



ipgroup

Evolving GREAT IDEAS
into **WORLD-CHANGING** businesses

IP Group plc
Half-yearly Report
for the six months ended 30 June 2018

Registration Number: 04204490
Stock Code: IPO

The purpose of IP Group is to evolve great ideas into world-changing businesses.

The IP Group team has spent many years developing its approach to identifying attractive intellectual property (“IP”), nurturing and building businesses around such IP and then providing capital and support along the journey from “cradle to maturity”. We are pioneering in our approach, including the concept of forming long-term partnerships with leading research universities, passionate about what we do, principled in how we work and committed to delivering results for all of our stakeholders.

The Group now has operations in the UK, the US and Australasia and, following the combination with Touchstone Innovations and capital raise in 2017, benefits from increased scale and critical mass, a more diverse portfolio and access to 16.8% of the world’s Top Research. Our portfolio, which is currently valued at £1.2bn, comprises holdings in over 150 companies covering a broad range of commercial innovations across the life sciences and technology. We have a strong track record of success and are proud to have helped create and build some truly exciting businesses based on cutting-edge science.



Commenting on the Group’s half-yearly results, Alan Aubrey, Chief Executive Officer of IP Group, said:

“The underlying performance of the Group’s portfolio has been robust in the first half with a number of our companies completing both major fundraisings and collaborations. Our portfolio is well diversified, both by sector and stage of development, with multiple opportunities to crystallise value and there are a number of inflection points for several of our companies over the next six to twelve months. IP Group remains financially sound with a strong balance sheet, net assets of £1.5bn and exposure to the UK, US, Australasia and, increasingly, Asia. The Group remains excited by the opportunities within the portfolio and we look to the second half of the year and beyond with confidence.”

This half-yearly results release 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 results release the Group’s holdings in portfolio companies reflect the undiluted beneficial equity interest excluding debt, unless otherwise explicitly stated.

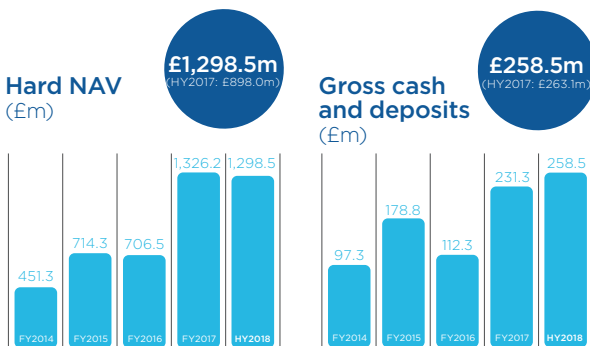
Half-Year Highlights

Portfolio highlights

- Net portfolio gains £0.7m (HY17: £28.7m; FY17: £94.2m)
- Fair value of portfolio: £1,163.7m (HY17: £663.0m; FY17: £1,130.6m)
- Capital provided to portfolio companies and projects: £46.9m (HY17: £20.1m; FY17: £71.2m)
- Significant funding rounds completed by Oxford Nanopore Technologies (£100.0m), Crescendo Biologics (\$70.0m), Carisma Therapeutics (\$53.0m) and Enterprise Therapeutics (£29.0m)
- Microbiotica entered into multi-year strategic collaboration with Genentech, a member of the Roche Group, in a deal worth up to \$534.0m
- Ceres Power signed strategic collaboration with China's Weichai Power comprising both product development and launch, and an equity investment; subsequently announces oversubscribed £20.0m fundraising in July

Financial and operational update

- Net assets of £1,489.8m (HY17: £966.4m; FY17: £1,508.5m)
- Hard NAV¹ of £1,298.5m (HY17: £898.0 m; FY17: £1,326.2m)
- Return on Hard NAV² of negative £13.1m (HY17: £21.3m positive; FY17: £64.1m positive)
- Gross cash and deposits at 30 June 2018: £258.5m (HY17: £263.1m; FY17: £326.3m)



¹ Hard NAV is defined as Total Equity, excluding Goodwill and Other Intangible Assets (see page 15).

² Return on Hard NAV is defined as the (loss)/profit for the period, excluding amortisation of intangible assets, share-based payment charge and IFRS3 charge in respect of acquisition of subsidiary (see page 13).

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Interim management report

Summary

The first half of 2018 has been characterised by significant progress across the Group's portfolio with a number of our companies completing both major fundraisings and collaborations. It was also encouraging to see so many of our portfolio companies attract Chinese investors to their share registers including Oxford Nanopore Technologies Limited and Ceres Power Holdings plc, with many also signing significant collaborations in the region. Financial performance was, however, impacted by a net fair value reduction of £23.1m in the quoted portfolio, resulting in net portfolio gains of £0.7m (HY17: £28.7m; FY17: £94.2m) and an overall return on Hard NAV for the period of negative £13.1m (HY17: £21.3m positive; FY17: £64.1m positive).

Operationally, as described in the 2017 Annual Report, the integration of the Touchstone Innovations business in the UK has continued to progress in line with expectations. We have simplified and streamlined our organisational structure by moving to a two-sector model of Life Sciences and Technology and now operate both divisions substantially from one London head office location. Both the Imperial College Technology Transfer Office and Parkwalk, the UK's leading EIS investor in university spin-outs that joined the Group in 2017, continue to be run as separate entities. Our US business and its portfolio companies continue to mature, and we are building out the initial team for our newly-formed Australasian operation and intend to form our first spin-outs this year.

Portfolio performance

At 30 June 2018, the fair value of the Group's portfolio was £1,163.7m (HY17: £663.0m; FY17: £1,130.6m). This represents net portfolio gains of £0.7m (HY17: £28.7m; FY17: £94.2m) during the period with net fair value increases from our Life Sciences sector and our US business offsetting a net fair value reduction from our Technology sector.

The single largest portfolio company fair value increase during the period was Diurnal Group plc in the Life Sciences sector. Diurnal hit a major milestone this year, moving it from a pure development company to marketing and sales, after Infacort was approved for marketing by the European Commission (EC). In May, Diurnal announced market launch in Germany under the brand name Alkindi. An increase in the share price of Diurnal resulted in a fair value increase of £10.2m to the Group. Other key positive contributions to the increase in fair value were Uniformity Labs, Inc. (£7.8m increase¹), Ceres Power Holdings plc (£7.2m increase), Genomics plc (£4.7m increase), Microbiotica Ltd (£2.8m increase), Tissue Regenix Group plc (£2.3m increase) and Ditto AI Ltd (£2.0m increase).

The largest unrealised fair value decreases were primarily as a result of reductions in the share prices of AIM-quoted companies including Xeros Technology Group plc (£17.7m decrease), Abzena plc (£7.5m decrease), Mirriad Advertising plc (£7.1m decrease), Avacta Group plc (£5.5m decrease) and Circassia Pharmaceuticals plc (£3.9m decrease). Further information on the performance of the Group's portfolio businesses is provided in the portfolio review below.

In the first six months of the year, the Group provided incubation, seed and further capital totalling £46.9m to its portfolio companies (HY17: £20.1m; FY17: £71.2m). The Group's portfolio now comprises holdings in 155 companies as well as strategic stakes in three multi-sector platform businesses, 38 *de minimis* holdings and 40 organic holdings (portfolio investments in which the Group has acquired equity, but not invested funds) (HY17: 96, 3, 18, 0; FY17: 155, 3, 42, 39).

¹ The fair value of Uniformity Labs, Inc. increased by £7.8m, with a further increase of £0.8m due to foreign exchange movements.



North America

Our North American business has continued its momentum into the first six months of the year. The US team identified a number of exciting opportunities from a variety of US-based collaboration partners, three of which have completed 'series A' financing rounds with participation from a strong mix of strategic and institutional investors. In addition, they funded their first company in partnership with Johns Hopkins University; Lorem Therapeutics will be focused on developing early-stage therapeutics for cancer indications. Our North American business also added Yale University to the list of exceptional university and federal lab collaboration partners in the US, bringing the total to nine.

Australasia

In Australasia, the Group has been focused on the implementation of the landmark agreements with Australasia's leading research universities that were announced in 2017. These agreements will see at least A\$200m invested in finding and developing companies involved in disruptive innovation. The Group has established a strong pipeline of technologies in Australasia across a wide range of markets, hired its first team members and anticipates making its first investments before the end of 2018.

Greater China / Singapore

Many of our portfolio companies have secured investment and business partnerships in Greater China and Singapore, including Oxford Nanopore, Ceres Power, Mirriad Advertising and Creavo Medical Technologies. The Group considers this geographic area to be strategically important and will continue to facilitate market entry, business partnership and investment discussions between our portfolio companies and relevant Chinese and Singaporean partners. The Group will be hosting its second annual "Global Deep Tech" event in Greater China in September.

Outlook

IP Group's portfolio remains well-diversified both by sector and stage of development with multiple opportunities to crystallise value. The progress of many of the Group's largest portfolio companies is positive and there are a number of significant inflection points anticipated for several of our companies over the next six to twelve months. IP Group has a growing business in the US and has established operations in Australasia. While it remains important to consider IP Group as a long-term business where financial results can fluctuate from six-month period to six-month period, the fundamentals of our business remain strong and the Group is financially sound with £258.5m of gross cash and deposits. IP Group remains excited by the opportunities within the portfolio and we look to the second half of the year and beyond with confidence.

Portfolio review: Overview

During the six months ended 30 June 2018, the value of the Group's portfolio increased to £1,163.7m (HY17: £663.0m; FY17: £1,130.6m), reflecting net portfolio gains of £0.7m (HY17: £28.7m; FY17: £94.2m) excluding the investments and realisations set out below. The portfolio consists of interests in 155 companies, strategic stakes in 3 multi-sector platform businesses as well as a further 38 *de minimis* holdings and 40 organic holdings (HY17: 96, 3, 18, 0; FY17: 155, 3, 42, 39). During the period, the Group provided capital to portfolio companies totalling £46.9m (HY17: £20.1m; FY17: £71.2m) and received cash proceeds of £2.5m (HY17: £0.3m; FY17: £6.6m), largely in relation to the Group's realisation of its full holding in Ilika plc among others.

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

	Six months ended 30 June 2018 £m	Six months ended 30 June 2017 £m	Year ended 31 December 2017 £m
Unrealised increases in fair value of equity and debt investments	46.0	55.6	99.3
Unrealised decreases in fair value of equity and debt investments	(47.5)	(26.5)	(49.2)
Effects of movement in exchange rates	1.6	(0.6)	(1.1)
Change in fair value of equity and debt investments	0.1	28.5	49.0
Profit on disposals of equity investments	0.6	0.2	0.1
Gain on deconsolidation of subsidiary	—	—	45.1
Net portfolio gains	0.7	28.7	94.2

Unrealised increases in the fair value of equity and debt investments primarily arose from increases in the share prices of AIM-quoted Diurnal Group plc (£10.2m), Ceres Power Holdings plc (£7.2m) and Tissue Regenix Group plc (£2.3m). Recent funding rounds gave rise to gains in Uniformity Labs, Inc. (£7.8m¹) and Genomics plc (£4.7m), and recent progress made by Microbiotica Limited resulted in an upward revision in value of £2.8m. These unrealised gains were principally offset by decreases in the share prices of Xeros Technology Group plc (£17.7m), Abzena plc (£7.5m), Mirriad Advertising plc (£7.1m), Avacta Group plc (£5.5m) and Circassia Pharmaceuticals plc (£3.9m).

During the first half of 2018, the Group deployed £46.9m of capital into 41 portfolio companies and projects (HY17: £20.1m, 25; FY17: £71.2m, 79). The Group provided initial seed or incubation capital to two opportunities (HY17: six; FY17: 21), both of which were UK-based. The Group exited its interest in one company (HY17: one; FY17: two) and realised total cash proceeds during the period of £2.5m (HY17: £0.3m; FY17: £6.6m).

¹ The fair value of Uniformity Labs, Inc. increased by £7.8m, with a further increase of £0.8m due to foreign exchange movements.

An analysis of the portfolio by sector is as follows:

Fair value analysis by sector	As at 30 June 2018				As at 31 December 2017			
	Fair value £m	%	Number	%	Fair Value £m	%	Number	%
Life Sciences	720.3	68%	74	48%	704.4	68%	73	47%
Technology	343.8	32%	81	52%	334.0	32%	82	53%
Total	1,064.1	100%	155	100%	1,038.4	100%	155	100%
Multi-sector platforms	62.8	—	3	—	62.9	—	3	—
<i>De minimis</i> holdings	1.3	—	38	—	1.3	—	42	—
Organic	7.0	—	40	—	5.7	—	39	—
Total Portfolio	1,135.2	—	236	—	1,108.3	—	239	—
Attributable to third parties ¹	28.5				22.3			
Gross Portfolio	1,163.7				1,130.6			

¹ The amount attributable to third parties consists of £17.6m attributable to minority interests represented by third party limited partners in the consolidated fund, IPVFII, £7.8m attributable to Imperial College London and £3.1m attributable to other third parties (FY 2017: £16.3m, £5.7m and £0.3m).

Interim management report CONTINUED

The following table lists the value movements attributable to the largest twenty portfolio investments by value, which represent 66.2% of the total portfolio value (HY17: 84.6%, FY17: 65.0%). Additional detail on the performance of these companies is included in the Life Sciences and Technology portfolio reviews.

COMPANY NAME	DESCRIPTION
Oxford Nanopore Technologies Limited	Enabling the analysis of any living thing, by any person, in any environment
Oxford Sciences Innovation plc	University of Oxford preferred IP partner under 15-year framework agreement
Istesso Limited	Reprogramming metabolism to treat autoimmune disease
Diurnal Group plc	Novel treatments of hormone deficiency
PsiOxus Therapeutics Limited	Oncolytic viral therapeutics for cancer
Ceres Power Holdings plc	World leading developer of next generation fuel cell technology
Actual Experience plc	Optimising the human experience of networked applications
Cell Medica Limited	T cell therapeutics for oncology
Autifony Limited	Developing high value, novel medicines to treat CNS diseases
Circassia Pharmaceuticals plc	Developing a range of novel immunotherapies
Ultrahaptics Holdings Limited	Contactless haptic technology "feeling without touching"
First Light Fusion Limited	Net methodology for achieving extreme intensity cavity collapse
Tissue Regenix Group plc	Regenerative dCELL® soft tissue body parts
Featurespace Limited	Leading predictive analytics company
Inivata Limited	Clinical cancer genomics company utilising circulating DNA analysis to improve testing and treatment in oncology
Ieso Digital Health Limited	Live, online cognitive behavioural therapy
Creavo Medical Technologies Limited	Quantum cardiac imaging technology
Uniformity Labs, Inc	Equipment, materials and software for 3D printing
YoYo Wallet Limited	Mobile payments with integrated loyalty schemes
Econic Technologies Limited	Novel catalyst technologies to build carbon dioxide into polyurethanes and other polymers
Other companies (138 companies)	
<i>De minimis</i> investments	
Value not attributable to equity holders	
Total	

i Includes £4.7m increase in revenue share to Imperial College London, with a corresponding increase in revenue share liability resulting in no net fair value movement.

Sector, Quoted (Q)/ Unquoted (U)	Group stake at 30 Jun 2018 %	Fair value of Group holding at 31 Dec 2017 £m	Acquisitions of Touchstone Innovations plc ⁱⁱ £m	Net investment/ (divestment) £m	Fair value movement and fees settled in equity £m	Fair value of Group holding at 30 Jun 2018 £m
Life Sciences (U)	18.3%	274.1	—	—	—	274.1
Multi-sector platforms(U)	7.6%	55.5	—	—	—	55.5
Life Sciences (U)	61.1%	51.1	—	—	—	51.1
Life Sciences (Q)	43.6%	38.7	—	—	10.2	48.9
Life Sciences (U)	26.3%	44.5	—	—	—	44.5
Technology (Q)	25.3%	31.5	—	—	7.2	38.7
Technology (Q)	22.1%	28.4	—	—	(1.5)	26.9
Life Sciences (U)	24.6%	26.3	—	—	—	26.3
Life Sciences (U)	26.4%	23.9	—	—	0.8	24.7
Life Sciences (Q)	7.9%	26.7	—	—	(3.9)	22.8
Technology (U)	37.9%	21.8	—	—	—	21.8
Technology (U)	36.4%	13.9	—	3.8	—	17.7
Life Sciences (Q)	13.1%	13.8	—	—	2.3	16.1
Technology (U)	27.9%	15.6	—	—	—	15.6
Life Sciences (U)	31.1%	12.8	—	2.6	—	15.4
Life Sciences (U)	45.6%	14.7	—	—	—	14.7
Life Sciences (U)	48.3%	14.4	—	—	—	14.4
Technology (U)	25.8%	4.7	—	1.1	8.6	14.4
Technology (U)	40.1%	13.1	0.2	0.3	—	13.6
Technology (U)	50.1%	10.2	0.4	3.0	—	13.6
		371.6	(16.4)	33.0	(24.7)	363.3
		1.0	—	—	—	1.0
		22.3	—	0.3	1.1	28.6 ⁱ
		1,130.6	(15.8)	44.1	0.1	1,163.7

- ii On 17 October 2017 the Group acquired control of Touchstone Innovations plc. Certain assets, primarily holdings in unlisted portfolio companies that have been accounted for using valuation techniques, were provisionally determined and for a 12-month period post-acquisition, adjustments are made to these assets to the extent that new information is obtained about facts and circumstances that were in existence at the acquisition date. See financial and operational review on page 10 for further details.

Portfolio review:

LIFE SCIENCES



IP Group's Life Sciences portfolio comprises holdings in 74 companies valued at £720.3m as at 30 June 2018.

Oxford Nanopore

The Group's largest holding, Oxford Nanopore Technologies Ltd, continues to make excellent progress with tangible signs of it disrupting the \$3bn DNA sequencing market. The company, which provides novel DNA/RNA sequencing technology, successfully completed a £100.0m fundraising in March, primarily from Asian investors, to support commercial expansion and continued investment in R&D. The company disclosed tripling in orders between 2016 and 2017 and that it is anticipating a similar increase between 2017 and 2018. CEO Gordon Sanghera has been reported talking about the increasing potential impact of China to the company, and the attractiveness of capital markets in both London and Hong Kong. Currently, North America makes up around 40% of its sales, followed by 30 per cent from Europe and 10% to 15% from China. Wang Depeng, founder and CEO of Wuhan-based NextOmics Biosciences and Beijing-based Grandomics Biosciences, has been cited as saying that "his firms are the first service providers in China to use Nanopore's devices for DNA sequencing" and that they plan to spend over US\$10m to buy up to 20 high-capacity sequencing (PromethION) kits from Nanopore, subject to satisfaction with samples".

Now in its third commercial year, Oxford Nanopore has a customer base of thousands of MinION users while its larger GridION format was launched last year. Its largest device, PromethION, was commercially launched in May 2018 and is already capable of delivering sub \$1,000 nanopore-only human genomes. In May the first human genome dataset using PromethION was released, and in June, the first >100Gb PromethION flow cell result was shown by a customer (PromethION is designed to operate up to 48 flow cells, so the overall yields are competitive with the highest output sequencing instruments on the market).

Oxford Nanopore's small, single-test format Flongle, which provides rapid, smaller tests at accessible prices, is expected in early access in 2018. Oxford Nanopore has the only sequencing technology that can be miniaturised to tiny formats and operate in real time. The Company believes this has the potential to open up new decentralised applied markets such as infectious disease/cancer/other diagnostics, food and water safety, field-based analyses for environmental or agricultural purposes, or education.

VolTRAX, an automated device for preparation aimed at those who do not have lab equipment, lab skills, or simply prefer the reliable results of automated processes, has shown positive results in early access, and 'V2' is now being introduced with a much greater suite of functionality for different preparation techniques. At its 'London Calling' conference in May, Oxford Nanopore also performed a live demo of 'Ubik', a prototype rugged device made from low cost materials, designed to take a user from sample to answer with little effort.

Other significant portfolio company updates

The largest gain in the half-year and, arguably, the most significant developments for the overall portfolio, came from Diurnal Group plc, one of the Group's most advanced biotech assets. Diurnal has two late-stage products for the treatment of the childhood and adult forms of adrenal insufficiency - Infacort and Chronocort, respectively. In February, Diurnal announced that Infacort had been approved for marketing by the European Commission (EC) and, in May, announced market launch in Germany under the brand name Alkindi. This represents a major milestone for the company, transitioning from pure development to marketing and sales, but also for the British biotechnology sector as a whole, where very few companies have ever brought a drug to market. In the half-year, Diurnal's share price appreciated by 26%, providing the Group with a £10.2m unrealised fair value increase.

In June, Microbiotica, a leading player in microbiome-based therapeutics spun out of the Wellcome Sanger Institute 18 months ago, signed a \$534.0m collaboration with Genentech under which the two companies will utilise Microbiotica's unique human microbiome platform to identify biomarkers, therapeutic targets and medicines for the treatment of inflammatory bowel disease (IBD). The news resulted in an increased valuation of the company, which equated to a £2.8m gain for the Group. Another notable success in the portfolio was Cambridge company Crescendo Biologics Ltd, which closed a \$70.0m financing round and signed a partnership with Chinese pharmaceutical company Zai Lab for the development of monoclonal antibodies for the treatment of inflammatory conditions. In the quoted portfolio, shares in hVIVO plc bucked an eight-month run of underperformance, returning to levels last seen in October 2017 when it announced positive data for its universal flu vaccine, FLU-v.

Overall, positive fair value movements from Diurnal, Genomics, Microbiotica, and Tissue Regenix were offset by poorer share price performance of a number of quoted portfolio companies, particularly Abzena plc, Circassia Pharmaceuticals plc and Avacta Group plc, resulting in a net fair value gain of £6.3m for the period.

TECHNOLOGY



IP Group's Technology portfolio comprises holdings in 81 companies valued at £343.8m as at 30 June 2018.

Technology

The IP Group Technology partnership is proud of the role it plays in supporting cutting-edge British innovation and we were pleased to see this recognised during the first half of 2018 as two of our most valuable portfolio assets, mid-air haptics pioneer Ultrahaptics Ltd and fraud-prevention specialist Featurespace Ltd, received a Queen's Award for Enterprise in the Innovation category. Featurespace also appeared at number 566 in the Financial

Times list of Europe's 1,000 fastest growing companies, alongside off-grid solar company Azuri Technologies Ltd, a Cleantech asset, which featured at number 230.

Next generation communications is a key thematic area for the partnership and in this field we were delighted to see digital supply chain management provider Actual Experience plc make a series of exciting commercial announcements during the first half of 2018. In April, the company achieved the first full-scale deployment of its analytic software within a large enterprise customer of one of its channel partners, which is expected to generate revenue in excess of £1m per year for Actual Experience. This is a very significant milestone for the company, proving their capability to make a large sale through a channel partner, deploy at scale, and verifying the economic opportunity within large customers. Soon after that, the company announced a second large-scale customer deployment through a different channel partner, predicted to generate revenues of approximately £240,000 per annum on a multi-year basis.

Another key thematic focus for the partnership is the evolving human-machine interface and we are excited by the prospects of one particular emerging portfolio asset in this area, WaveOptics Ltd, which we believe has the potential to fundamentally disrupt the growing Augmented and Mixed Reality markets with its ground-breaking optical waveguide technology.

Turning to the US, we are pleased to report that the Technology sector's biggest fair value gain in the first half came from Uniformity Labs Inc in the US. Uniformity has made substantial progress establishing relationships with new customers, including multiple successful validation projects and the close of initial sales. Uniformity has also identified and completed initial validation studies with clients in key adjacent printing markets, including high volume, low cost binder jetting. The company has doubled its full-time staff to 14 and expanded into new facilities.

Interim management report CONTINUED

Finally, we are disappointed by the share price performance of Mirriad Advertising plc since its flotation in December 2017, which we consider to be somewhat surprising in the context of renewed contracts with several key partners, added to the endorsement and strategic value brought by the recent investment from China's Puhua Investment Fund.

Cleantech

Cleantech is an area of specialisation within the Technology division at IP Group where we focus on building outstanding, science-based businesses that mitigate the impacts of climate change and other environmental challenges. The key investment themes within Cleantech are distributed energy, energy demand management, resource efficiency and mobility. The first half of the year has seen great progress for distributed energy and mobility asset Ceres Power, where strong share price performance has delivered a £7.2m fair value gain for the Group and our holding is now valued at £38.8m. This has been driven by continued commercial progress, including the announcement of a strategic partnership with Weichai Power, one of the leading automobile and equipment manufacturing companies in China. The partnership with Weichai envisions investment of up to £40.0m in Ceres as well as a potential licensing agreement and the establishment of a joint venture. Since the period end, Ceres Power announced it had raised £20.0m (before expenses). The fundraising was significantly over subscribed with several material new investors and is in addition to the Weichai investment. In less good news, a fall in the share price of Xeros Technology Group plc, a listed company with proprietary water-saving polymer technology in the resource efficiency space, has resulted in a £17.7m unrealised fair value loss for the Group.

Since the period end, Xeros announced a licensing contract with Jiangsu Sea-Lion Technology Development Co., Ltd, a wholly owned subsidiary of the market-leading Chinese commercial washing machine manufacturer Jiangsu Sea-Lion Machinery Co., Ltd at the annual China International Laundry

Industry Exhibition. Sea-Lion will integrate Xeros' proprietary technologies into its own commercial washing machines and sell them through its extensive distribution network in China, on an exclusive basis. The first sales are expected in 2019. Sea-Lion will be the first partner to incorporate Xeros' new XDrum™ technology. XDrum™ is a simple, low cost solution for OEMs to easily incorporate Xeros' patented water saving XOrb™ polymer technology into their machine designs.

Portfolio review: Multi-sector platforms

The Group has maintained its strategic stakes in its three multi-sector platform companies, Oxford Sciences Innovation plc (OSI), Cambridge Innovation Capital plc (CIC) and Frontier IP Group plc. OSI has continued to develop its portfolio with 10 new seed investments added in the 6 months to 30 June 2018 with an additional £18.2m invested in 12 later funding rounds during the period. The three most significant Series A financings completed in the period have been Oxford Flow, Ultromics and Oxford Nanoimaging, the latter raising over £13m at a post money valuation of \$100m. OSI continues to attract quality later stage co-investors to its portfolio, including companies such as Sequoia China and GV. As at the end of June the portfolio valuation stood at £168.4m compared to £126.0m at December 2017.

In their results for the year ended 31 March 2018, CIC reported that their net assets grew by 14% to £144.0m, largely as a result of a net fair value increase of £19.8m in the year. Their portfolio now consists of 22 companies including IP Group portfolio companies Inivata, Microbiotica and Storm Therapeutics.

Portfolio review: analysis by company stage

At 30 June 2018, the Group's portfolio fair value of £1,163.7m comprises holdings in businesses that are distributed across stages of maturity as follows:

Fair value analysis by company stage	As at 30 June 2018				As at 31 December 2017			
	Fair value £m	%	Number	%	Fair Value £m	%	Number	%
Focus	715.3	67%	19	12%	709.6	68%	19	12%
Development	317.0	30%	83	54%	307.2	30%	84	54%
Early-stage	31.8	3%	53	34%	21.6	2%	52	34%
Total	1,064.1	100%	155	100%	1,038.4	100%	155	100%
Multi-sector platforms	62.8	—	3	—	62.9	—	3	—
<i>De minimis</i> holdings	1.3	—	38	—	1.3	—	42	—
Organic	7.0	—	40	—	5.7	—	39	—
Total Portfolio	1,135.2	—	236	—	1,108.3	—	239	—
Attributable to third parties ⁽ⁱ⁾	28.5	—	—	—	22.3	—	—	—
Gross Portfolio	1,163.7	—	—	—	1,130.6	—	—	—

(i) The amount attributable to third parties consists of £17.6m attributable to minority interests represented by third party limited partners in the consolidated fund, IPVFII, £7.8m attributable to Imperial College London and £3.1m attributable to other third parties (FY 2017: £16.3m, £5.7m and £0.3m).

Portfolio companies which are classed as being in the Focus stage are those portfolio companies which comprise the Group's largest 20 investments by fair value, one of which, OSI, is included within 'multi-sector platforms' above.

The Development stage group includes other businesses to which the Group has provided in excess of £1.0m of funding. 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.

Early-stage companies include both incubation and seed opportunities. Incubation opportunities comprise businesses or pre-incorporation projects that are generally at a very early stage of development, at most within three years since the Group's first financing, and have received at least one stage of funding. Opportunities at this stage usually involve capital of less than £0.2m from IP Group, predominantly allowing for proof of concept work to be carried out. Seed businesses are those that have typically received financing of up to £1.0m 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.

Those companies which either do not progress beyond the incubation stage within three years of the Group's initial funding and/or whose value has subsequently fallen to below £0.1m, but remain as an operating business, are classed as *de minimis* holdings. Organic holdings are investments in which the Group has acquired a shareholding upon creating the company via our technology transfer relationship with Imperial College London, but in which we have not actively invested.

Interim management report CONTINUED

An analysis of investments and realisations by company stage is as follows:

	Six months ended 30 June 2018 £m	Six months ended 30 June 2017 £m	Year ended 31 December 2017 £m
Cash investment analysis by company stage			
Focus	10.7	12.5	33.7
Development	26.5	4.5	29.1
Early Stage	9.7	3.1	8.4
Total	46.9	20.1	71.2
Multi-sector platforms	—	—	—
Total purchase of equity and debt investments	46.9	20.1	71.2
Cash proceeds from sales of equity investments	2.5	0.3	6.6
Net investment	44.4	19.8	64.6

Financial and operational review

The Group recorded a loss for the period of £21.6m (HY17: £18.4m profit; FY17: £53.4m profit) and a negative Return on Hard NAV, i.e. on the Group's net assets excluding goodwill and intangible assets, of £13.1m (HY17: £21.3m positive; FY17: £64.1m positive). Net assets at 30 June 2018 were £1,489.8m (HY17: £966.4m; FY17: £1,508.5m) and Hard NAV totalled £1,298.5m at 30 June 2018 (HY17: £898.0m; FY17: £1,326.2m), representing 122.6p per share (HY17: 128.9p; FY17: 125.4p).

Consolidated statement of comprehensive income

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

	Six months ended 30 June 2018 £m	Six months ended 30 June 2017 £m	Year ended 31 December 2017 £m
Net portfolio gains ⁽¹⁾	0.7	28.7	94.2
Change in fair value of limited and limited liability partnership interests	(0.8)	0.2	(0.2)
Other income	4.6	2.6	6.1
Administrative expenses – all other expenses	(14.3)	(8.1)	(21.2)
Administrative expenses – performance-based staff incentives and share-based payments charge	(1.2)	(0.7)	(4.9)
Carried interest plan charge	(0.7)	(2.7)	(1.3)
Licensing income – Istesso group	–	3.0	3.4
Administrative expenses – Istesso group	–	(1.1)	(3.5)
Administrative expenses – other consolidated portfolio companies	(1.3)	(0.5)	(2.1)
Amortisation of intangible assets	(5.9)	(2.2)	(3.9)
Acquisition and restructuring costs	–	(1.0)	(9.1)
IFRS3 charge in respect of acquisition of subsidiary	(1.4)	(1.7)	(4.4)
Net finance (expense) / income	(1.3)	0.2	0.3
(Loss)/profit for the period	(21.6)	16.7	53.4
<i>Exclude:</i>			
Amortisation of intangibles assets	5.9	2.2	3.9
Share based payment charge	1.2	0.7	2.4
IFRS3 charge in respect of acquisition of subsidiary	1.4	1.7	4.4
Return on Hard NAV	(13.1)	21.3	64.1
<i>Exclude:</i>			
Acquisition and restructuring costs	–	1.0	9.1
Return on Hard NAV excluding acquisition and restructuring costs	(13.1)	22.3	73.2

⁽¹⁾ Defined in the Portfolio review section.

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.

Interim management report CONTINUED

Other income totalled £4.6m; an increase on the previous half year (HY17: £2.6m; FY17: £6.1m) due to continued growth in Parkwalk Advisors Limited, which was acquired on 31 January 2017, as well as due to the acquisition of Touchstone Innovations in October 2017 which saw its revenues being consolidated into the Group's results for the first time. Other income comprises fund management fees, licensing and patent income from Imperial Innovations, corporate finance fees as well as consulting and similar fees, typically chargeable to portfolio companies for services including executive search and selection as well as legal and administrative support.

Other central administrative expenses, excluding performance-based staff incentives and share-based payments charges, have increased to £14.3m during the period (HY17: £8.1m; FY17: £21.2m), primarily as a result of the acquisition of Touchstone Innovations plc, as well as the growth in IP Group's international operations.

Administrative expenses resulting from performance-based staff incentives and share-based payment charges increased to £1.2m during the period (HY17: £0.7m; FY17 £4.9m). The Group's return on Hard NAV is below the minimum threshold for any payments to be made (or accrued) under the Group's Annual Incentive Scheme, and the full current period cost therefore relates to the IFRS 2 share-based payments charge attributable to the Group's Deferred Bonus Share Plan and Long-Term Incentive Plan. This non-cash charge (HY18: £1.2m; HY17: £0.7m; FY17: £2.4m) reflects the fair value of services received from employees, measured by reference to the fair value of the share-based payments at the date of award, but has no net impact on the Group's total equity or net assets. The increase in this charge versus the previous period reflects growth in the business including as a result of the acquisition of Touchstone Innovations plc.

The carried interest plan charge relates to the Group's Long-Term Incentive Carry Scheme ("LTICS") which was implemented in late 2016. This accrual reflects the impact of net fair value gains in the scheme assets in excess of the hurdle. There is no cash payment due to members of the scheme until sufficient asset realisations have occurred.

In 2017 the Group's drug development subsidiary, Istesso Limited, was deconsolidated from the Group after a share and board reorganisation which resulted in the Group no longer holding a controlling interest in the company. The licensing income and operating costs of this business are hence no longer consolidated into the Group's operating results. Included within the Group's administrative expenses are costs in respect of a small number of other portfolio companies. Typically, the Group owns a non-controlling interest in its portfolio companies; however in certain circumstances the Group will take a controlling stake and hence consolidate the results of a portfolio company into the Group's financial statements. The administrative expenses included in the Group's results for such companies primarily comprise staff costs, R&D and other operating expenses.

Costs of £1.4m (HY17: £1.7m, FY17: £4.4m) were incurred in relation to deferred and contingent consideration payable to the sellers of Parkwalk Advisors Ltd deemed under IFRS3 to be a payment for post-acquisition services.

Amortisation costs relate to intangible assets recognised on the acquisition of Touchstone Innovations plc, Parkwalk Advisors Limited and Fusion IP plc, which are amortised over the period to which the contractual commitments relate.

Consolidated statement of financial position

A summary analysis of the Group's assets and liabilities is provided below:

	Six months ended 30 June 2018 £m	Six months ended 30 June 2017 £m	Year ended 31 December 2017 £m
Goodwill and other intangible assets	191.3	68.4	182.3
Portfolio	1,163.7	663.0	1,130.6
Other non-current assets	14.9	6.0	13.0
Cash and deposits	258.5	263.1	326.3
EIB debt facility	(102.5)	(14.9)	(104.0)
Other net current liabilities	(2.6)	(3.8)	(11.4)
Other non-current liabilities	(33.5)	(15.4)	(28.3)
Total Equity or Net Assets	1,489.8	966.4	1,508.5
Exclude:			
Goodwill	(187.0)	(63.4)	(172.1)
Other intangible assets	(4.3)	(5.0)	(10.2)
Hard NAV	1,298.5	898.0	1,326.2
Hard NAV per share	122.6p	128.9p	125.4p

The Group's statement of financial position includes goodwill and acquired intangible assets of £191.3m (HY17: £68.4m, FY17: 182.3). The most significant of these relates to the acquisition of Touchstone Innovations plc (HY18: 126.3, HY17: 0, FY17: £115.4) and the Group's acquisition of Fusion IP plc in 2014 (HY18: £39.2m, HY17: £40.7m, FY17: £39.8m); the remaining amounts relating to the acquisitions of Techtran Limited (HY18: £16.3m, HY17: £16.3m, FY17: £16.3m), Parkwalk Advisors Ltd (HY18: £6.8m, HY17: £8.0m, FY17: £8.0m) Top Technology Ventures Limited (HY18: £2.1m, HY17: £2.1m, FY17: £2.1m) and on the purchase of a 3rd party's minority holding in subsidiary Mobillion Inc. (HY18: £0.6m, HY17: £0.6m, FY17: £0.6m).

Both IP Group and Touchstone Innovation plc arranged debt facilities with the European Investment Bank ("the EIB"), total borrowings under which totalled £102.5m at the period end (HY17: £15m, FY17: £104m). Of these facilities, £12.4m is due to be repaid within twelve months of the period end (HY17: nil, FY17: £6.3m). 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.

All-share acquisition of Touchstone Innovations plc

On 17 October 2017 the Group acquired control of 100% of the ordinary shares in Touchstone Innovations plc. The Group has recognised the assets and liabilities acquired in accordance with IFRS 3 'Business Combinations'. Certain assets, primarily holdings in unlisted portfolio companies that have been accounted for using valuation techniques, were provisionally determined and for a 12-month period post-acquisition, adjustments are made to these assets to the extent that new information is obtained about facts and circumstances that were in existence at the acquisition date. As at the reporting date, an adjustment of £14.9m (which comprises £15.8m portfolio valuation decrease and £0.9m decrease in liabilities) has been made to net assets acquired with a corresponding increase in goodwill.

Cash, cash equivalents and short-term deposits (“Cash”)

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

	Six months ended 30 June 2018 £m	Six months ended 30 June 2017 £m	Year ended 31 December 2017 £m
Net Cash used in operating activities	(19.1)	(2.9)	(22.4)
Net Cash (used in) / generated by investing activities (excluding cash flows from deposits)	(47.1)	(21.4)	(67.6)
Cash flow on acquisition of subsidiary undertakings (net of cash acquired)	—	(5.2)	107.8
Issue of share capital	—	180.3	181.0
Repayment/Drawdown of debt facility	(1.6)	—	15.0
Effect of foreign exchange rate changes	—	—	0.2
Movement during period	(67.8)	150.8	214.0

At 30 June 2018, the Group's Cash totalled £258.5m, a decrease of £67.8m from a total of £326.3m at 31 December 2017, predominantly due to investing activities of £47.1m and £19.1m of cash outflow from operations. Cash outflow from operations includes a net working capital outflow of £7.8m (HY17: £4.2m inflow; FY17: £1.6m inflow).

Taxation

The Group's business model seeks to deliver long-term value to its stakeholders through the commercialisation of fundamental research carried out at its partner universities. To date, this has been largely achieved through the formation of, and provision of services and development capital to, spin-out companies formed around the output of such research. The Group primarily seeks to generate capital gains from its holdings in spin-out companies over the longer term but has historically made annual net operating losses from its operations from a UK tax perspective. Capital gains achieved by the Group would ordinarily be taxed upon realisation of such holdings; however since the Group typically holds in excess of 10% in its portfolio companies and those companies are themselves trading, the Directors continue to believe that the majority of its holdings will qualify for the Substantial Shareholdings Exemption (“SSE”). This exemption provides that gains arising on the disposal of qualifying holdings are not chargeable to UK corporation tax 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 that meet the qualifying criteria. Gains arising on sales of non-qualifying holdings would ordinarily give rise to taxable profits for the Group, to the extent that these exceed the Group's operating losses from time to time.

Assets held in Luxembourg, which were predominantly acquired via the combination with Touchstone in the prior year, are also subject to capital gains and ordinarily the Group would be taxed on their realisation. A participation exemption, similar to the UK SSE scheme described above, is available for certain share disposals under Luxembourg tax law. Dividends and gains arising to Imperial Innovations Sàrl through its interest in Touchstone Innovations Businesses LLP should be exempt from tax under Luxembourg law provided the conditions for the participation exemption are met for each investment and, while tax residence of Imperial Innovations Sàrl is maintained in Luxembourg, no UK tax should arise on applicable gains.

Alternative Performance Measures (“APMs”)

The Group discloses alternative performance measures, such as Hard NAV and Return on Hard NAV, in this half-yearly report. The Directors believe that these APMs assist in providing additional useful information on the underlying trends, performance and position of the Group. Further information on APMs utilised in the Group, is set out in note 28 of the Group’s 2017 Annual Report and Accounts.

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 2017 Annual Report and Accounts. The principal risks and uncertainties are summarised as follows:

- it may be difficult for the Group and its early-stage companies to attract capital;
- the returns and cash proceeds from the Group’s early-stage companies can be very uncertain;
- 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;
- macroeconomic conditions may negatively impact the Group’s ability to achieve its strategic objectives; and
- there may be changes to, impacts from, or failure to comply with, legislation, government policy and regulation.

The Group is not aware of any significant changes in the nature of these risks that would affect the next six months of the financial year, and thus the Group believe the risks noted above remain applicable to the forthcoming six months.

Condensed consolidated statement of comprehensive income

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Note	Unaudited six months ended 30 June 2018 £m	Audited six months ended 30 June 2017 ¹ £m	Audited year ended 31 December 2017 £m
Portfolio return and revenue				
Change in fair value of equity and debt investments		0.1	28.5	49.0
Gain on disposal of equity investments		0.6	0.2	0.1
Gain on deconsolidation of subsidiary		—	—	45.1
Change in fair value of limited and limited liability partnership interests		(0.8)	0.2	(0.2)
Licensing income		0.8	3.0	3.4
Revenue from services and other income		3.8	2.6	6.1
		4.5	34.5	103.5
Administrative expenses				
Research and development		—	(0.9)	(2.9)
Carried interest plan charge		(0.7)	(2.7)	(1.3)
Share-based payment charge		(1.2)	(0.7)	(2.4)
Amortisation of intangible assets	6	(5.9)	(2.2)	(3.9)
Acquisition and restructuring costs		—	(1.0)	(9.1)
Other administrative expenses		(17.0)	(10.5)	(30.8)
		(24.8)	(18.0)	(50.4)
Operating (loss)/profit		(20.3)	16.5	53.1
Finance income - interest receivable		0.6	0.4	1.0
Finance income - interest payable		(1.9)	(0.2)	(0.7)
(Loss)/profit before taxation		(21.6)	16.7	53.4
Taxation		—	—	—
(Loss)/profit for the period		(21.6)	16.7	53.4
Other comprehensive income				
Exchange differences on translating foreign operations		—	—	—
Total comprehensive (loss)/income for the period		(21.6)	16.7	53.4
Attributable to:				
Equity holders of the parent		(22.1)	13.2	49.7
Non-controlling interest		0.5	3.5	3.7
		(21.6)	16.7	53.4
Earnings per share				
Basic (p)	2	(2.09)	2.27	7.05
Diluted (p)	2	(2.09)	2.27	7.04

¹ Re-presented for change in accounting treatment of Parkwalk acquisition (see note 9).

Condensed consolidated statement of financial position

AS AT 30 JUNE 2018

	Note	Unaudited 30 June 2018 £m	Audited 30 June 2017 ¹ £m	Audited 31 December 2017 £m
ASSETS				
Non-current assets				
Intangible assets:				
Goodwill	7	187.0	63.4	172.1
Acquired intangible asset	6	4.3	5.0	10.2
Property, plant and equipment		2.0	1.6	2.0
Portfolio:				
Equity investments	3	1,132.0	649.9	1,085.4
Debt investments	3	31.7	13.1	45.2
Limited and limited liability partnership interests		12.9	4.4	11.0
Total non-current assets		1,369.9	737.4	1,325.9
Current assets				
Trade and other receivables		8.4	5.4	8.3
Deposits		80.0	85.0	95.0
Cash and cash equivalents		178.5	178.1	231.3
Total current assets		266.9	268.5	334.6
Total assets		1,636.8	1,005.9	1,660.5
EQUITY AND LIABILITIES				
Equity attributable to owners of the parent				
Called up share capital		21.1	13.9	21.1
Share premium account		683.1	682.4	683.1
Merger reserve		510.3	12.8	508.6
Retained earnings		270.8	253.5	291.7
Total equity attributable to equity holders		1,485.3	962.6	1,504.5
Non-controlling interest		4.5	3.8	4.0
Total equity		1,489.8	966.4	1,508.5
Current liabilities				
Trade and other payables		11.0	9.2	19.7
EIB debt facility		12.4	—	6.3
Non-current liabilities				
EIB debt facility		90.1	14.9	97.7
Carried interest plan liability		8.6	2.7	8.8
Loans from limited partners of consolidated funds		13.1	12.7	13.1
Provisions for liabilities and charges		11.8	—	6.4
Total equity and liabilities		1,636.8	1,005.9	1,660.5

¹ Re-presented for change in accounting treatment of Parkwalk acquisition (see note 9).

Condensed consolidated statement of cash flows

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Unaudited six months ended 30 June 2018 £m	Audited six months ended 30 June 2017 ¹ £m	Audited year ended 31 December 2017 £m
Operating activities			
Operating (loss)/profit	(20.3)	16.5	53.1
Adjusted for:			
Change in fair value of equity and debt investments	(0.1)	(28.5)	(49.0)
Change in fair value of limited and limited liability partnership interests	0.8	(0.2)	0.2
Gain on disposal of equity investments	(0.6)	(0.2)	(0.1)
Gain on deconsolidation of subsidiary	—	—	(45.1)
Depreciation of property, plant and equipment	0.5	0.1	0.9
Long term incentive carry scheme plan charge	0.7	2.7	1.3
IFRS3 charge in respect of acquisition of subsidiary – equity-settled	1.7	—	—
Amortisation of intangible non-current assets	5.9	2.2	3.9
Fees settled in the form of equity	—	(0.4)	(0.5)
Share-based payment charge	1.2	0.7	2.4
Changes in working capital:			
(Increase)/decrease in trade and other receivables	(0.4)	(2.6)	(6.1)
(Decrease)/increase in trade and other payables	(7.4)	6.8	7.7
Increase in non-current liabilities	—	—	8.6
Other operating cash flows:			
Net interest (paid)/ received	(1.1)	—	0.3
Net cash outflow from operating activities	(19.1)	(2.9)	(22.4)
Investing activities			
Purchase of property, plant and equipment	—	(1.6)	(1.6)
Purchase of equity and debt investments	(46.9)	(20.1)	(71.2)
Net cash flow from/(to) deposits	15.0	(85.0)	(95.0)
Acquisition of subsidiary undertaking	—	(5.2)	107.8
Investment in limited and limited liability partnerships	(2.9)	—	(1.4)
Distributions from limited partnership funds	0.2	—	—
Proceeds from sale of equity investments	2.5	0.3	6.6
Net cash outflow from investing activities	(32.1)	(111.6)	(54.8)
Financing activities			
Proceeds from the issue of share capital	—	180.3	184.7
Transaction costs related to issue of share capital	—	—	(3.7)
(Repayment of)/proceeds from drawdown of EIB facility	(1.6)	—	15.0
Net cash (outflow)/inflow from financing activities	(1.6)	180.3	196.0
Net (decrease)/increase in cash and cash equivalents	(52.8)	65.8	118.8
Cash and cash equivalents at the beginning of the period	231.3	112.3	112.3
Effect of foreign exchange rate changes	—	—	0.2
Cash and cash equivalents at the end of the period	178.5	178.1	231.3

¹ Re-presented for change in accounting treatment of Parkwalk acquisition (see note 9).

Condensed consolidated statement of changes in equity

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Attributable to equity holders of the parent						Total equity £m
	Share capital £m	Share premium £m	Merger reserve £m	Retained earnings £m	Total £m	Non-controlling interest £m	
At 31 December 2016 (audited)	11.3	504.7	12.8	239.6	768.4	0.3	768.7
Issue of equity	2.6	177.7	—	—	180.3	—	180.3
Comprehensive income	—	—	—	13.2	13.2	3.5	16.7
Equity-settled share-based payments	—	—	—	0.7	0.7	—	0.7
At 30 June 2017 (audited)	13.9	682.4	12.8	253.5	962.6	3.8	966.4
Issue of equity	7.2	0.7	495.8	—	503.7	—	503.7
Comprehensive income	—	—	—	36.5	36.5	0.2	36.7
Equity-settled share-based payments	—	—	—	1.7	1.7	—	1.7
At 31 December 2017 (audited)	21.1	683.1	508.6	291.7	1,504.5	4.0	1,508.5
Issue of equity	—	—	1.7	—	1.7	—	1.7
Comprehensive income	—	—	—	(22.1)	(22.1)	0.5	(21.6)
Equity-settled share-based payments	—	—	—	1.2	1.2	—	1.2
At 30 June 2018 (unaudited)	21.1	683.1	510.3	270.8	1,485.3	4.5	1,489.8

Notes to the half-yearly condensed set of financial statements

1. Operating segments

For each of the periods referenced below, the Group's revenue and profit/loss before taxation were derived almost entirely from its principal activities within the UK. Though the Group has initiated operations in the US and Australia, 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 two operating segments: (i) the commercialisation of intellectual property via the formation of long-term partner relationships with universities; (ii) the management of EIS and venture funds focusing on early-stage UK technology companies. The Group operated a third segment, the in-licensing of drugable intellectual property from research intensive institutions, until the deconsolidation of Istesso Limited, its drug development subsidiary, at the end of 2017.

Six months ended 30 June 2018 (unaudited)	University partnership business £m	Venture capital fund management £m	In-licensing activity £m	Consolidated £m
STATEMENT OF COMPREHENSIVE INCOME				
Portfolio return and revenue				
Change in fair value of equity and debt investments	0.1	—	—	0.1
Gain on disposal of equity investments	0.6	—	—	0.6
Change in fair value of limited and limited liability partnership investments	(0.8)	—	—	(0.8)
Licensing income	0.8	—	—	0.8
Revenue from services and other income	0.5	3.3	—	3.8
Amortisation of intangible assets	(5.9)	—	—	(5.9)
Carried interest plan charge	(0.7)	—	—	(0.7)
Share-based payment charge	(1.2)	—	—	(1.2)
Administrative expenses	(15.2)	(1.8)	—	(17.0)
Operating loss	(21.8)	1.5	—	(20.3)
Net finance cost	(1.3)	—	—	(1.3)
Profit before taxation	(23.1)	1.5	—	(21.6)
Taxation	—	—	—	—
(Loss)/profit for the period	(23.1)	1.5	—	(21.6)
STATEMENT OF FINANCIAL POSITION				
Assets	1,618.6	18.2	—	1,636.8
Liabilities	(139.8)	(7.2)	—	(147.0)
Net assets	1,478.8	11.0	—	1,489.8
Other segment items				
Capital expenditure	—	—	—	—
Depreciation	(0.5)	—	—	(0.5)

1. Operating segments (continued)

Six months ended 30 June 2017 (audited)	University partnership business £m	Venture capital fund management £m	In-licensing activity £m	Consolidated £m
STATEMENT OF COMPREHENSIVE INCOME				
Portfolio return and revenue				
Change in fair value of equity and debt investments	28.5	—	—	28.5
Gain on disposal of equity investments	0.2	—	—	0.2
Change in fair value of limited and limited liability partnership investments	0.2	—	—	0.2
Licensing income	—	—	3.0	3.0
Revenue from services and other income	0.1	—	—	0.1
Revenue from fund management services	—	2.5	—	2.5
Amortisation of intangible assets	(2.2)	—	—	(2.2)
Carried interest plan charge	(2.7)	—	—	(2.7)
Acquisition costs	(1.0)	—	—	(1.0)
Administrative expenses	(10.2)	(1.0)	(0.9)	(12.1)
Operating profit	12.9	1.5	2.1	16.5
Net finance income	0.2	—	—	0.2
Profit before taxation	13.1	1.5	2.1	16.7
Taxation	—	—	—	—
Profit for the period	13.1	1.5	2.1	16.7
STATEMENT OF FINANCIAL POSITION				
Assets	981.5	15.6	8.8	1,005.9
Liabilities	(29.8)	(0.4)	(9.3)	(39.5)
Net assets	951.7	15.2	(0.5)	966.4
Other segment items				
Capital expenditure	(1.6)	—	—	(1.6)
Depreciation	(0.1)	—	—	(0.1)

Notes to the half-yearly condensed set of financial statements

CONTINUED

1. Operating segments (continued)

Year ended 31 December 2017 (audited)	University partnership business £m	Venture capital fund management £m	In-licensing activity £m	Consolidated £m
STATEMENT OF COMPREHENSIVE INCOME				
Portfolio return and revenue				
Change in fair value of equity and debt investments	49.0	—	—	49.0
Gain on disposal of equity investments	0.1	—	—	0.1
Gain on deconsolidation of subsidiary	—	—	45.1	45.1
Change in fair value of limited and limited liability partnership interests	(0.2)	—	—	(0.2)
Licensing income	—	—	3.4	3.4
Revenue from services and other income	1.1	0.9	—	2.0
Revenue from fund management services	—	4.1	—	4.1
Carried interest plan charge	(1.3)	—	—	(1.3)
Amortisation of intangible assets	(3.9)	—	—	(3.9)
IFRS3 charge in respect of acquisition of subsidiary	(4.4)	—	—	(4.4)
Acquisition and restructuring costs	(9.1)	—	—	(9.1)
Administrative expenses	(25.9)	(2.3)	(3.5)	(31.7)
Operating profit	5.4	2.7	45.0	53.1
Finance income	1.0	—	—	1.0
Finance costs	(0.7)	—	—	(0.7)
Profit before taxation	5.7	2.7	45.0	53.4
Taxation	—	—	—	—
Loss for the year	5.7	2.7	45.0	53.4
STATEMENT OF FINANCIAL POSITION				
Assets	1,643.4	17.1	—	1,660.5
Liabilities	(147.8)	(4.2)	—	(152.0)
Net assets	1,495.6	12.9	—	1,508.5
Other segment items				
Capital expenditure	1.6	—	—	1.6
Depreciation	(0.9)	—	—	(0.9)

2. Earnings per share

	Unaudited six months ended 30 June 2018 £m	Audited six months ended 30 June 2017 £m	Audited year ended 31 December 2017 £m
Earnings			
Earnings for the purposes of basic and dilutive earnings per share	(22.1)	13.2	49.7
Number of shares			
	Unaudited six months ended 30 June 2018 Number of shares	Audited six months ended 30 June 2017 Number of shares	Audited year ended 31 December 2017 Number of shares
Weighted average number of ordinary shares for the purposes of basic earnings per share	1,058,205,661	581,197,034	704,227,751
Effect of dilutive potential ordinary shares: Options or contingently issuable shares	—	1,022,809	657,673
Weighted average number of ordinary shares for the purposes of diluted earnings per share	1,058,205,661	582,219,843	704,885,424

Potentially dilutive ordinary shares include contingently issuable shares arising under the Group's LTIP arrangements, and options issued as part of the Deferred Bonus Share Plan (for annual bonuses deferred under the terms of the Group's annual incentive scheme).

3. Investment portfolio

The accounting policies in regard to valuations 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 2017 and which will form the basis of the 2018 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.
- Level 3 - One or more inputs that are not based on observable market data.

Notes to the half-yearly condensed set of financial statements

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3. Investment portfolio (continued)

	Level 1		Level 3		Total £m
	Equity investments in quoted spin-out companies £m	Level 3a		Level 3b	
		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 31 December 2016 (audited)	161.1	368.0	19.1	65.8	614.0
Investments during the period	1.5	15.2	2.9	0.5	20.1
Transaction-based reclassifications during the period	—	4.1	(8.6)	4.5	—
Other transfers between hierarchy levels during the period	—	2.6	—	(2.6)	—
Disposals during the period	—	—	—	—	—
Fees settled via equity	—	0.4	—	—	0.4
Change in fair value in the period	10.3	23.9	(0.3)	(4.8)	29.1
Exchange differences on translating foreign currency investments	—	(0.6)	—	—	(0.6)
At 30 June 2017 (audited)	172.9	413.6	13.1	63.4	663.0
Investments during the period	13.7	21.1	8.6	7.7	51.1
Acquired with Touchstone Innovations plc	35.3	131.6	19.9	165.4	352.2
Transaction-based reclassifications during the period	—	1.5	(3.9)	2.4	—
Other transfers between hierarchy levels during the period	13.4	(269.3)	—	255.9	—
Disposals during the period	1.2	—	(0.8)	(7.8)	(7.4)
Adjustments for deconsolidation of subsidiaries	—	—	8.4	42.7	51.1
Fees settled via equity	—	0.1	—	—	0.1
Change in fair value in the period	(11.4)	3.0	(0.1)	28.4	19.9
Exchange differences on translating foreign currency investments	—	0.6	—	—	0.6
At 31 December 2017 (audited)	225.1	302.2	45.2	558.1	1,130.6
Investments during the period	0.5	32.8	8.2	5.4	46.9
Adjustments to acquisition with Touchstone Innovations plc	(0.2)	(7.3)	(6.9)	(1.4)	(15.8)
Transaction-based reclassifications during the period	4.7	9.2	(14.8)	0.9	—
Other transfers between hierarchy levels during the period	—	281.1	—	(281.1)	—
Disposals during the period	(2.1)	—	—	(0.7)	(2.8)
Fees settled via equity	—	—	—	—	—
Change in revenue share	0.2	—	—	4.5	4.7
Change in fair value in the period	(23.1)	16.9	—	4.7	(1.5)
Exchange differences on translating foreign currency investments	—	1.1	—	0.5	1.6
At 30 June 2018 (unaudited)	205.1	636.0	31.7	290.9	1,163.7

3. Investment portfolio (continued)

Fair values of unquoted spin-out companies classified as Level 3b 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 166 companies have been classified as Level 3b and the individual valuations for each of these have been arrived at using the following valuation method:

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 3b in the fair value hierarchy. The fair values of investments categorised as Level 3b are analysed on a quarterly 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 3b equity investments were to decrease by 10%, the net assets figure would decrease by £29.1m, 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 reassessing 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 3a 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 3a would occur when a quoted investment's market becomes inactive. There have been no such instances in the current period.

Transfers between Level 3b and Level 3a 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 £366.1m.

Transfers between Level 3a and Level 3b 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 £85.0m.

The fair value changes in Level 3b investments have amounted to a gain of £5.2m in the period, recognised as change in fair value of equity and debt investments in the condensed consolidated statement of comprehensive income.

Notes to the half-yearly condensed set of financial statements

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4. Share capital

	Unaudited 30 June 2018 £m	Audited 30 June 2017 £m	Audited 31 December 2017 £m
Issued and fully paid:			
1,059,144,595 ordinary shares of 2p each (HY17: 696,727,321; FY17: 1,057,383,601)	21.1	13.9	21.1

In April 2018, the Group issued 1,519,849 new ordinary shares to satisfy a proportion of the deferred consideration, which has become due in respect of the acquisition of Parkwalk Advisors Limited during the previous year.

Also during April 2018, the Group issued 241,145 new ordinary shares following the exercise of nil-cost options awarded under the Group's Deferred Bonus Share Plan by certain of the Group's 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.

5. Acquisition of subsidiaries

On 17 October 2017 the Group acquired control of 100% of the ordinary shares in Touchstone Innovations plc. The Group has recognised the assets and liabilities acquired in accordance with IFRS 3 'Business Combinations'. Certain assets, primarily holdings in unlisted portfolio companies that have been accounted for using valuation techniques, were provisionally determined and for a 12-month period post-acquisition, adjustments are made to these assets to the extent that new information is obtained about facts and circumstances that were in existence at the acquisition date. As at the reporting date, an adjustment of £14.9m (which comprises £15.8m portfolio valuation decrease and £0.9m decrease in liabilities) has been made to net assets acquired.

6. Intangible assets

	Total £m
Cost	
At 1 January 2017 (audited)	21.6
Additions: acquisition of Parkwalk Advisors (see note 5)	2.1
At 30 June 2017 (audited)	23.7
Additions	6.9
At 31 December 2017 (audited)	30.6
Additions	-
At 30 June 2018 (unaudited)	30.6
Accumulated amortisation	
At 1 January 2017 (audited)	16.5
Charge for the period	2.2
At 30 June 2017 (audited)	18.7
Charge for the period	1.7
At 31 December 2017 (audited)	20.4
Charge for the period	5.9
At 30 June 2018 (audited)	26.3
Net book value	
At 30 June 2017 (audited)	5.0
At 31 December 2017 (audited)	10.2
At 30 June 2018 (unaudited)	4.3

The intangible assets represent contracts with customers and other contractual arrangements with UK universities acquired through acquisition of subsidiaries. The contractual arrangements have fixed terms and, consequently, the intangible assets have a finite life which align with the remaining terms which, at the end of the period, range from two months to 29 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

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7. Goodwill

	£m
At 31 December 2016 (audited)	57.1
Recognised on acquisition of subsidiary undertaking (see note 5)	5.7
Other additions	0.6
At 30 June 2017 (audited)	63.4
Recognised on acquisition of subsidiary undertaking (see note 5)	108.7
31 December 2017 (audited)	172.1
Recognised on acquisition of subsidiary undertaking (see note 5)	14.9
At 30 June 2018 (unaudited)	187.0

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 2018, is goodwill of £187.0m. 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), Fusion IP plc in March 2014 (£38.7m) and MobillION Inc. (£0.6m), and more recently, the acquisitions of Parkwalk Advisors in January 2017 (£5.9m) and Touchstone Innovations in October 2017 (£123.4m). 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 2017.

	Unaudited 30 June 2018 £m	Audited 30 June 2017 £m	Audited 31 December 2017 £m
University partnership CGU	184.5	61.1	169.6
Fund management CGU	2.1	2.1	2.1
Parkwalk Advisors CGU	0.4	0.2	0.4
	187.0	63.4	172.1

During the period to 30 June 2018, no factors indicating potential impairment of goodwill were noted and, as a result, no impairment review was deemed necessary.

8. Related party transactions

The Group has various related parties arising from its key management, subsidiaries, equity stakes in portfolio companies and management of certain Limited Partnership funds.

a) Limited partnerships

The Group manages a number of investment funds structured as Limited Partnerships. Group entities have a Limited Partnership interest (see note 1) and act as the general partners of these Limited Partnerships. The Group therefore has power to exert significant influence over these Limited Partnerships. The following amounts have been included in respect of these Limited Partnerships:

8. Related party transactions (continued)

	Unaudited six months ended 30 June 2018 £m	Audited six months ended 30 June 2017 £m	Audited year ended 31 December 2017 £m
Income statement			
Revenue from services	0.3	0.5	0.7
Statement of financial position			
Investment in limited partnerships	2.9	3.0	2.6
Amounts due from related parties	0.8	0.5	0.7

b) Key management transactions

The following key management held shares in the following spin-out companies as at 30 June 2018:

Director/ Managing Partner	Company name	Number of shares held at 1 January 2018	Number of shares acquired/ (disposed of) in the period	Number of shares held at 30 June 2018	%
Alan Aubrey	Accelercomm Limited	333	305	638	0.4%
	Alesi Surgical Limited	18	—	18	0.2%
	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	202,761	—	202,761	0.3%
	Boxarr Limited	1,732	—	1,732	0.3%
	Capsant Neurotechnologies Limited	11,631	—	11,631	0.8%
	Crysalin Limited	1,447	—	1,447	0.1%
	Ditto AI Limited	120,434,525	—	120,434,525	9.0%
	Diurnal Group plc	15,000	—	15,000	<0.1%
	EmDot Limited	15	—	15	0.9%
	Getech Group plc	15,000	—	15,000	<0.1%
	Gunsynd plc	767,310	—	767,310	<0.1%
	hVivo plc	37,160	—	37,160	<0.1%
	Iluka plc	69,290	—	69,290	<0.1%
	Istesso Limited	1,185,150	—	1,185,150	1.7%
	Itaconix plc	88,890	—	88,890	0.1%
	Karus Therapeutics Limited	223	—	223	<0.1%
	Microbiotica Limited	10,000	—	10,000	<0.1%
	Mirriad Advertising plc	33,333	—	33,333	<0.1%
	MDL 2016 Limited — Ordinary shares	3,226	—	3,226	0.4%
	MDL 2016 Limited — A shares	229	—	229	0.5%
	Modern Water plc	519,269	—	519,269	0.7%
	Cronin Group plc	2,172,809	—	2,172,809	0.4%
	Oxford Nanopore Technologies Limited	101,208	—	101,208	0.4%
	Perachem Holdings plc	108,350	—	108,350	0.8%

Notes to the half-yearly condensed set of financial statements

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8. Related party transactions (continued)

Director/ Managing Partner	Company name	Number of shares held at 1 January 2018	Number of shares acquired/ (disposed of) in the period	Number of shares held at 30 June 2018	%
Alan Aubrey (continued)	Salunda Limited	53,639	—	53,639	<0.1%
	Structure Vision Limited	212	—	212	1.0%
	Surrey Nanosystems Limited	453	—	453	0.3%
	Tissue Regenix Group plc	2,389,259	—	2,389,259	0.3%
	Xeros Technology Group plc	40,166	—	40,166	<0.1%
	Zetta Networks Limited	424	—	424	<0.1%
Mike Townend	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%
	Applied Graphene Materials plc	22,619	—	22,619	<0.1%
	Avacta Group plc	20,001	—	20,001	<0.1%
	Capsant Neurotechnologies Limited	11,282	—	11,282	0.8%
	Creavo Technologies Limited	117	—	117	<0.1%
	Crysalin Limited	1,286	—	1,286	0.1%
	Ditto AI Limited	613,048	—	613,048	<0.1%
	Diurnal Group plc	15,000	—	15,000	<0.1%
	EmDot Limited	14	—	14	0.8%
	Getech Group plc	20,000	—	20,000	<0.1%
	Istesso Limited	1,185,150	—	1,185,150	1.7%
	Ilika plc	10,000	—	10,000	<0.1%
	Itaconix plc	64,940	—	64,940	<0.1%
	Mirriad Advertising plc	25,000	—	25,000	<0.1%
	Mode Diagnostics Limited	1,756	—	1,756	0.1%
	Modern Water plc	575,000	—	575,000	0.7%
	Cronin Group plc	932,944	—	932,944	0.2%
	Oxford Advanced Surfaces Limited	5,000	—	5,000	0.2%
	Oxford Nanopore Technologies Limited	30,967	—	30,967	0.1%
	Perachem Holdings plc	113,222	—	113,222	0.8%
	Structure Vision Limited	212	—	212	1.0%
Surrey Nanosystems Limited	404	—	404	0.2%	
Tissue Regenix Group plc	1,950,862	—	1,950,862	0.3%	
Ultrahaptics Holdings Limited	1,224	—	1,224	<0.1%	
Xeros Technology Group plc	35,499	—	35,499	<0.1%	
Greg Smith	Alesi Surgical Limited	2	—	2	<0.1%
	Avacta Group plc	3,904	—	3,904	<0.1%
	Capsant Neurotechnologies Limited	896	—	896	<0.1%
	Crysalin Limited	149	—	149	<0.1%
	Ditto AI Limited	144,248	—	144,248	<0.1%
	Diurnal Group plc	15,000	—	15,000	<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%
	hVivo plc	61,340	—	61,340	<0.1%
	Istesso Limited	313,425	—	313,425	0.5%

8. Related party transactions (continued)

Director/ Managing Partner	Company name	Number of shares held at 1 January 2018	Number of shares acquired/ (disposed of) in the period	Number of shares held at 30 June 2018	%
Greg Smith (continued)	Itaconix plc	4,500	—	4,500	<0.1%
	Perachem Holdings plc	4,830	—	4,830	<0.1%
	Mirriad Advertising plc	16,667	—	16,667	<0.1%
	MDL 2016 Limited — Ordinary shares	361	—	361	<0.1%
	MDL 2016 Limited — A shares	28	—	28	<0.1%
	Modern Water plc	7,250	—	7,250	<0.1%
	Oxford Nanopore Technologies Limited	1,581	—	1,581	<0.1%
	Summit Therapeutics plc	798	—	798	<0.1%
	Surrey Nanosystems Limited	88	—	88	<0.1%
	Tissue Regenix Group plc	50,000	—	50,000	<0.1%
Xeros Technology Group plc	1,392	—	1,392	<0.1%	
David Baynes	Alesi Surgical Limited	4	—	4	<0.1%
	Arkivum Limited	377	—	377	<0.1%
	Creavo Technologies Limited	46	—	46	<0.1%
	Diurnal Group plc	73,000	—	73,000	0.1%
	Mirriad Advertising plc	16,667	—	16,667	<0.1%
	Oxford Nanopore Technologies Limited	174	—	174	<0.1%
	Ultrahaptics Holdings Limited	26	—	26	<0.1%
Zeetta Networks Limited	424	—	424	<0.1%	
Mark Reilly	Actual Experience plc	65,500	—	65,500	<0.1%
	Diurnal Group plc	7,500	—	7,500	<0.1%
	Ultrahaptics Holdings Limited	1,700	—	1,700	<0.1%
	Mirriad Advertising plc	33,333	—	33,333	<0.1%
Sam Williams	Accelercomm Limited	66	61	127	0.1%
	Alesi Surgical Limited	1	—	1	<0.1%
	Creavo Medical Technologies Limited	23	—	23	<0.1%
	Diurnal Group plc	46,748	5,500	52,248	0.1%
	Istesso Limited	7,048,368	—	7,048,368	10.0%
	Microbiotica Limited	7,000	—	7,000	<0.1%
	Mirriad Advertising plc	3,333	—	3,333	<0.1%
	Oxford Nanopore Technologies Limited	340	—	340	<0.1%
	Ultrahaptics Holdings Limited	558	—	558	<0.1%

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

8. Related party transactions (continued)

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. Through the lack of control over portfolio companies these fees are considered arm's length transactions. The following amounts have been included in respect of these fees:

	Unaudited six months ended 30 June 2018 £m	Audited six months ended 30 June 2017 £m	Audited Year ended 31 December 2017 £m
Statement of comprehensive income			
Revenue from services	1.1	1.0	1.9

	Unaudited 30 June 2018 £m	Audited 30 June 2017 £m	Audited 31 December 2017 £m
Statement of financial position			
Trade receivables	0.3	0.5	0.5

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 2018 £m	Audited 30 June 2017 £m	Audited 31 December 2017 £m
Intercompany balances with other Group companies	3.4	10.7	3.2

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

9. Re-presented comparative figures

The June 2017 comparative figures were re-presented to recognise amounts paid in relation to the deferred and contingent consideration payable to the Parkwalk sellers in the period and deemed, under IFRS3, to represent a payment for post-acquisition services.

General information

The comparative financial information presented herein for the year ended 31 December 2017 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 2017 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 2018.

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 2017, 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 25 July 2018, 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 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 2017.

Notes to the half-yearly condensed set of financial statements

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Going concern

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for a period of at least 12 months from the date of approval of these consolidated half-year financial statements. 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 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 2017 and which will form the basis of the 2018 Annual Report and Accounts. None of the new standards that have become effective in the period are expected to have a material effect on the Group's future 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 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

ALAN AUBREY
CHIEF EXECUTIVE OFFICER

24 July 2018

Independent review report

TO IP GROUP PLC

Conclusion

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 2018 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.

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 2018 is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting as adopted by the EU and the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA").

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

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) 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.

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 International Financial Reporting Standards as adopted by the EU. The directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 as adopted by the EU.

Independent review report CONTINUED

TO IP GROUP PLC

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.

The purpose of our review work and to whom we owe our responsibilities

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 DTR of 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.

JONATHAN MILLS

FOR AND ON BEHALF OF KPMG LLP

Chartered Accountants

15 Canada Square

London

E14 5GL

24 July 2018

Company information

Company registration number	04204490
Registered office	The Walbrook Building 25 Walbrook London EC4N 8AF
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) Jonathan Brooks (Non-executive Director) Professor Lynn Gladden CBE (Non-executive Director) Dr Elaine Sullivan (Non-executive Director) Heejae Chae (Non-executive Director) Professor David Knox Houston Begg (Senior Independent Director)
Company secretary	Angela Leach
Brokers	Numis Securities Limited The London Stock Exchange Building 10 Paternoster Square London EC4M 7LT
Registrars	Link Asset Services 6th Floor 65 Gresham Street London EC2V 7NQ
Bankers	Royal Bank of Scotland PO Box 333 Silbury House 300 Silbury Boulevard Milton Keynes MK9 2ZF
Solicitors	Pinsent Masons LLP 30 Crown Place Earl Street London EC2A 4ES
Independent auditor	KPMG LLP 15 Canada Square London E14 5GL

Shareholder information



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