulated to new and existing investors, led the Group to revalue its holding in Oxford Nanopore to £179.0m, a net increase of £50.3m. Subsequent to the completion of the July 2015 financing round, the Group's interest in Oxford Nanopore will remain 19.9% and will have a fair value of £192.9m.

In January, Tissue Regenix Group plc ("Tissue Regenix"), the regenerative medical devices company, raised approximately £20m (before expenses) through a placing of new ordinary shares with both new and existing institutional shareholders. Tissue Regenix has patented "dCELL" technology that uses animal and human tissue to create a tissue scaffold, which can be used to repair diseased or worn out body parts. The proceeds of the placing will be primarily used for the development and launch of new products, including applications for meniscus repair, ligament repair and heart valve replacement, and to expand the direct salesforce for DermaPure in the US. The Group committed £2.5m to the placing and its resultant 13.6% interest had a fair value of £19.6m at 30 June 2015.

In March, Genomics plc, the Oxford-based genome analytics company, announced it had won £2m in the Small Business Research Initiative competition "Enabling Technologies for Genomics Sequence Data Analysis and Interpretation". This represents the third and largest award to Genomics plc under this scheme and it is the only company to have received three such awards. In April, Genomics plc announced a collaborative agreement with Eisai Co., Ltd, a research-based pharmaceutical company, to use Genomics plc's sophisticated statistical analyses of large-scale multi-phenotype genetic association data to inform Eisai's drug discovery process, including target selection, target validation, indication selection and repositioning.



## Technology

Company name	Description	Quoted/ Unquoted	Group stake at 30 June 2015 %	Fair value of Group holding at 31 December 2014 £m	Six months to 30 June 2015 Net investment/ (divestment) £m	Fair value movement £m	Fair value of Group holding at 30 June 2015 £m
Actual Experience plc	Optimising the human experience of networked applications	Quoted	25.2%	14.1	1.5	3.1	18.7
Tracsis plc	Resource optimisation software for the transport industry	Quoted	10.5%	11.3	—	0.1	11.4
Applied Graphene Materials plc	Producer of speciality graphene materials	Quoted	20.3%	6.2	—	2.3	8.5
Getech Group plc	Gravitational and magnetic data services for the oil, gas and mining industries	Quoted	23.4%	2.7	—	1.1	3.8
Arkivum Limited	Preservation and management of digital data	Unquoted	44.9%	2.7	0.7	0.2	3.6
Other companies (22 companies)				21.3	3.5	0.5	25.3
Value not attributable to equity holders				0.3	0.2	—	0.5
<b>Total</b>				58.6	5.9	7.3	71.8

The fair value of the Group's holdings in technology companies saw a solid increase during the period, with the value of the 27 companies increasing to £71.8m (FY14: £58.6m). Significant developments included:

Actual Experience plc, an "analytics-as-a-service" spin-out from Queen Mary University of London which listed on AIM in February 2014, raised a further £15.2m (before expenses) through a placing in June. Actual Experience has developed a proprietary cloud analytics offering, which can provide both historical and real-time analysis to customers to enable them to pinpoint quality issues within their digital supply chain and subsequently improve the digital quality of their product or service, and thus improve their digital brand. The proceeds of the placing will be primarily used to establish client-facing teams in Europe and North America, including channel development and support; to increase the size and skill base of the company's technology development team; to strengthen the company's balance sheet; and to fund the company's working capital requirements for the foreseeable future. The Group committed £1.5m to the June placing.

Applied Graphene Materials plc ("AGM"), the producer of speciality graphene materials, announced positive preliminary results in two separate independent trials; one testing the performance of graphene-reinforced polyurethane coatings, using graphene produced by AGM, and one testing the performance of base oils enhanced using graphene, also produced by AGM. In addition, AGM announced in June that it had received patent approval from the Japanese Patent Office in respect of its graphene production process.

Getech Group plc ("Getech"), the geoscience business specialising in the provision of data, studies and services to the oil, gas and mining exploration sectors, announced its interim results for the six months to 31 January 2015, which included a 16% increase in revenue and a 200% increase in profit before tax. In April, Getech completed its acquisition of the entire issued share capital of ERCL Limited, an upstream oil and gas consultancy, for an initial cash payment of £1.8m and issue of 2,176,630 ordinary shares. Getech also announced during the period a further significant multi-year contract with a major national oil company.

# Interim management report

continued

## Cleantech

Company name	Description	Quoted/ Unquoted	Group stake at 30 June 2015 %	Fair value of Group holding at 31 December 2014 £m	Net investment/ (divestment) £m	Six months to 30 June 2015 Fair value movement £m	Fair value of Group holding at 30 June 2015 £m
Xeros Technology Group plc	Polymer bead cleaning systems	Quoted	11.9%	13.8	—	8.3	22.1
Ceres Power Holdings plc	Ceramic fuel cell technology for distributed generation	Quoted	23.5%	16.4	—	(0.2)	16.2
Seren Photonics Limited	Ultra high brightness LEDs	Unquoted	66.3%	3.7	0.6	(0.1)	4.2
Iliika plc	Development of new materials for energy and electronics applications	Quoted	7.5%	4.8	—	(1.0)	3.8
Magnomatics Limited	Contactless, lubricant-free magnetic gear systems	Unquoted	51.9%	3.5	—	0.1	3.6
Other companies (15 companies)				12.8	1.1	(2.9)	11.0
Value not attributable to equity holders				1.2	0.1	(0.2)	1.1
<b>Total</b>				56.2	1.8	4.0	62.0

The Group's holdings in cleantech companies experienced a modest unrealised increase in fair value during the period, with the value of these 20 companies increasing to £62.0m (FY14: £56.2m). Significant developments included:

Xeros Technology Group plc ("Xeros"), the developer of an innovative patented polymer bead cleaning technology, announced in April that it had completed 54 installations of its commercial laundry system with a further 69 committed installations, had signed 13 incentive programmes with US utility firms for the energy and water savings achieved using Xeros' systems, and had signed 61 forward channel partners in North America, significantly expanding its sales and service capabilities. The company also announced plans for the release of a 15kg smaller machine prototype by the end of 2015 and a joint development programme with LANXESS Deutschland GmbH, a global speciality chemicals business, for leather bead processing technology.

Ceres Power Holdings plc has highlighted a number of significant operational developments during the first half of 2015, including that early test results have shown an increase of greater than 40% in the overall power density of its Steel Cell technology; that ongoing testing in South Korea with partner KD Navien is nearing completion and meeting all targets; and that the results from its joint development agreement with a leading Japanese power system company had met initial performance targets, leading to discussions on extending the relationship further.

## Biotech

Company name	Description	Quoted/ Unquoted	Group stake at 30 June 2015 %	Fair value of Group holding at 31 December 2014 £m	Six months to 30 June 2015 Net investment/ (divestment) £m	Fair value movement £m	Fair value of Group holding at 30 June 2015 £m
Avacta Group plc <sup>1</sup>	Bio-therapeutic affimer technology	Quoted	26.9%	8.4	—	8.0	16.4
Diurnal Limited	Novel treatments of hormone deficiency	Unquoted	51.7%	10.1	1.1	—	11.2
Absynth Biologics Limited	Vaccines and therapeutic antibodies based on bacterial antigens	Unquoted	45.0%	1.8	—	—	1.8
Glythera Limited	Biological therapeutics development using glycosylation technologies	Unquoted	32.2%	1.3	0.2	—	1.5
Karus Therapeutics Limited	Inflammatory disease and cancer	Unquoted	8.6%	1.5	—	—	1.5
Other companies (9 companies)				1.7	—	0.1	1.8
Value not attributable to equity holders				—	—	—	—
<b>Total<sup>1</sup></b>				24.8	1.3	8.1	34.2

<sup>1</sup> Avacta Group plc reclassified from Healthcare to Biotech; 2014 comparatives have been restated.

The fair value of the Group's holdings in biotech companies experienced a modest unrealised increase in fair value during the period, with the value of these 14 companies increasing to £34.2m (FY14: £24.8m, restated following the reclassification of Avacta Group plc from Healthcare to Biotech). Significant developments included:

In February, Avacta Group plc ("Avacta") announced the completion of the sale of the trade and selected assets of its Optim product to Unchained Labs Inc., for up to \$5m in cash, with \$3.5m being received as an initial consideration and the remainder dependent on future sales performance. In March, the company announced that it had entered into a commercial partnership with PhoreMost Limited, to discover and commercialise new drug targets, Affimer reagents and therapeutics. Following the period end, Avacta announced a £22m placing (before expenses) to fund the accelerated development of its new bio-therapeutic Affimers platform to potentially address a c.\$85bn market opportunity.

Diurnal Limited continued to make progress with both its primary lead products, Chronocort® and Infacort®. Chronocort is being developed to treat the rare disease Congenital Adrenal Hyperplasia ("CAH"). CAH occurs when the body is unable to produce cortisol, an essential hormone for regulating metabolism and responding to stress. In March 2015, Diurnal was granted Orphan Drug designation by the US Food and Drug Administration for Chronocort, which affords Diurnal seven years of market exclusivity after the award of marketing authorisation in the US, and follows a similar designation already granted by the European Medicines Agency. In the same month, Diurnal commenced a Phase 3 trial of its paediatric product, Infacort, which is being developed for the treatment of paediatric adrenal insufficiency. Following these announcements, the Group exercised its option to instigate a further £2.0m financing round in Diurnal, in which the Group contributed £1.1m.

# Interim management report

continued

## Portfolio analysis – by investment stage

At 30 June 2015, the Group's portfolio fair value of £478.2m comprises holdings in businesses that are distributed across stages of maturity as follows:

Company stage	As at 30 June 2015				As at 31 December 2014			
	Fair value		Number		Fair Value		Number	
	£m	%		%	£m	%		%
Incubation projects	2.3	1%	18	19%	0.9	—	13	13%
Seed businesses	17.1	4%	25	26%	16.0	5%	25	29%
Post-seed unquoted businesses	289.3	60%	34	35%	194.8	56%	33	37%
Post-seed quoted businesses	169.5	35%	19	20%	138.2	39%	19	21%
<b>All portfolio businesses</b>	<b>478.2<sup>1</sup></b>	<b>100%</b>	<b>96</b>	<b>100%</b>	<b>349.9<sup>1</sup></b>	<b>100%</b>	<b>90</b>	<b>100%</b>

<sup>1</sup> Total fair value includes £4.5m (FY14: £4.2m) attributable to minority interests represented by third party limited partners in the consolidated fund, IPVFI.

Incubation opportunities comprise businesses or pre-incorporation projects that are generally at a very early stage of development. Opportunities at this stage usually involve capital of less than £200,000 from IP Group, predominantly allowing for proof of concept work to be carried out. Incubation projects generally have a duration of nine to eighteen months, following which the opportunity is progressed to seed financing, terminated or retained at the pre-seed stage for a further period to allow additional proof of concept work to be carried out. Seed businesses are those that have typically received financing of up to £1m 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 £1m. Although each business can vary significantly in its rate and manner of development, such additional funding is generally used to progress towards key milestones and commercial validation, to build senior level capability in the business and to attract experienced non-executive directors to their boards. This category is further broken down into post-seed private and post-seed quoted companies. Post-seed quoted companies consist of companies quoted on either AIM or the ISDX markets.

Cash investment analysis by company stage	For the six months ended 30 June 2015 £m	For the six months ended 30 June 2014 £m	For the year ended 31 December 2014 £m
Incubation projects	1.1	1.0	0.8
Seed businesses	2.4	3.5	8.2
Post-seed unquoted businesses	47.5	5.0	22.3
Post-seed quoted businesses	4.1	5.4	15.5
<b>Total</b>	<b>55.1</b>	<b>14.9</b>	<b>46.8</b>
<b>Cash proceeds from sales of equity investments</b>	<b>0.4</b>	<b>3.3</b>	<b>9.7</b>

## 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 2015 £m	For the six months ended 30 June 2014 £m	For the year ended 31 December 2014 £m
Net portfolio gains	74.5	19.3	22.8
Licensing income	3.1	—	3.0
Other income	1.3	1.2	2.6
Change in fair value of Oxford Equity Rights asset	(0.7)	(0.9)	(1.8)
Amortisation of intangible assets	(3.0)	(1.5)	(4.9)
Administrative expenses – Modern Biosciences	(1.8)	(0.3)	(1.9)
Administrative expenses – all other businesses	(7.6)	(4.4)	(9.8)
Cost incurred in the acquisition of subsidiary	—	(1.0)	(1.1)
Finance income	0.6	0.2	0.6
<b>Profit and total comprehensive income for the period</b>	<b>66.4</b>	<b>12.6</b>	<b>9.5</b>

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 analysis above, as well as movements in the fair value of the Group's interests in limited and limited liability partnerships.

In June, Modern Biosciences plc ("MBS") achieved the first milestone of £3.0m as specified in its alliance and global option and licence agreement with Janssen Biotech, Inc. for its OsteoRX programme (£2.1m net of sub-licensing and other costs). During July, the MBS team achieved the second and third developmental milestones, triggering further gross payments totalling £5.0m that will be received by the Group during the second half of the year. The increased clinical activity being undertaken for the OsteoRX programme has resulted in increased R&D expenditure, with costs of £1.8m being incurred by MBS during the first half (HY14: £0.3m; FY14: £1.9m), and this is expected to continue as the programme develops further. MBS was established to source late-stage discovery projects from academia, conduct early proof-of-principle clinical studies and subsequently out-license the resulting programmes to the pharmaceutical industry. IP Group holds an undiluted beneficial interest of 61.1% in MBS and, as a result, its income and expenses are consolidated into those of the Group.

Other income for the first half remained relatively consistent with the equivalent period in 2014 at £1.3m (HY14: £1.2m; FY14: £2.6m). Other income comprised fund management fees, as well as consulting and similar fees, typically chargeable to its portfolio companies for services including executive search and selection as well as legal and administrative support. Fund management fees are received from the Group's three managed funds, two of which, IP Venture Fund ("IPVF") and North East Technology Fund ("NETF"), also have the potential to generate performance fees from successful investment performance. As a result of an extension by its limited partner during the period, NETF's investment period continues until the end of 2015. The fund management fees for the Group's managed funds reduce following the cessation of their investment periods. The results of the Group's third managed fund, IP Venture Fund II ("IPVFI"), are consolidated into those of the Group and accordingly the fund management fees received are not reflected in the consolidated statement of comprehensive income.

## Interim management report

continued

Other administrative expenses increased to £7.6m during the period (HY14: £4.4m; FY14: £9.9m). This was predominantly driven by the full-period impact of staff costs following the acquisition of Fusion IP plc in March 2014 and the Group's increased operational presence in the US. In addition, based on the Group's return on hard net assets to 30 June 2015, an accrual has been recognised for potential bonuses of up to £1.6m under the Group's annual incentive scheme.

### Consolidated statement of financial position

Net assets in the period increased significantly to £771.8m (HY14: £528.6m; FY14: £526.2m) as a result of the £178.8m proceeds from the placings carried out by the Group in the first quarter and the £73.7m net fair value increase in the Group's holdings in portfolio companies. These increases were offset to a limited degree by the Group's operating expenses, the reduction in fair value of the Oxford Equity Rights asset and the amortisation of intangible assets in the period.

The Group's diversified portfolio of holdings in private and publicly listed companies is valued at £478.2m (HY14: £319.6m; FY14: £349.9m). "Hard" net assets, i.e. total net assets less intangibles and the Oxford Equity Rights asset, totalled £700.6m at 30 June 2015 (HY14: £449.4m; FY14: £451.3m).

Subsequent to the period end, the Group announced that it had secured a £30m, 8-year debt facility from the European Investment Bank. The facility is intended to be disbursed in two tranches and the Group expects to draw down the first tranche during the third quarter of 2015. The facility provides IP Group with an additional source of long-term capital and represents an evolution in the Group's capital structure to support its future growth and development. The Group will use the proceeds to continue to fund UK university spin-out companies as they develop and mature.

### Cash, cash equivalents and short-term deposits ("Cash")

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

	For the six months ended 30 June 2015 £m	For the six months ended 30 June 2014 £m	For the year ended 31 December 2014 £m
Net Cash used in operating activities	(2.4)	(4.9)	(6.4)
Net Cash used in investing activities	(54.1)	(11.8)	(35.4)
Net Cash from financing activities	178.8	115.2	115.0
<b>Movement during period</b>	<b>122.3</b>	98.5	73.2

At 30 June 2015, the Group's Cash totalled £219.6m, an increase of £122.3m from a total of £97.3m at 31 December 2014, predominantly due to a net £178.8m increase from the issue of new equity capital, as noted above.

Cash used in operations has decreased from the comparable period in 2014, largely due to one-off costs directly associated with the acquisition of Fusion IP plc of approximately £1.0m in 2014, and the receipt of the initial £3.0m payment under MBS's agreement with Janssen Biotech in early 2015 that was recognised in debtors at 31 December 2014.

As described in the Portfolio review, £55.1m of capital was committed to new and existing portfolio companies (HY14: £14.9m; FY14: £46.8m), partially offset by cash realisations of £0.4m (HY14: £3.3m; FY14: £9.7m) and distributions from investments in limited partnerships of £0.6m (HY14: Nil; FY14: £1.1m).

## 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 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 2014 Annual Report and Accounts. The principal risks and uncertainties are summarised as follows:

- the returns and cash proceeds from the Group's early-stage companies can be very uncertain;
- it may be difficult for the Group and its early-stage companies to attract capital;
- universities or other research-intensive institutions may terminate their partnerships or other collaborative relationships with the Group;
- the Group may lose key personnel or fail to attract and integrate new personnel; and
- there may be changes to, or impacts from, legislation, government policy and regulation.

There have been no significant changes in the nature of these risks that will affect the next six months of the financial year, and thus the risks noted above are applicable to the forthcoming six months.

## Periodic reporting

Following the abolition of the requirement for Interim Management Statements towards the end of 2014, and given the long-term nature of its business, the Group does not intend to publish quarterly updates in the future. However, it will continue to publish relevant and material information on the Group and its portfolio companies, as and when appropriate, in addition to its annual and interim results, and seek to maintain its open and constructive approach to dialogue with its major stakeholders.

# Condensed consolidated statement of comprehensive income

For the six months ended 30 June 2015

	Note	Unaudited six months ended 30 June 2015 £m	Unaudited six months ended 30 June 2014 £m	Audited year ended 31 December 2014 £m
<b>Portfolio return and revenue</b>				
Change in fair value of equity and debt investments		73.7	17.8	20.7
(Loss)/profit on disposal of equity investments		(0.1)	1.3	1.6
Change in fair value of limited and limited liability partnership interests		0.9	0.2	0.5
Other portfolio income		—	—	0.2
Licensing income		3.1	—	3.0
Revenue from services and other income		1.3	1.2	2.4
		<b>78.9</b>	20.5	28.4
<b>Administrative expenses</b>				
Research and development expenses		(1.4)	(0.3)	(1.5)
Share-based payment charge		(0.4)	(0.2)	(0.9)
Change in fair value of Oxford Equity Rights asset	3	(0.7)	(0.9)	(1.8)
Amortisation of intangible assets	6	(3.0)	(1.5)	(4.9)
Acquisition costs		—	(1.0)	(1.1)
Other administrative expenses		(7.6)	(4.2)	(9.3)
		<b>(13.1)</b>	(8.1)	(19.5)
<b>Operating profit</b>				
		<b>65.8</b>	12.4	8.9
Finance income – interest receivable		0.6	0.2	0.6
<b>Profit before taxation</b>				
		<b>66.4</b>	12.6	9.5
Taxation		—	—	—
<b>Profit and total comprehensive income for the period</b>				
		<b>66.4</b>	12.6	9.5
<b>Attributable to:</b>				
Equity holders of the parent		66.7	12.6	9.1
Non-controlling interest		(0.3)	—	0.4
		<b>66.4</b>	12.6	9.5
<b>Earnings per share</b>				
Basic (p)	2	12.92	2.83	1.97
Diluted (p)	2	12.89	2.81	1.96



# Condensed consolidated statement of financial position

As at 30 June 2015

	Note	Unaudited 30 June 2015 £m	Unaudited 30 June 2014 £m	Audited 31 December 2014 £m
<b>ASSETS</b>				
<b>Non-current assets</b>				
Intangible assets:				
– goodwill	7	57.1	57.1	57.1
– acquired intangible asset	6	13.5	19.9	16.5
Property, plant and equipment		0.2	0.2	0.2
Oxford Equity Rights asset and related contract costs	3	0.6	2.2	1.3
Portfolio:				
– equity investments	4	473.0	315.3	345.9
– debt investments	4	5.2	4.3	4.0
Limited and limited liability partnership interests		4.9	5.3	4.6
Other financial asset		–	0.7	–
Contingent value rights		1.4	1.4	1.4
<b>Total non-current assets</b>		<b>555.9</b>	406.4	431.0
<b>Current assets</b>				
Trade and other receivables		5.6	3.3	4.8
Deposits		50.0	15.0	30.0
Cash and cash equivalents		169.6	107.6	67.3
<b>Total current assets</b>		<b>225.2</b>	125.9	102.1
<b>Total assets</b>		<b>781.1</b>	532.3	533.1
<b>EQUITY AND LIABILITIES</b>				
<b>Equity attributable to equity holders</b>				
Called up share capital		11.3	9.6	9.6
Share premium account		504.7	327.6	327.6
Merger reserve		12.8	12.8	12.8
Retained earnings		243.3	179.0	176.2
<b>Total equity attributable to equity holders</b>		<b>772.1</b>	529.0	526.2
Non-controlling interest		(0.3)	(0.4)	–
<b>Total equity</b>		<b>771.8</b>	528.6	526.2
<b>Current liabilities</b>				
Trade and other payables		4.0	1.4	2.1
<b>Non-current liabilities</b>				
Loans from limited partners of consolidated funds		5.1	2.0	4.5
Contingent loans from university partners		0.2	0.3	0.3
<b>Total equity and liabilities</b>		<b>781.1</b>	532.3	533.1

# Condensed consolidated statement of cash flows

For the six months ended 30 June 2015

	Unaudited six months ended 30 June 2015 £m	Unaudited six months ended 30 June 2014 £m	Audited year ended 31 December 2014 £m
<b>Operating activities</b>			
Profit before taxation	66.4	12.6	9.5
<b>Adjusted for:</b>			
Finance income – interest receivable	(0.6)	(0.2)	(0.6)
Change in fair value of equity and debt investments	(73.7)	(17.8)	(20.7)
Change in fair value of limited and limited liability partnership interests	(0.9)	(0.2)	(0.5)
Loss/(profit) on disposal of equity investments	0.1	(1.3)	(1.6)
Depreciation of property, plant and equipment	–	–	0.1
Amortisation of intangible assets	3.0	1.5	4.9
Change in fair value of Oxford Equity Rights asset	0.7	0.9	1.8
Share-based payment charge	0.4	0.2	0.9
Other portfolio income	–	–	(0.2)
<b>Changes in working capital:</b>			
Increase in trade and other receivables	(0.5)	(0.3)	(3.2)
Increase/(decrease) in trade and other payables	1.9	(1.1)	(0.5)
Increase in non-current liabilities	0.5	0.6	3.2
Net cash flow to deposits	(20.0)	(10.0)	(25.0)
<b>Operating cash flows:</b>			
Interest received	0.3	0.2	0.5
<b>Net cash outflow from operating activities</b>	<b>(22.4)</b>	<b>(14.9)</b>	<b>(31.4)</b>
<b>Investing activities</b>			
Purchase of property, plant and equipment	–	–	(0.1)
Purchase of equity and debt investments	(55.1)	(14.9)	(46.8)
Investment in limited and limited liability partnerships	–	(0.2)	(0.3)
Proceeds from sale of equity and debt investments	0.4	3.3	9.7
Distributions from limited and limited liability partnerships	0.6	–	1.1
Proceeds from other financial asset	–	–	0.8
Other portfolio income received	–	–	0.2
<b>Net cash outflow from investing activities</b>	<b>(54.1)</b>	<b>(11.8)</b>	<b>(35.4)</b>
<b>Financing activities</b>			
Proceeds from the issue of share capital	178.8	97.6	97.4
Acquisition of subsidiary, net of cash acquired	–	17.6	17.6
<b>Net cash inflow from financing activities</b>	<b>178.8</b>	<b>115.2</b>	<b>115.0</b>
<b>Net increase in cash and cash equivalents</b>	<b>102.3</b>	<b>88.5</b>	<b>48.2</b>
Cash and cash equivalents at the beginning of the period	67.3	19.1	19.1
<b>Cash and cash equivalents at the end of the period</b>	<b>169.6</b>	<b>107.6</b>	<b>67.3</b>

## Condensed consolidated statement of changes in equity

For the six months ended 30 June 2015

	Attributable to equity holders of the parent				Total £m	Non- controlling interest £m	Total equity £m
	Share capital £m	Share premium £m	Merger reserve £m	Retained earnings £m			
At 1 January 2014 (audited)	7.5	150.4	12.8	166.3	337.0	(0.4)	336.6
Share-based payment charge	—	—	—	0.2	0.2	—	0.2
Issue of ordinary shares in connection with the Group's LTIP	0.1	—	—	(0.1)	—	—	—
Issue of equity	2.0	177.2	—	—	179.2	—	179.2
Profit and total comprehensive income for the period to 30 June 2014	—	—	—	12.6	12.6	—	12.6
At 30 June 2014 (unaudited)	9.6	327.6	12.8	179.0	529.0	(0.4)	528.6
Share-based payment charge	—	—	—	0.7	0.7	—	0.7
Profit and total comprehensive income for the period to 31 December 2014	—	—	—	(3.5)	(3.5)	0.4	(3.1)
At 31 December 2014 (audited)	<b>9.6</b>	<b>327.6</b>	<b>12.8</b>	<b>176.2</b>	<b>526.2</b>	—	<b>526.2</b>
Share-based payment charge	—	—	—	0.4	0.4	—	0.4
Issue of equity	<b>1.7</b>	<b>177.1</b>	—	—	<b>178.8</b>	—	<b>178.8</b>
Profit and total comprehensive income for the period to 30 June 2015	—	—	—	66.7	66.7	(0.3)	66.4
<b>At 30 June 2015 (unaudited)</b>	<b>11.3</b>	<b>504.7</b>	<b>12.8</b>	<b>243.3</b>	<b>772.1</b>	<b>(0.3)</b>	<b>771.8</b>

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

## 1. Operating segments

For both the period ended 30 June 2015 and the year ended 31 December 2014, the Group's revenue and profit/loss before taxation were derived almost entirely from its principal activities within the UK. Though the Group has nascent operations in the US, the associated revenues and costs are currently immaterial and accordingly no additional geographical disclosures are given. For management reporting purposes, the Group is currently organised into three operating segments: (i) the commercialisation of intellectual property via the formation of long-term partner relationships with universities; (ii) the management of venture funds focusing on early-stage UK technology companies; and (iii) the in-licensing of druggable intellectual property from research-intensive institutions.

	University partnership business £m	Venture capital fund management £m	In-licensing activity £m	Consolidated £m
<b>Six months ended 30 June 2015 (unaudited)</b>				
<b>STATEMENT OF COMPREHENSIVE INCOME</b>				
<b>Portfolio return and revenue</b>				
Change in fair value of equity and debt investments	73.7	—	—	73.7
Loss on disposal of equity investments	(0.1)	—	—	(0.1)
Change in fair value of limited and limited liability partnership interests	0.9	—	—	0.9
Other portfolio income	—	—	—	—
Licensing income	0.1	—	3.0	3.1
Revenue from services and other income	0.5	0.1	—	0.6
Revenue from fund management services	—	0.7	—	0.7
Change in fair value of Oxford Equity Rights asset	(0.7)	—	—	(0.7)
Amortisation of intangible assets	(3.0)	—	—	(3.0)
Administrative expenses	(7.2)	(0.4)	(1.8)	(9.4)
<b>Operating profit</b>	<b>64.2</b>	<b>0.4</b>	<b>1.2</b>	<b>65.8</b>
Finance income – interest receivable	0.6	—	—	0.6
<b>Profit before taxation</b>	<b>64.8</b>	<b>0.4</b>	<b>1.2</b>	<b>66.4</b>
Taxation	—	—	—	—
<b>Profit and total comprehensive income for the period</b>	<b>64.8</b>	<b>0.4</b>	<b>1.2</b>	<b>66.4</b>
<b>STATEMENT OF FINANCIAL POSITION</b>				
Assets	767.2	9.8	4.1	781.1
Liabilities	(9.2)	—	(0.1)	(9.3)
Net assets	758.0	9.8	4.0	771.8
<b>Other segment items</b>				
Capital expenditure	—	—	—	—
Depreciation	—	—	—	—

Six months ended 30 June 2014 (unaudited)	University partnership business £m	Venture capital fund management £m	In-licensing activity £m	Consolidated £m
<b>STATEMENT OF COMPREHENSIVE INCOME</b>				
<b>Portfolio return and revenue</b>				
Change in fair value of equity and debt investments	17.8	—	—	17.8
Profit on disposal of equity investments	1.3	—	—	1.3
Change in fair value of limited and limited liability partnership interests	0.2	—	—	0.2
Other portfolio income	—	—	—	—
Licensing income	—	—	—	—
Revenue from services and other income	0.4	0.1	—	0.5
Revenue from fund management services	—	0.7	—	0.7
Change in fair value of Oxford Equity Rights asset	(0.9)	—	—	(0.9)
Amortisation of intangible assets	(1.5)	—	—	(1.5)
Administrative expenses	(4.8)	(0.5)	(0.4)	(5.7)
<b>Operating profit/(loss)</b>	<b>12.5</b>	<b>0.3</b>	<b>(0.4)</b>	<b>12.4</b>
Finance income – interest receivable	0.2	—	—	0.2
<b>Profit/(loss) before taxation</b>	<b>12.7</b>	<b>0.3</b>	<b>(0.4)</b>	<b>12.6</b>
Taxation	—	—	—	—
<b>Profit/(loss) and total comprehensive income for the period</b>	<b>12.7</b>	<b>0.3</b>	<b>(0.4)</b>	<b>12.6</b>
<b>STATEMENT OF FINANCIAL POSITION</b>				
Assets	525.2	6.7	0.4	532.3
Liabilities	(3.6)	—	(0.1)	(3.7)
Net assets	521.6	6.7	0.3	528.6
<b>Other segment items</b>				
Capital expenditure	—	—	—	—
Depreciation	—	—	—	—

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

continued

## 1. Operating segments continued

Year ended 31 December 2014 (audited)	University partnership business £m	Venture capital fund management £m	In-licensing activity £m	Consolidated £m
<b>STATEMENT OF COMPREHENSIVE INCOME</b>				
<b>Portfolio return and revenue</b>				
Change in fair value of equity and debt investments	20.7	—	—	20.7
Profit on disposal of equity investments	1.6	—	—	1.6
Change in fair value of limited and limited liability partnership interests	0.5	—	—	0.5
Other portfolio income	0.2	—	—	0.2
Licensing income	—	—	3.0	3.0
Revenue from services and other income	0.8	0.3	—	1.1
Revenue from fund management services	—	1.3	—	1.3
Change in fair value of Oxford Equity Rights asset	(1.8)	—	—	(1.8)
Amortisation of intangible assets	(4.9)	—	—	(4.9)
Administrative expenses	(9.5)	(1.4)	(1.9)	(12.8)
<b>Operating profit</b>	<b>7.6</b>	<b>0.2</b>	<b>1.1</b>	<b>8.9</b>
Finance income – interest receivable	0.6	—	—	0.6
<b>Profit before taxation</b>	<b>8.2</b>	<b>0.2</b>	<b>1.1</b>	<b>9.5</b>
Taxation	—	—	—	—
<b>Profit and total comprehensive income for the year</b>	<b>8.2</b>	<b>0.2</b>	<b>1.1</b>	<b>9.5</b>
<b>STATEMENT OF FINANCIAL POSITION</b>				
Assets	520.6	9.4	3.1	533.1
Liabilities	(5.8)	(0.1)	(1.0)	(6.9)
Net assets	514.8	9.3	2.1	526.2
<b>Other segment items</b>				
Capital expenditure	(0.1)	—	—	(0.1)
Depreciation	(0.1)	—	—	(0.1)

## 2. Earnings per share

	Unaudited six months ended 30 June 2015 £m	Unaudited six months ended 30 June 2014 £m	Audited year ended 31 December 2014 £m
<b>Earnings</b>			
Earnings for the purposes of basic and dilutive earnings per share	66.7	12.6	9.1
	Unaudited six months ended 30 June 2015 Number of shares	Unaudited six months ended 30 June 2014 Number of shares	Audited year ended 31 December 2014 Number of shares
<b>Number of shares</b>			
Weighted average number of ordinary shares for the purposes of basic earnings per share	516,340,803	445,126,771	462,466,944
Effect of dilutive potential ordinary shares: Long-Term Incentive Plan	1,188,606	2,070,860	2,523,968
Weighted average number of ordinary shares for the purposes of diluted earnings per share	517,529,409	447,197,631	464,990,912

The Group has two classes of potentially dilutive ordinary shares. There are the contingently issuable shares arising under the Group's LTIP and the Former Fusion IP LTIP, and the options issued as part of the Group's Share-Save Scheme and Deferred Bonus Share Plan (for annual bonuses deferred under the terms of the Group's annual incentive scheme). Based upon information available at the end of the reporting period, an element of the performance criteria for vesting of awards under the LTIP has been satisfied.

## 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 the non-refundable, non-interest bearing advance 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 that is formed based on intellectual property created by academics that are considered to be part of the Department of Chemistry (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 Department of Chemistry.

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 £0.6m at 30 June 2015. Additional details can be located in the Group's Annual Report and Accounts for the year ended 31 December 2014.

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

continued

## 3. Equity rights and related acquisition costs continued

	Equity rights £m	Contract costs £m	Total £m
<b>Cost</b>			
<b>At 1 January 2014, 30 June 2014, 31 December 2014 and 1 January 2015</b>	<b>19.9</b>	<b>0.5</b>	<b>20.4</b>
<b>Aggregate amortisation and change in fair value of contract costs</b>			
At 1 January 2014	(17.0)	(0.3)	(17.3)
Change in fair value during the period	(0.9)	—	(0.9)
At 30 June 2014	(17.9)	(0.3)	(18.2)
Change in fair value during the period	(0.9)	—	(0.9)
At 31 December 2014	(18.8)	(0.3)	(19.1)
Change in fair value during the period	(0.7)	—	(0.7)
<b>At 30 June 2015</b>	<b>(19.5)</b>	<b>(0.3)</b>	<b>(19.8)</b>
<b>Net book value</b>			
At 31 December 2013	2.9	0.2	3.1
At 30 June 2014 (Unaudited)	2.0	0.2	2.2
At 31 December 2014	1.1	0.2	1.3
<b>At 30 June 2015 (Unaudited)</b>	<b>0.4</b>	<b>0.2</b>	<b>0.6</b>

## 4. Investment portfolio

The accounting policies in regards to valuations in the Half-yearly Report are the same as those applied by the Group in its audited consolidated financial statements for the year ended 31 December 2014 and which will form the basis of the 2015 Annual Report and Accounts. Investments are designated as fair value through profit or loss and are initially recognised at fair value and any gains or losses arising from subsequent changes in fair value are presented in profit or loss in the statement of comprehensive income in the period in which they arise.

The Group classifies financial assets using a fair value hierarchy that reflects the significance of the inputs used in making the related fair value measurements. The level in the fair value hierarchy within which a financial asset is classified is determined on the basis of the lowest level input that is significant to that asset's fair value measurement. The fair value hierarchy has the following levels:

- Level 1 – Quoted prices in active markets.
- Level 2 – Inputs other than quoted prices that are observable, such as prices from market transactions. These are mainly based on prices determined from recent investments in the last twelve months.
- Level 3 – One or more inputs that are not based on observable market data.



	Level 1	Level 2	Level 3		Total £m
	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 unquoted spin-out companies £m	
At 1 January 2014	135.1	131.0	2.8	17.0	285.9
Investments during the period	5.5	8.9	0.5	—	14.9
Acquired with Fusion IP	—	11.1	2.4	11.4	24.9
Fusion IP reclassified as subsidiary	(20.5)	—	—	—	(20.5)
Transaction-based reclassifications during the period	—	1.2	(1.2)	—	—
Other transfers between hierarchy levels during the period	9.2	(3.9)	0.2	(5.5)	—
Disposals during the period	(1.2)	(2.2)	—	—	(3.4)
Change in fair value of equity and debt investments in the period	18.8	1.5	(0.3)	(2.2)	17.8
<b>At 30 June 2014 (unaudited)</b>	<b>146.9</b>	<b>147.6</b>	<b>4.4</b>	<b>20.7</b>	<b>319.6</b>
Investments during the period	5.9	23.9	2.1	—	31.9
Transaction-based reclassifications during the period	—	1.9	(1.9)	—	—
Other transfers between hierarchy levels during the period	11.2	(8.4)	(0.2)	(2.6)	—
Disposals during the period	(4.5)	—	—	—	(4.5)
Change in fair value of equity and debt investments in the period	(21.3)	28.2	(0.4)	(3.6)	2.9
At 31 December 2014	<b>138.2</b>	<b>193.2</b>	<b>4.0</b>	<b>14.5</b>	<b>349.9</b>
Investments during the period	<b>4.0</b>	<b>48.7</b>	<b>2.3</b>	<b>0.1</b>	<b>55.1</b>
Transaction-based reclassifications during the period	—	<b>0.2</b>	<b>(0.2)</b>	—	—
Other transfers between hierarchy levels during the period	—	<b>(13.3)</b>	—	<b>13.3</b>	—
Disposals during the period	—	—	<b>(0.2)</b>	<b>(0.3)</b>	<b>(0.5)</b>
Change in fair value of equity and debt investments in the period	<b>27.2</b>	<b>50.9</b>	<b>(0.7)</b>	<b>(3.7)</b>	<b>73.7</b>
<b>At 30 June 2015 (unaudited)</b>	<b>169.4</b>	<b>279.7</b>	<b>5.2</b>	<b>23.9</b>	<b>478.2</b>

Fair values of unquoted spin-out companies classified as Level 3 in the fair value hierarchy have been determined in part or in full by valuation techniques that are not supported by observable market prices or rates. Investments in 30 companies have been classified as Level 3 and the individual valuations for each of these have been arrived at using the following valuation method:

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

continued

## 4. Investment portfolio continued

Where fair values are based upon the most recent market transaction, but that transaction occurred more than twelve months prior to the balance sheet date, the investments are classified as Level 3 in the fair value hierarchy. The fair values of investments categorised as Level 3 are analysed on a monthly basis to consider indicators which may make the most recent investment no longer a representation of fair value. Due to the nature of the investments, observable market inputs are not commonly available therefore consideration of indicators of a change in fair value focus on the companies' performance and achievement of technical and commercial milestones.

Where indicators of a change in fair value against the most recent market transaction are identified, any adjustment to arrive at fair value is based on objective data from the company and the experience and judgement of the Group.

If the fair value of all Level 3 investments were to decrease by 10%, the net assets figure would decrease by £2.4m, with a corresponding increase if the unobservable inputs were to increase by 10%.

For assets and liabilities that are recognised at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. Transfers between tiers are then made as if the transfer took place on the first day of the period in question.

If the assumptions used in the valuation techniques for the Group's holding in each company are varied by using a range of possible alternatives, there is no material difference to the carrying value of the respective spin-out company. The effect on the consolidated statement of comprehensive income for the period is also not expected to be material.

Transfers between Level 2 and 1 occur when a previously unquoted investment undertakes an initial public offering, resulting in its equity becoming quoted on an active market. In the current period there were no transfers of this nature.

Transfers between Level 1 and Level 2 would occur when a quoted investment's market becomes inactive. There have been no such instances in the current period.

Transfers between Level 3 and Level 2 occur when an investment, for which the penultimate funding round occurred more than twelve months before the prior period end, undertakes an investment round during the period that results in an observable market price. In the current period, transfers of this nature amounted to £0.9m.

Transfers between Level 2 and Level 3 occur when the balance sheet date becomes more than twelve months after an investment's most recent funding round, at which point the price is deemed to be unobservable. In the current period transfers of this nature amounted to £14.2m.

The fair value changes in Level 3 investments have amounted to a loss of £3.7m in the period, recognised as change in fair value of equity and debt investments in the condensed consolidated statement of comprehensive income.

## 5. Share capital

	Unaudited 30 June 2015 £m	Unaudited 30 June 2014 £m	Audited 31 December 2014 £m
Issued and fully paid:			
564,619,369 ordinary shares of 2p each (HY14: 479,524,397; FY14: 479,524,397)	11.3	9.6	9.6

In March 2015, the Group raised £128m (before expenses) through the issuance of 56,888,888 shares at a price of £2.25 per share.

Additionally, in March 2015, the Company issued 1,552,144 new ordinary shares in order to settle conditional awards made under the Group's LTIP in 2012 that achieved their vesting conditions and consequently became issuable to the Group's employees.

In May 2015, the Group raised £55m (before expenses) through the issuance of 26,500,000 shares at a price of £2.08 per share.

Additionally, in May 2015, the Company issued 153,940 new ordinary shares following the exercise of nil-cost options awarded under the Company's Deferred Bonus Share Plan by certain of the Company's Executive Directors and other employees.

The Company has one class of ordinary shares, each with a par value of 2p and carrying equal voting rights, equal rights to income and distributions of assets on liquidation, or otherwise, and no right to fixed income.

## 6. Acquired intangible assets

	Total £m
<b>Cost</b>	
At 1 January 2014	—
Additions through acquisition of subsidiary	21.4
<b>At 30 June 2014, 31 December 2014 and 30 June 2015</b>	<b>21.4</b>
<b>Accumulated amortisation</b>	
At 1 January 2014	—
Charge for the period	(1.5)
At 30 June 2014	(1.5)
Charge for the period	(3.4)
At 31 December 2014	(4.9)
Charge for the period	(3.0)
<b>At 30 June 2015</b>	<b>(7.9)</b>
<b>Net book value</b>	
At 31 December 2013	—
At 30 June 2014	19.9
At 31 December 2014	16.5
<b>At 30 June 2015</b>	<b>13.5</b>

The intangible assets represent contractual arrangements and memorandums of understanding with four UK universities acquired through acquisition of a subsidiary. The contractual arrangements have fixed terms and, consequently, the intangible assets have finite lives that align with the remaining terms which, at the end of the period, range from 17 months to 38 months. The individual contractual arrangements are amortised in a straight line over the remainder of their terms with the expense being presented directly on the primary statements.

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

continued

## 7. Goodwill

	£m
At 1 January 2014	18.4
Recognised on acquisition of subsidiary	38.7
At 30 June 2014	57.1
At 1 January 2015	57.1
<b>At 30 June 2015</b>	<b>57.1</b>

Goodwill represents the excess of the cost of an acquisition over the fair value of the net identifiable assets of acquired subsidiaries at the date of acquisition. Included in the balance sheet of the Group, at 30 June 2015, is goodwill of £57.1m. This arose from the Group's acquisition of Top Technology Ventures Limited in June 2004 (£2.1m), Techtran Group Limited in January 2005 (£16.3m) and the acquisition of Fusion IP plc in March 2014 (£38.7m). Goodwill is allocated from the acquisition date to each of the Group's cash-generating units ("CGUs") that are expected to benefit from the business combination. Goodwill may be allocated to CGUs in both the acquired business and in the existing business.

The Group conducts annual impairment tests on the carrying value of goodwill, based on the recoverable amount of the CGUs to which the goodwill has been allocated. The goodwill allocated to each CGU is summarised in the table below. A number of both value-in-use and fair-value-less-costs-to-sale calculations are used to assess the recoverable values of the CGUs, details of which are specified in the audited consolidated financial statements for the year ended 31 December 2014.

	University partnership CGU £m	Fund management CGU £m	Total £m
At 1 January 2014	16.3	2.1	18.4
At 30 June 2014	55.0	2.1	57.1
At 31 December 2014	55.0	2.1	57.1
<b>At 30 June 2015</b>	<b>55.0</b>	<b>2.1</b>	<b>57.1</b>

During the period to 30 June 2015, no factors indicating potential impairment of goodwill were noted and, as a result, no impairment review was deemed necessary.

## 8. 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, while unable to exert significant influence over them, do perform the day-to-day operational tasks. The following amounts have been included in respect of these limited partnerships:

	Unaudited six months ended 30 June 2015 £m	Unaudited six months ended 30 June 2014 £m	Audited year ended 31 December 2014 £m
<b>Statement of comprehensive income</b>			
Revenue from services	0.7	0.7	1.3
<b>Statement of financial position</b>			
Investment in limited partnerships	3.6	4.0	3.2

## b) Key management transactions

The following key management held shares in the following spin-out companies as at 30 June 2015:

Director	Company name	Number of shares held at 1 January 2015	Number of shares acquired/ (disposed) in the period	Number of shares held at 30 June 2015	% of issued capital
Alan Aubrey	Alesi Surgical Limited <sup>1</sup>	–	18	18	0.2%
	Armaethon Limited – A Shares	104	–	104	3.1%
	Armaethon Limited – B Shares	11,966	–	11,966	1.0%
	Armaethon Limited – Ordinary shares	21	–	21	0.3%
	Avacta Group plc	20,276,113	–	20,276,113	0.4%
	Capsant Neurotechnologies Limited	11,631	–	11,631	0.8%
	Chamelic Limited	26	–	26	0.4%
	Cloud Sustainability Limited	19	7	26	0.5%
	Crysalin Limited	1,447	–	1,447	0.1%
	Diurnal Limited	–	30	30	<0.1%
	EmDot Limited	15	–	15	0.9%
	Evocutis plc	767,310	–	767,310	0.1%
	Getech Group plc	15,000	–	15,000	<0.1%
	Green Chemicals plc	108,350	–	108,350	0.8%
	Illika plc	69,290	–	69,290	0.1%
	Karus Therapeutics Limited	223	–	223	<0.1%
	Mode Diagnostics Limited – Ordinary shares	3,226	–	3,226	0.4%
	Mode Diagnostics Limited – A shares	229	–	229	0.5%
	Modern Biosciences plc	1,185,150	–	1,185,150	1.7%
	Modern Water plc	519,269	–	519,269	0.7%
	Oxford Advanced Surfaces Group plc	2,172,809	–	2,172,809	1.1%
	Oxford Nanopore Technologies Limited	115,666	–	115,666	0.5%
	Oxtox Limited	25,363	–	25,363	0.1%
	Plexus Planning Limited	1,732	–	1,732	0.6%
	hVIVO plc <sup>2</sup>	37,160	–	37,160	<0.1%
	Revolymmer plc	88,890	–	88,890	0.2%
	Salunda Limited	53,639	–	53,639	<0.1%
	Structure Vision Limited	212	–	212	1.0%
	Surrey Nanosystems Limited	453	–	453	0.3%
	Sustainable Resource Solutions Limited <sup>3</sup>	30	–	30	1.3%
	Tissue Regenix Group plc	2,389,259	–	2,389,259	0.3%
	Tracsis plc	121,189	–	121,189	0.5%
	Xeros Technology Group plc	40,166	–	40,166	<0.1%

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

continued

## 8. Related party transactions continued

Director	Company name	Number of shares held at 1 January 2015	Number of shares acquired/ (disposed) in the period	Number of shares held at 30 June 2015	% of issued capital
<b>Mike Townend</b>	Amaethon Limited – A Shares	104	–	104	3.1%
	Amaethon Limited – B Shares	11,966	–	11,966	1.0%
	Amaethon Limited – Ordinary shares	21	–	21	0.3%
	Avacta Group plc	931,367	–	931,367	<0.1%
	Capsant Neurotechnologies Limited	11,282	–	11,282	0.8%
	Chamelic Limited	23	–	23	0.4%
	Cloud Sustainability Limited	18	7	25	0.5%
	Crysalin Limited	1,286	–	1,286	0.1%
	Diurnal Limited	–	30	30	<0.1%
	EmDot Limited	14	–	14	0.8%
	Getech Group plc	20,000	–	20,000	<0.1%
	Green Chemicals plc	113,222	–	113,222	0.8%
	Ilika plc	10,000	–	10,000	<0.1%
	Mode Diagnostics Limited	1,756	–	1,756	0.1%
	Modern Biosciences plc	1,185,150	–	1,185,150	1.7%
	Modern Water plc	575,000	–	575,000	0.7%
	Oxford Advanced Surfaces Group plc	932,994	–	932,994	0.5%
	Oxford Advanced Surfaces Limited	5,000	–	5,000	0.2%
	Oxford Nanopore Technologies Limited	35,280	111	35,391	0.2%
	Oxtox Limited	25,363	–	25,363	0.1%
	hVIVO plc <sup>2</sup>	37,160	–	37,160	<0.1%
	Revolymr plc	35,940	–	35,940	<0.1%
	Structure Vision Limited	212	–	212	1.0%
	Surrey Nanosystems Limited	404	–	404	0.2%
	Sustainable Resource Solutions Limited <sup>3</sup>	28	–	28	1.2%
	Tissue Regenix Group plc	1,950,862	–	1,950,862	0.3%
	Tracsis plc	25,430	–	25,430	<0.1%
Xeros Technology Group plc	35,499	–	35,499	3.1%	
<b>Greg Smith</b>	Alesi Surgical Limited <sup>4</sup>	–	2	2	<0.1%
	Avacta Group plc	390,407	–	390,407	<0.1%
	Capsant Neurotechnologies Limited	896	–	896	<0.1%
	Chamelic Limited	3	–	3	<0.1%
	Cloud Sustainability Limited	6	2	8	0.1%
	Crysalin Limited	149	–	149	<0.1%
	Diurnal Limited	–	30	30	<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	4,830	–	4,830	<0.1%
	Mode Diagnostics Limited – Ordinary shares	361	–	361	<0.1%
	Mode Diagnostics Limited – A shares	28	500	528	<0.1%
	Modern Biosciences plc	313,425	–	313,425	0.5%
	Modern Water plc	7,250	–	7,250	<0.1%
	Oxford Nanopore Technologies Limited	1,500	81	1,581	<0.1%
	hVIVO plc <sup>2</sup>	61,340	–	61,340	<0.1%
	Revolymr plc	4,500	–	4,500	<0.1%
	Summit Therapeutics plc	798	–	798	<0.1%
	Surrey Nanosystems Limited	88	–	88	<0.1%
	Sustainable Resource Solutions Limited <sup>5</sup>	9	–	9	0.4%
Tissue Regenix Group plc	175,358	–	175,358	<0.1%	
Xeros Technology Group plc	5,499	–	5,499	<0.1%	

Director	Company name	Number of shares held at 1 January 2015	Number of shares acquired/ (disposed) in the period	Number of shares held at 30 June 2015	% of issued capital
David Baynes	Alesi Surgical Limited <sup>1</sup>	–	4	4	<0.1%
	Arkivum Limited	–	377	377	<0.1%
	Diurnal Limited	118	28	146	0.2%
	Oxford Nanopore Technologies Limited	–	144	144	<0.1%
Angela Leach	Alesi Surgical Limited <sup>1</sup>	–	2	2	<0.1%
	Avacta Group plc	74,152	–	74,152	<0.1%
	Capsant Neurotechnologies Limited	1,858	–	1,858	0.1%
	Chamelic Limited	3	–	3	<0.1%
	Cloud Sustainability Limited	6	4	10	0.2%
	Diurnal Limited	–	23	23	<0.1%
	Evocutis plc	7,990	–	7,990	<0.1%
	Getech Group plc	2,083	–	2,083	<0.1%
	Mode Diagnostics Limited - Ordinary Shares	606	–	606	<0.1%
	Mode Diagnostics Limited - A Shares	102	149	251	<0.1%
	Modern Water plc	29,800	–	29,800	<0.1%
	Oxford Advanced Surfaces Group plc	68,101	–	68,101	<0.1%
	Oxford Nanopore Technologies Limited	1,516	81	1,597	<0.1%
	hVIVO plc <sup>2</sup>	25,903	–	25,903	<0.1%
	Revolymr plc	4,500	–	4,500	<0.1%
	Structure Vision Limited	21	–	21	0.1%
	Surrey Nanosystems Limited	90	–	90	<0.1%
Sustainable Resource Solutions Limited <sup>3</sup>	9	–	9	0.4%	
Tissue Regenix Group plc	329,172	–	329,172	<0.1%	
Xeros Technology Group plc	5,666	–	5,666	<0.1%	

<sup>1</sup> Formerly known as Asalus Medical Instruments Limited.

<sup>2</sup> Formerly known as Retroscreen Virology Group plc.

<sup>3</sup> Company dissolved on 14 July 2015.

### c) Portfolio companies

The Group earns fees from the provision of business support services and corporate finance advisory to portfolio companies in which the Group has an equity stake. The following amounts have been included in respect of these fees:

	Unaudited six months ended 30 June 2015 £m	Unaudited six months ended 30 June 2014 £m	Audited year ended 31 December 2014 £m
<b>Statement of comprehensive income</b>			
Revenue from services	0.5	0.5	0.9
<b>Statement of financial position</b>			
Trade receivables	1.3	0.4	0.6

### d) Subsidiary companies

Subsidiary companies that are not 100% owned either directly or indirectly by the parent company have intercompany balances with other Group companies totalling as follows:

	Unaudited 30 June 2015 £m	Unaudited 30 June 2014 £m	Audited 31 December 2014 £m
Intercompany balances with other Group companies	8.4	8.4	8.5

These intercompany balances represent funding loans provided by Group companies that are interest free, repayable on demand and unsecured.

# 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 2014 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 2014 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 the Half-yearly Report 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 2015.

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 2014, which have been prepared in accordance with International Financial Reporting Standards as adopted for use in the EU ("IFRS"). The financial information in the Half-yearly Report, which was approved by the Board and authorised for issue on 4 August 2015, is unaudited but has been subject to a review by the Group's independent auditor.

### Accounting estimates and judgements

The preparation of the Half-yearly Report 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 the Half-yearly Report, 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 2014.

### Going concern

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the condensed consolidated half-year financial statements.

### Accounting policies

The accounting policies applied by the Group in the Half-yearly Report are the same as those applied by the Group in its audited consolidated financial statements for the year ended 31 December 2014 and which will form the basis of the 2015 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 Report has 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 FCA'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 below.

By order of the Board

**Mike Humphrey**  
Chairman  
4 August 2015

**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 2015 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 explanatory 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.

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the Disclosure and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA"). Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report, or for the conclusions we have reached.

## 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 DTR of the UK FCA.

As disclosed in the accounting policies note, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU.

## 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.

## 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 UK. 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 2015 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FCA.

## Jonathan Mills

for and on behalf of KPMG LLP  
Chartered Accountants  
15 Canada Square  
London  
E14 5GL  
4 August 2015

# Company information

## Company registration number

4204490

## Registered office

24 Cornhill  
London  
EC3V 3ND

## Directors

Mike Humphrey  
(Non-executive Chairman)

Alan John Aubrey  
(Chief Executive Officer)

Michael Charles Nettleton Townend  
(Chief Investment Officer)

Gregory Simon Smith  
(Chief Financial Officer)

David Baynes  
(Chief Operating Officer)

Douglas Brian Liversidge CBE  
(Senior Independent Director)

Jonathan Brooks  
(Non-executive Director)

Professor Lynn Faith Gladden CBE  
(Non-executive Director)

Dr Elaine Sullivan  
(Non-executive Director)

## Company secretary

Angela Leach

## Brokers

Numis Securities Limited  
The London Stock Exchange  
10 Paternoster Square  
London EC4M 7LT

## Registrars

Capita Asset Services  
The Registry  
34 Beckenham Road  
Beckenham  
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## Bankers

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