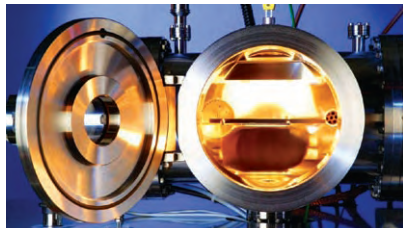


Half-yearly report 2009





The Group's portfolio of intellectual property based companies has continued to make good progress during the first half of 2009. While the financing environment has remained challenging, a number of portfolio companies have completed significant financings from a range of sources, including two significant placings on AIM, and a number of private fund-raisings. Portfolio company financings during the period spanned the full range of investment stages and sectors within the portfolio and included both new and existing investors.

Our maturing portfolio of companies continues to attract investment from and collaborate with industry partners, and a number of companies are acting as consolidators of their specialist sectors. The Group continues to manage its cash resources prudently and maintain its conservative treasury policies and has a promising pipeline of spin-out opportunities from its partner research institutions.

ALAN AUBREY
CHIEF EXECUTIVE



About us

IP Group's core business is the creation of value for its shareholders and partners through the commercialisation of intellectual property originating from research intensive institutions.

We seek to provide our companies with more than just capital. We offer vision, access to networks, experience, methodology and support.

Our history

August 2001

Beeson Gregory transfers Oxford partnership to subsidiary IP Group (formerly IP2IPO)

March 2002

IP Group signs agreement with the University of Southampton

December 2002

Techtran signs agreement with the University of Leeds

May 2003

IP Group signs agreement with King's College, London

October 2003

IP Group floats on AIM

November 2003

IP Group signs agreement with CNAP, the University of York

March 2004

OHM floats on AIM

June 2004

IP Group acquires Top Technology Ventures

July 2004

IP Group acquires 19.9% stake in Techtran

October 2004

Synairgen & Summit (formerly Vastox) float on AIM

January 2005

IP Group acquires Techtran

March 2005

Proximagen floats on AIM

September 2005

GETECH floats on AIM

December 2005

IP Group signs agreement with the University of Bristol

February 2006

IP Group signs agreement with the University of Surrey

March 2006

Syntopix floats on AIM

April 2006

Oxford Catalysts floats on AIM

June 2006

IP Group joins Official List

July 2006

Avacta announces it is joining AIM via a reverse takeover of Readybuy

July 2006

IP Group launches IP Venture Fund

Highlights

Financial and operational highlights

- Net assets at 30 June 2009: £169.5m
(FY08: £173.8m; H108: £229.8m)
- Cash and fixed term deposits at 30 June 2009: £30.6m
(FY08: £33.3m; H108: £39.5m)
- Reduction in net cash used in operating activities to £1.0m
(FY08: £3.5m; H108: £1.3m)

Portfolio highlights

- Fair value of investment portfolio: £97.1m
(FY08: £98.4m; H108: £148.4m)
- Portfolio of companies in which the Group has a fair value holding of £3m or above at period end: 10 (FY08: 10; H108: 11)
- Over £70m of capital raised by portfolio companies during the period, including \$18m (£12m) strategic investment in Oxford Nanopore Limited by NASDAQ-listed Illumina Inc. and £50m placing by Proximagen Neuroscience plc in one of the UK's largest biotechnology placings in the past five years
- Continued consolidation of complementary businesses and technologies by a number of portfolio companies, including Avacta Group plc and Tracsis plc

Forward looking statements

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

July 2006

IP Group signs agreement with Queen Mary, University of London

September 2006

IP Group signs agreement with the University of Bath

October 2006

IP Group signs agreement with the University of Glasgow

December 2006

IP Group launches Modern Water

January 2007

Perachem announces it is joining PLUS Markets via a reverse takeover of Primavera Capital

June 2007

Modern Water floats on AIM

November 2007

Tracsis floats on AIM

December 2007

Oxford Advanced Surfaces floats on AIM via a reverse takeover and Photopharmica raises £6m

March 2008

Oxford Nanopore raises £10m

May 2008

Revolymmer raises £10m

January 2009

Illumina signs worldwide distribution agreement with Oxford Nanopore and invests \$18m

June 2009

Proximagen raises £50m on AIM

IFC About us

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Portfolio review

Overview

At 30 June 2009, the Group's portfolio of investments consisted of interests in 65 companies, reduced from 74 at 31 December 2008, and was valued at £97.1m (FY08: £98.4m; H108: £148.4m). As explained in the Portfolio analysis - by investment stage section that follows, the majority of this reduction was seen in portfolio companies at the "incubation" stage of development.

Despite the continued challenging financing environment, portfolio companies raised in excess of £70m during the period (H108: £25m; FY08: £57m) from a wide variety of sources, including placings on AIM and private financings from venture capital, angel and industry investors.

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

	H109 £m	H108 £m	FY08 £m
Gains on the revaluation of investments	9.8	26.3	12.2
Losses on the revaluation of investments	(12.4)	(7.8)	(47.7)
Net fair value (losses)/gains	(2.6)	18.5	(35.5)
Loss on disposals of equity investments	(0.1)	-	-
Total	(2.7)	18.5	(35.5)

Gains on the revaluation of investments principally comprise share price increases of Oxford Advanced Surfaces Group plc (£3.4m) and Modern Water plc (£2.0m), as well as an increase in the fair value of the Group's shareholding in Oxford Nanopore Technologies Limited (£3.2m) ("Oxford Nanopore") as a result of the strategic investment in January 2009 by NASDAQ-listed Illumina Inc. which valued the Group's 28.8% shareholding at £22.7m.

Losses on the revaluation of investments include the impact of negative share price performance of some of the Group's quoted companies, including Oxford Catalysts Group plc (£2.7m), Green Chemicals plc (£2.1m), Proximagen Neuroscience plc (£1.2m) and Avacta Group plc (£1.0m). As described in more detail in the Portfolio sector analysis below, these businesses have made strong underlying progress during the period but have not been immune to continuing illiquidity in the AIM market.

The Group applies the International Private Equity and Venture Capital Valuation Guidelines in order to determine the fair values of its portfolio of unquoted investments and this gave rise to a reduction in fair value of £4.6m across a number of businesses. A detailed description of the Group's valuation approach is included in Note 1 of the Annual Report and Accounts 2008.

Cash investment analysis by company stage

	H109 £m	H108 £m	FY08 £m
Incubation projects	0.3	0.5	0.8
Portfolio businesses <£3m	1.1	2.8	6.2
Portfolio businesses >£3m	0.2	1.2	1.6
Total	1.6	4.5	8.6
Proceeds from sales of equity investments	0.1	-	-

The Group continued to invest in new opportunities and existing portfolio companies but at a reduced level from 2008 reflecting the more challenging early stage investment environment. The Group's approach of incubating intellectual property-based businesses with low levels of cash investment has continued to be applied and the average investment size during the period has reduced to £110,000 per company (H108: £186,000; FY08: £215,000). This approach, which we consider a particular strength in the current capital-constrained environment, allows for progressive reduction of risk and enables the maintenance of a portfolio which is diversified by both company stage and sector.

The Group realised a small level of cash from the portfolio during the period and the Directors continue to pursue and assess opportunities to realise cash from the Group's portfolio businesses when market conditions and/or specific circumstances make it attractive to do so. Following the period end, Luto Research Limited, a spin-out company from the University of Leeds which specialises in developing, enhancing and testing patient communications and in which the Group had a 24.2% shareholding, was acquired for cash by Mawdsley Brooks, an international pharmaceutical logistics and support services business. The acquisition serves as another example of increasing industry interest and investment in the Group's portfolio businesses.

Portfolio analysis – by investment stage

Of the 65 companies in the Group's portfolio, 75% of the fair value remains in those companies in which IP Group's stake is worth over £3m. At 30 June 2009, this equated to £73.1m, representing a small increase from £72.6m at year end. An analysis of the Group's portfolio by investment stage is set out below:

Company stage	As at 30 June 2009				As at 31 December 2008			
	Fair value		Number		Fair value		Number	
	£m	%		%	£m	%		%
Incubation projects	1.0	1%	11	17%	1.5	2%	20	27%
Portfolio businesses <£3m	23.0	24%	44	68%	24.3	24%	44	59%
Portfolio businesses >£3m	73.1	75%	10	15%	72.6	74%	10	14%
All portfolio businesses	97.1	100%	65	100%	98.4	100%	74	100%

A more detailed analysis of our most significant investments (Portfolio businesses >£3m) is given below.

Portfolio businesses <£3m are generally less mature companies, which typically have received only seed round financing of less than £1m. Examples of interesting developments in this portfolio during the period include Icona Solutions Limited ("Icona") and Encos Limited ("Encos").

Icona is a spin-out company from the University of Leeds which has developed software that helps manufacturing companies visualise manufacturing variation during the digital product development process. During the period the company announced that Bentley Motors had implemented the software in its design and manufacturing plant. The Company also announced the launch of a direct interface to Autodesk's Showcase digital mock-up and visualisation software. Autodesk, Inc., is a world leader in 2D and 3D design software for the manufacturing, construction, and media and entertainment markets. The interface will allow users of Autodesk to access Icona's product from within the Autodesk environment.

Encos, a spin-out company using technology from the Universities of Leeds and Nottingham, aims to replace concrete as a structural material in all applications with fully sustainable construction products made from 100% recycled and industrial waste materials. The company's ultimate aim is to produce construction products with a wide range of properties to suit different structural applications, using far less energy than traditional methods of manufacturing building materials. The company received seed finance from the Group during the period, alongside an investment by Sustainable Resource Solutions Limited, another Group portfolio company, which aims to provide practicable solutions to waste and resource management problems.

During the period the Group closed a number of incubation projects where proof of concept work failed or the investment case was insufficiently compelling to progress the opportunity further. As described above, the Group continues to apply this technology incubation approach to its portfolio businesses.

Portfolio review (continued)

Largest portfolio businesses (portfolio businesses >£3m)

Further details of the Group's equity holdings worth greater than £3m are as follows:

Name/description	Recent news
Avacta Group plc Specialist contract analysis and research services	February 2009: acquisition of York Test Veterinary Services January 2009: acquisitions of Curidium Medica plc and Theragenetics Limited
Green Chemicals plc Environmentally-friendly textiles and bleaching chemicals	July 2009: unveils breakthrough hair bleaching and colouring system meaning that hair can be coloured and bleached as often as the user wishes with minimal damage done to the hair or skin
Ilika Technologies Limited Fast-tracking materials discovery	June 2009: renewed commercial relationship accelerate with Toyota Motor Corporation to the development of high performance battery materials, following successful completion of first project
Modern Water plc Technologies to address the world's water crisis	June 2009: company's desalination proving plant in Gibraltar is performing ahead of expectations and has been supplying water directly into Gibraltar's potable water distribution system since May
Oxford Advanced Surfaces Group plc Surface modification technologies applicable to a broad range of materials	June 2009: creation of new industrial adhesive promoter especially for polymers May 2009: breakthrough in prevention of silver tarnishing in multiple applications, especially LED and solid state lighting
Oxford Catalysts Group plc Speciality catalysts for the generation of clean fuels	May 2009: awarded \$5m (£3m) commercialisation grant from the US National Academy of Science May 2009: enters MoU with Potter Drilling, Inc. to explore the use of Instant Steam technology in superheated fluids for drilling through hard rocks
Oxford Nanopore Technologies Limited Nanopore technology used for super-fast genome sequencing	July 2009: Lord Drayson inaugurates new Oxford Nanopore facility at The Oxford Science Park January 2009: worldwide strategic alliance with Illumina Inc. for the development and commercialisation of its BASE™ Technology for DNA sequencing and investment of \$18m (£12m)
Photopharmica (Holdings) Limited Wound treatment using light (photodynamic therapy or "PDT")	May 2009: first treatment of a patient in its Phase II leg ulcer trial April 2009: external validated results demonstrate that no bacterial resistance to photodynamic therapy has developed
Proximagen Neuroscience plc Treatments for neurodegenerative disorders such as Parkinson's disease	June 2009: £50m placing providing the company with capital to in-license and further develop drug development programmes to commercialisation
Revolymr Limited Removable "Clean Chewing Gum"	September 2008: Robin Cridland joins the board as CFO from Renovo Group plc
"Provisions"	
Total	

Group stake 30 June 2009 %	Quoted/ unquoted	Company value* 30 June 2009 £m	Value* of Group holding at:	
			30 June 2009 £m	31 December 2008 £m
18.5%	Quoted	17.0	3.1	3.9
24.4%	Quoted	16.0	4.3	6.1
23.6%	Unquoted	29.5	7.0	7.0
23.2%	Quoted	25.3	5.9	3.8
15.4%	Quoted	52.0	8.0	4.5
11.4%	Quoted	32.8	3.7	6.4
28.8%	Unquoted	78.9	22.7	19.5
49.9%	Unquoted	26.0	13.0	13.0
8.2%	Quoted	71.6	5.9	7.1
11.3%	Unquoted	26.3	3.0	3.0
			(3.5)	
			73.1	

* Values of unquoted companies are shown at price of recent investment prior to any fair value reductions (c.f. provisions).

Portfolio review (continued)

Portfolio analysis – by sector

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

Sector	As at 30 June 2009				As at 31 December 2008			
	Fair value		Number		Fair value		Number	
	£m	%		%	£m	%		%
All portfolio businesses								
Chemicals & Materials	23.3	24%	16	25%	23.9	24%	18	25%
Energy & Renewables	12.5	13%	10	15%	13.0	13%	9	12%
Healthcare & Life Sciences: Non-therapeutics	32.0	33%	17	26%	30.2	31%	23	31%
Healthcare & Life Sciences: Therapeutics	25.0	26%	11	17%	27.0	28%	12	16%
IT & Communications	4.3	4%	11	17%	4.3	4%	12	16%
	97.1	100%	65	100%	98.4	100%	74	100%

Chemicals & Materials

Oxford Advanced Surfaces Group plc, whose "Onto" surface modification technology has facilitated breakthroughs in enhancing the properties of a number of materials, has seen an increase in share price resulting in a fair value gain for the Group of £3.4m in the period. This has been partially offset by a fall in the share price of Green Chemicals plc resulting in a fair value reduction of £1.8m, in spite of its unveiling a breakthrough hair bleaching and colouring system in July. Xeros Limited, the company behind the world's first "virtually waterless" clothes cleaning technology, announced a £0.9m private financing led by Enterprise Ventures as well as an alliance with GreenEarth Cleaning, an environmentally friendly dry-cleaning business, to sell the technology across North America.

Energy & Renewables

Modern Water plc announced in the period that the performance of its proving plant in Gibraltar, the first of its kind in the world to use Modern Water's Manipulated Osmosis Desalination technology, is ahead of expectations and has already begun supplying water directly into Gibraltar's potable water distribution system. The increase in Modern Water's share price has resulted in a fair value gain of £2.0m, although this was offset by a fair value loss of £2.7m due to a decline in the share price of Oxford Catalysts Group plc. Oxford Catalysts continued commercial and technical progress in the period, announcing a \$5m (£3m) commercialisation grant from the US National Academy of Sciences and entering into a memorandum of understanding with Potter Drilling, Inc. to explore the incorporation of Oxford Catalysts' Instant Steam technology in the use of superheated fluid for drilling through hard rocks.

Healthcare & Life Sciences: Non-therapeutics

The strong performance in the "Med Tech" sector has been dominated by Oxford Nanopore Technologies Ltd, which entered into a worldwide strategic alliance with Illumina Inc. for the development and commercialisation of its BASE™ Technology for DNA sequencing. As part of this strategic alliance, Illumina invested \$18m (£12m) at a value increase resulting in a fair value gain of £3.2m. This gain has been partially offset by a reduction in the share price of Avacta Group plc, resulting in a reduction in fair value of £1.0m. Avacta is one of a number of portfolio companies acting as consolidators of complementary businesses and technologies, and the company announced a number of strategic acquisitions in the period including Curidium Medica plc, York Test Veterinary Services Limited and Theragenetics Limited.

Healthcare & Life Sciences: Therapeutics

The drug development sector has seen the highest reduction in fair value in the period, primarily as a result of the fall in share price of Proximagen Neuroscience plc driving a reduction in fair value of £1.2m. Proximagen significantly strengthened its balance sheet through a £50m AIM placing in the period to provide capital for further in-licensing and development to commercialisation of drug development programmes. Photopharmica (Holdings) Ltd and Synairgen plc both made good technical progress in the period, the former announcing the first treatment of a patient in its Phase II leg ulcer trial and the latter announcing continued progress with its Phase I SG004 clinical trial and the completion of a £6.3m AIM placing.

IT & Communications

The fair value of the IT & Communications sector has remained unchanged in the period. However, a number of companies continue to make solid commercial progress. In July, Tracsis plc, the scheduling software company for the transportation industry, continued the consolidation trend through the acquisition of Peeping Ltd, a company which provides research based services to train operating companies. Furthermore, COE Group plc announced a number of commercial partnerships and contract awards in the period, as well as the announcement in July of a major contract to provide the video surveillance solution for lines 1, 3 & 4 of the Seoul Metropolitan Subway network.

Financial and operational review

Income statement

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

	H109 £m	H108 £m	FY08 £m
Net portfolio (losses)/gains	(2.8)	18.7	(35.5)
Other income	0.8	1.4	2.4
Administrative expenses: Modern businesses	(0.3)	(1.7)	(3.0)
Administrative expenses: All other businesses	(3.0)	(3.9)	(6.6)
Finance income	0.4	1.3	2.2
(Loss)/profit for the period before tax	(4.9)	15.8	(40.5)

Portfolio gains are analysed in detail in the portfolio review.

As a result of the reorganisation and process improvements described in the Group's 2008 Annual Report and Accounts, the level of administrative expenses has reduced significantly during the period to £3.3m (H108: £5.6m; FY08: £9.6m). These administrative expenses include various non-cash charges, including the IFRS 2 share-based payments charge relating to the Group's Long Term Incentive Plan, totalling £0.7m (H108: £1.2m; FY08: £1.0m).

Other income, derived principally from fund management activity, dividends and consultancy services, including private placement fees generated by the Group's Capital Markets team, reduced to £0.8m (H108: £1.4m; FY08: £2.4m), primarily due to a lower level of private placement activity in the period. As anticipated, the fall in interest rates in the UK has seen finance income decrease to £0.4m (H108: £1.3m; FY08: £2.2m).

Statement of financial position

The Group continues to have a strong balance sheet with cash and cash equivalents and fixed term deposits of £30.6m (FY08: £33.3m, H108: £39.5m), no borrowings and a diversified portfolio of investments in private and publicly-listed companies across five distinct sectors. The overall value of the Group's investment portfolio has remained largely stable since the 2008 year end and at 30 June 2009 stands at £97.1m (FY08: £98.4m, H108: £148.4m).

Cash and cash equivalents and deposits ("Cash")

The principal constituents of the movement in Cash in the period can be summarised as follows:

	H109 £m	H108 £m	FY08 £m
Net cash used in operating activities	(1.0)	(1.3)	(3.5)
Net cash used in investing activities	(1.7)	(5.2)	(9.2)
Movement during period	(2.7)	(6.5)	(12.7)

The Group continues to manage its Cash balances prudently and has invested £1.6m across 14 opportunities during the period (H108: £4.5m, 25 opportunities; FY08: £8.6m, 40 opportunities), including new university spin-outs and follow-on funding rounds and a further £0.2m investment in the IP Venture Fund (H108: £0.2m; FY08: £0.4m). In spite of the reduction in finance income described above, the net cash used in operating activities during the period was reduced to £1.0m (H108: £1.3m; FY08: £3.5m).

Taxation

The Group's Directors continue to believe that the Group qualifies for the Substantial Shareholdings Exemption ("SSE") on chargeable gains arising on the disposal of qualifying holdings and, as such, the Group has not recognised a provision for deferred taxation in respect of uplifts in value on equity stakes.

Financial and operational review (continued)

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 2008 Annual Report and Accounts. The principal risks and uncertainties are summarised as follows:

- Financial risks, primarily market price and liquidity risks;
- Group investments are generally into companies at an early stage of development;
- Risk of failure of companies within the Group's portfolio;
- Loss of key personnel from the Group;
- Changes in legislation and government policy;
- Termination of university partnerships and change of control provisions; and
- Recoverability of the Oxford equity rights asset.

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

Outlook

The economic environment continues to be challenging for all businesses, including early stage businesses such as those in which the Group invests. However, the Group remains well positioned financially with no borrowings, more than £30m of Cash and access to further follow-on capital through IP Venture Fund. The Group's portfolio businesses have continued to attract significant investment during the period from a variety of financing sources including public markets, venture capital, industry and angel investors and we continue to work with the management teams of a number of our portfolio companies to raise finance or complete M&A activity, including consolidation of complementary technologies and businesses.

The Group has a diverse portfolio of intellectual property-based businesses across five key sectors which continues to mature, as well as unrivalled, exclusive access to intellectual property from ten world-class research institutions. Further, the announcement in June 2009 of the UK Innovation Investment Fund, a key part of the Government's Building Britain's Future strategy, underlines that the Group's business of investment in early stage technology businesses is clearly high up the political agenda. These factors, combined with continued tight control of our cost base and a strong balance sheet, continue to give the Directors confidence in the Group's ability to deliver long term shareholder value.

Condensed consolidated statement of comprehensive income

for the six months to 30 June 2009

	Note	Unaudited 6 months to 30 June 2009 £m	Unaudited 6 months to 30 June 2008 £m	Audited Year to 31 December 2008 £m
Portfolio return and revenue				
Change in fair value of equity and debt investments		(2.6)	18.5	(35.5)
Loss on disposal of equity investments		(0.1)	–	–
Change in fair value of limited partnership investments		(0.1)	0.2	–
Other portfolio income		–	0.3	0.5
Revenue from services		0.8	1.1	1.9
		(2.0)	20.1	(33.1)
Administrative expenses				
Employee bonus costs		(0.2)	(0.9)	(0.1)
Research and development expenses		(0.2)	(0.8)	(1.3)
Share-based payment charge		(0.3)	(0.2)	(0.6)
Other administrative expenses		(2.6)	(3.7)	(7.6)
		(3.3)	(5.6)	(9.6)
Operating (loss)/profit				
Finance income - interest receivable		(5.3)	14.5	(42.7)
		0.4	1.3	2.2
(Loss)/profit before taxation				
Taxation		(4.9)	15.8	(40.5)
		0.3	–	0.1
(Loss)/profit for the period and total comprehensive income for the period				
		(4.6)	15.8	(40.4)
(Loss)/profit and total comprehensive income attributable to:				
Equity owners of the parent		(4.6)	15.9	(40.3)
Non-controlling interest		–	(0.1)	(0.1)
		(4.6)	15.8	(40.4)
Earnings per share				
Basic and diluted	2	(1.84)	6.34	(16.10)

Condensed consolidated statement of financial position

as at 30 June 2009

	Note	Unaudited 30 June 2009 £m	Unaudited 30 June 2008 £m	Audited 31 December 2008 £m
ASSETS				
Non-current assets				
Intangible assets:				
Goodwill		18.4	18.8	18.4
Acquired intangible asset		0.1	0.3	0.1
Property, plant and equipment		0.4	0.5	0.5
Equity rights and related acquisition costs		20.2	20.2	20.2
Investment portfolio				
Equity investments	3	94.9	147.5	96.5
Debt investments	3	2.2	0.9	1.9
Financial asset		1.1	1.1	1.1
Investment in limited partnerships		1.4	1.4	1.4
Total non-current assets		138.7	190.7	140.1
Current assets				
Trade and other receivables		0.7	1.4	1.1
Deposits		15.0	–	–
Cash and cash equivalents		15.6	39.5	33.3
Total current assets		31.3	40.9	34.4
Total assets		170.0	231.6	174.5
EQUITY AND LIABILITIES				
Equity attributable to equity holders				
Called up share capital		5.0	5.0	5.0
Share premium account		96.7	96.7	96.7
Merger reserve		12.8	12.8	12.8
Retained earnings		55.0	115.1	59.3
		169.5	229.6	173.8
Non-controlling interest		–	0.2	–
Total equity		169.5	229.8	173.8
Current liabilities				
Trade and other payables		0.5	1.8	0.7
Total equity and liabilities		170.0	231.6	174.5

Condensed consolidated statement of cash flows

for the six months to 30 June 2009

	Unaudited 6 months to 30 June 2009 £m	Unaudited 6 months to 30 June 2008 £m	Audited Year to 31 December 2008 £m
Operating activities			
Profit before taxation	(4.9)	15.8	(40.5)
Adjusted for:			
Finance income – interest receivable	(0.4)	(1.3)	(2.2)
Change in fair value of equity and debt investments	2.6	(18.5)	35.5
Depreciation of property, plant and equipment	0.1	0.1	0.1
Amortisation of intangible non-current assets	0.1	–	0.2
Change in fair value of limited partnership investments	0.1	(0.2)	–
Loss on disposal of equity investments	0.1	–	–
Non-cash employee bonus costs	0.2	0.9	0.1
Share-based payment charge	0.3	0.2	0.6
Other portfolio income classified as investing activities cash flows	–	(0.3)	(0.5)
Changes in working capital:			
Decrease in trade and other receivables	–	0.5	0.7
Decrease in trade and other payables	(0.3)	–	(0.1)
Operating cash flows:			
Research & development tax credits received	0.3	–	0.1
Interest received	0.8	1.5	2.5
Net cash outflow from operating activities	(1.0)	(1.3)	(3.5)
Investing activities			
Purchase of property, plant and equipment	–	(0.1)	(0.1)
Purchase of equity and debt investments	(1.6)	(5.2)	(9.2)
Investment in limited partnership funds	(0.2)	(0.2)	(0.4)
Proceeds from sale of equity investments	0.1	–	–
Other portfolio income received	–	0.3	0.5
Net cash outflow from investing activities	(1.7)	(5.2)	(9.2)
Financing activities			
Net cash flow to deposits	(15.0)	–	–
Net cash outflow from financing activities	(15.0)	–	–
Net decrease in cash and cash equivalents	(17.7)	(6.5)	(12.7)
Cash and cash equivalents at the beginning of the period	33.3	46.0	46.0
Cash and cash equivalents at the end of the period	15.6	39.5	33.3

Condensed consolidated statement of changes in equity

for the six months to 30 June 2009

	Share capital £m	Share premium £m	Merger reserve £m	Retained earnings £m	Total £m	Non-controlling interest £m	Total equity £m
At 1 January 2008	5.0	96.7	12.8	99.0	213.5	0.3	213.8
Credit to equity for equity-settled Share-based payments	-	-	-	0.2	0.2	-	0.2
Total comprehensive income for the period to 30 June 2008	-	-	-	15.9	15.9	(0.1)	15.8
At 30 June 2008 (unaudited)	5.0	96.7	12.8	115.1	229.6	0.2	229.8
Acquisition of non-controlling interest	-	-	-	-	-	(0.2)	(0.2)
Credit to equity for equity-settled Share-based payments	-	-	-	0.4	0.4	-	0.4
Total comprehensive income for the period to 31 December 2008	-	-	-	(56.2)	(56.2)	-	(56.2)
At 31 December 2008	5.0	96.7	12.8	59.3	173.8	-	173.8
Credit to equity for equity-settled Share-based payments	-	-	-	0.3	0.3	-	0.3
Total comprehensive income for the period to 30 June 2009	-	-	-	(4.6)	(4.6)	-	(4.6)
At 30 June 2009 (unaudited)	5.0	96.7	12.8	55.0	169.5	-	169.5

Notes to the half-yearly condensed set of financial statements

1. Operating segments

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

	University partnership business £m	Venture capital fund management £m	In-licensing activity £m	Consolidated £m
6 months to 30 June 2009 (unaudited)				
Income Statement				
Change in fair value of equity and debt investments	(2.6)	–	–	(2.6)
Loss on disposals of equity investments	(0.1)	–	–	(0.1)
Change in fair value of limited partnership investments	(0.1)	–	–	(0.1)
Revenue from advisory services	0.2	0.1	–	0.3
Revenue from fund management services	–	0.5	–	0.5
Administrative expenses	(2.5)	(0.5)	(0.3)	(3.3)
Operating (loss)/profit	(5.1)	0.1	(0.3)	(5.3)
Finance income – interest receivable	0.4	–	–	0.4
(Loss)/profit before taxation	(4.7)	0.1	(0.3)	(4.9)
Taxation	–	–	0.3	0.3
(Loss)/profit for the period and total comprehensive income for the period	(4.7)	0.1	–	(4.6)

	University partnership business £m	Venture capital fund management £m	In-licensing activity £m	Consolidated £m
6 months to 30 June 2008 (unaudited)				
Income Statement				
Change in fair value of equity and debt investments	18.5	–	–	18.5
Change in fair value of limited partnership investments	0.2	–	–	0.2
Dividends	0.3	–	–	0.3
Revenue from advisory services	0.2	0.3	–	0.5
Revenue from fund management services	–	0.6	–	0.6
Administrative expenses	(3.4)	(0.5)	(1.7)	(5.6)
Operating profit/(loss)	15.8	0.4	(1.7)	14.5
Finance income – interest receivable	1.2	–	0.1	1.3
Profit/(loss) before taxation	17.0	0.4	(1.6)	15.8
Taxation	–	–	–	–
Profit/(loss) for the period and total comprehensive income for the period	17.0	0.4	(1.6)	15.8

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

1. Operating segments (continued)

Year to 31 December 2008 (audited)	University partnership business £m	Venture capital fund management £m	In-licensing activity £m	Consolidated £m
Income Statement				
Change in fair value of equity and debt investments	(35.5)	–	–	(35.5)
Other portfolio income	0.5	–	–	0.5
Revenue from advisory services	0.5	0.3	–	0.8
Revenue from fund management services	–	1.1	–	1.1
Administrative expenses	(5.4)	(1.2)	(3.0)	(9.6)
Operating (loss)/profit	(39.9)	0.2	(3.0)	(42.7)
Finance income – interest receivable	2.0	0.1	0.1	2.2
(Loss)/profit before taxation	(37.9)	0.3	(2.9)	(40.5)
Taxation	–	–	0.1	0.1
(Loss)/profit for the year and total comprehensive income for the year	(37.9)	0.3	(2.8)	(40.4)

2. Earnings per share

The basic earnings per share has been calculated by dividing the loss for the period of £4.6m (for the period ended 30 June 2008: profit £15.9m; for the year ended 31 December 2008: loss £40.3m) by the weighted average number of shares of 250,291,965 in issue during the six month period to 30 June 2009 (for the six month period ended 30 June 2008 and for the year ended 31 December 2008: 250,291,965).

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

3. Investment portfolio

	Equity investments in quoted spin-out companies £m	Equity investments in unquoted spin-out companies £m	Unquoted debt investments in spin-out companies £m	Equity investments in other companies £m	Total £m
At 1 January 2008	67.0	57.1	0.4	1.6	126.1
Investments during the period	0.6	3.3	0.6	–	4.5
Reclassifications during the period	0.5	(0.4)	(0.1)	–	–
Change in fair value in the period	10.8	8.0	–	(0.3)	18.5
Equity allocated to staff in the period	–	(0.7)	–	–	(0.7)
At 30 June 2008 (unaudited)	78.9	67.3	0.9	1.3	148.4
Investments during the period	1.2	1.7	1.2	–	4.1
Reclassifications during the period	–	0.1	(0.1)	–	–
Change in fair value in the period	(42.1)	(10.9)	(0.1)	(0.9)	(54.0)
Equity allocated to staff in the period	–	(0.1)	–	–	(0.1)
At 31 December 2008	38.0	58.1	1.9	0.4	98.4
Investments during the period	0.1	0.9	0.6	–	1.6
Reclassifications during the period	0.2	(0.2)	–	–	–
Disposal during the period	(0.2)	–	–	–	(0.2)
Change in fair value in the period	(1.7)	(0.5)	(0.3)	(0.1)	(2.6)
Equity allocated to staff in the period	–	(0.1)	–	–	(0.1)
At 30 June 2009 (unaudited)	36.4	58.2	2.2	0.3	97.1

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

4. Related party transactions

a) Limited partnerships

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

	Unaudited 6 months to 30 June 2009 £m	Unaudited 6 months to 30 June 2008 £m	Audited Year to 31 December 2008 £m
Income statement			
Revenue from services	0.4	0.3	0.9
Balance sheet			
Investment in limited partnerships	1.4	1.4	1.4
Amounts due from related parties	-	-	-

4. Related party transactions (continued)

b) Key management transactions

The key management had investments with the following spin-out companies as at 30 June 2009:

Director	Company name	Number of shares held at 1 January 2009	Number of shares acquired/ (disposed) in the period	Number of shares held at 30 June 2009	%
Alan Aubrey	Activotec SPP Limited	1,500	–	1,500	0.9%
	Amaethon Limited – A Ordinary Shares	104	–	104	3.1%
	Amaethon Limited – B Ordinary Shares	11,966	–	11,966	1.0%
	Amaethon Limited – Ordinary Shares	21	–	21	0.3%
	Avacta Group plc ⁽¹⁾	12,961,857	314,256	13,276,113	1.2%
	Bioniqs Limited	1,063	–	1,063	1.0%
	Capsant Neurotechnologies Limited	11,631	–	11,631	0.8%
	Cerogenix Limited	3,143	–	3,143	1.7%
	Chamelic Limited	26	–	26	1.6%
	COE Group plc	357,204	–	357,204	1.0%
	Crysalin Limited	1,447	–	1,447	0.4%
	Dispersia Limited	416	–	416	1.0%
	EmDot Limited	–	15	15	0.9%
	Getech Group plc	15,000	–	15,000	<0.1%
	Green Chemicals plc	108,350	–	108,350	1.3%
	Icona Solutions Limited	1,674	–	1,674	1.3%
	Ilika Technologies Limited	1,175	–	1,175	1.0%
	Karus Therapeutics Limited	223	–	223	0.7%
	Leeds Lithium Power Limited	178	–	178	1.2%
	Leeds Reproductive Biosciences Limited	18	–	18	1.1%
	Luto Research Limited	132	–	132	1.3%
	Mode Diagnostics Limited	1,863	–	1,863	1.2%
	Modern Biosciences plc	1,185,150	–	1,185,150	2.3%
	Modern Water plc	575,000	–	575,000	1.0%
	Overlay Media Limited	22	10	32	1.4%
	Oxford Advanced Surfaces Group plc	2,172,809	–	2,172,809	1.2%
	Oxford Catalysts Group plc	254,749	–	254,749	0.4%
	Oxford Nanopore Technologies Limited	11,442	–	11,442	1.0%
	Oxford RF Sensors Limited	53,639	–	53,639	0.8%
	Oxtox Limited	25,363	–	25,363	0.6%
	Pharminox Limited	685	–	685	0.3%
	Photopharmica (Holdings) Limited	37,020	–	37,020	1.0%
	Plexus Planning Limited	1,732	–	1,732	0.8%
	ReactivLab Limited	50	–	50	1.1%
	Retroscreen Virology Limited	1,858	–	1,858	0.9%
	Revolymmer Limited	2,963	–	2,963	0.4%
	Simulstrat Limited – A Preference Shares	24,063	–	24,063	2.8%
	Simulstrat Limited – Ordinary Shares	2,255	–	2,255	1.3%
	Structure Vision Limited	212	–	212	1.2%
	Surrey Nanosystems Limited	393	–	393	1.1%
	Syntopix Group plc	77,059	(328)	76,731	1.0%
Theragenetics Limited ⁽¹⁾	3,150	(3,150)	–	0.0%	
Tissue Regenix Limited	89	–	89	0.8%	
Tracsis plc	203,400	–	203,400	1.1%	
Xanic Limited	16	–	16	0.6%	
Xeros Limited	241	–	241	1.8%	

(1) On 15 January 2009, Avacta Group plc acquired the entire issued ordinary share capital of Theragenetics Limited. Theragenetics Limited shareholders received approximately 112 ordinary shares in Avacta Group plc as consideration for each ordinary share in Theragenetics Limited held at that time.

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

4. Related party transactions (continued)

b) Key management transactions (continued)

Director	Company name	Number of shares held at 1 January 2009	Number of shares acquired/ (disposed) in the period	Number of shares held at 30 June 2009	%
Alison Fielding	Activotec SPP Limited	300	–	300	0.2%
	Amaethon Limited – A Ordinary Shares	105	–	105	3.2%
	Amaethon Limited – B Ordinary Shares	12,049	–	12,049	1.0%
	Amaethon Limited – Ordinary Shares	21	–	21	0.3%
	Avacta Group plc ⁽¹⁾	7,522,403	141,702	7,664,105	0.7%
	Bioniqs Limited	1,063	–	1,063	1.0%
	Capsant Neurotechnologies Limited	7,847	–	7,847	0.5%
	Cerogenix Limited	874	–	874	0.5%
	Chamelic Limited	21	–	21	1.3%
	COE Group plc	468,314	–	468,314	1.3%
	Crysalin Limited	1,447	–	1,447	0.4%
	Dispertia Limited	342	–	342	0.8%
	EmDot Limited	–	14	14	0.8%
	Green Chemicals plc	126,181	–	126,181	1.6%
	Icona Solutions Limited	1,419	–	1,419	1.1%
	Ilika Technologies Limited	328	–	328	0.3%
	Karus Therapeutics Limited	43	–	43	0.1%
	Leeds Lithium Power Limited	172	–	172	1.2%
	Leeds Reproductive Biosciences Limited	17	–	17	1.0%
	Luto Research Limited	132	–	132	1.3%
	Mode Diagnostics Limited	1,632	–	1,632	1.1%
	Modern Biosciences plc	773,460	–	773,460	1.5%
	Modern Water plc	276,000	–	276,000	0.5%
	Overlay Media Limited	18	10	28	1.2%
	Oxford Advanced Surfaces Group plc	611,042	–	611,042	0.3%
	Oxford Catalysts Group plc	84,196	–	84,196	0.1%
	Oxford Nanopore Technologies Limited	5,721	–	5,721	0.5%
	Oxford RF Sensors Limited	15,085	–	15,085	0.2%
	Oxtox Limited	16,601	–	16,601	0.4%
	Pharminox Limited	274	–	274	0.1%
	Photopharmica (Holdings) Limited	27,350	–	27,350	0.7%
	Plexus Planning Limited	480	–	480	0.2%
	ReactivLab Limited	48	–	48	1.1%
	Retroscreen Virology Limited	1,216	–	1,216	0.6%
	Revolymr Limited	1,198	–	1,198	0.2%
	Simulstrat Limited – A Preference Shares	15,750	–	15,750	1.8%
	Simulstrat Limited – Ordinary Shares	1,476	–	1,476	0.9%
	Structure Vision Limited	195	–	195	1.1%
	Surrey Nanosystems Limited	323	–	323	0.9%
	Syntopix Group plc	35,477	–	35,477	0.5%
Theragenetics Limited ⁽¹⁾	1,260	(1,260)	–	0.0%	
Tissue Regenix Limited	85	–	85	0.8%	
Tracsis plc	197,750	–	197,750	1.0%	
Xanic Limited	15	–	15	0.5%	
Xeros Limited	197	–	197	1.5%	

(1) On 15 January 2009, Avacta Group plc acquired the entire issued ordinary share capital of Theragenetics Limited. Theragenetics Limited shareholders received approximately 112 ordinary shares in Avacta Group plc as consideration for each ordinary share in Theragenetics Limited held at that time.

4. Related party transactions (continued)
b) Key management transactions (continued)

Director	Company name	Number of shares held at 1 January 2009	Number of shares acquired/ (disposed) in the period	Number of shares held at 30 June 2009	%
Magnus Goodlad	Activotec SPP Limited	627	–	627	0.4%
	Amaethon Limited – A Ordinary Shares	31	–	31	0.9%
	Amaethon Limited – B Ordinary Shares	3,616	–	3,616	0.3%
	Amaethon Limited – Ordinary Shares	6	–	6	<0.1%
	Avacta Group plc ⁽¹⁾	2,297,770	141,702	2,439,472	0.2%
	Bioniqs Limited	533	–	533	0.5%
	Capsant Neurotechnologies Limited	7,772	–	7,772	0.5%
	Cerogenix Limited	651	–	651	0.3%
	Chamelic Limited	20	–	20	1.3%
	COE Group plc	246,094	–	246,094	0.7%
	Crysalin Limited	1,125	–	1,125	0.3%
	Dispersion Limited	324	–	324	0.8%
	EmDot Limited	–	14	14	0.8%
	Green Chemicals plc	43,067	(21,533)	21,534	0.3%
	Icona Solutions Limited	1,355	–	1,355	1.0%
	Ilika Technologies Limited	260	–	260	0.2%
	Karus Therapeutics Limited	105	–	105	0.3%
	Leeds Lithium Power Limited	61	–	61	0.4%
	Leeds Reproductive Biosciences Limited	6	–	6	0.4%
	Luto Research Limited	30	–	30	0.3%
	Mode Diagnostics Limited	1,549	–	1,549	1.0%
	Modern Biosciences plc	773,460	–	773,460	1.5%
	Modern Water plc	476,200	–	476,200	0.8%
	Overlay Media Limited	17	9	26	1.1%
	Oxford Advanced Surfaces Group plc	425,857	–	425,857	0.2%
	Oxford Catalysts Group plc	74,684	–	74,684	0.1%
	Oxford Nanopore Technologies Limited	5,721	–	5,721	0.5%
	Oxford RF Sensors Limited	29,735	–	29,735	0.4%
	Oxtox Limited	16,601	–	16,601	0.4%
	Pharminox Limited	274	–	274	0.1%
	Photopharmica (Holdings) Limited	21,340	–	21,340	0.6%
	Plexus Planning Limited	444	–	444	0.2%
	ReactivLab Limited	45	–	45	1.0%
	Retroscreen Virology Limited	1,216	–	1,216	0.6%
	Revolymer Limited	1,228	–	1,228	0.2%
	Simulstrat Limited – A Preference Shares	15,750	–	15,750	1.8%
	Simulstrat Limited – Ordinary Shares	1,476	–	1,476	0.9%
	Structure Vision Limited	83	–	83	0.5%
Surrey Nanosystems Limited	306	–	306	0.9%	
Syntopix Group plc	13,312	–	13,312	0.2%	
Theragenetics Limited ⁽¹⁾	1,260	(1,260)	–	0.0%	
Tissue Regenix Limited	31	–	31	0.3%	
Tracsis plc	113,000	–	113,000	0.6%	
Xanic Limited	14	–	14	0.5%	
Xeros Limited	187	–	187	1.4%	

(1) On 15 January 2009, Avacta Group plc acquired the entire issued ordinary share capital of Theragenetics Limited. Theragenetics Limited shareholders received approximately 112 ordinary shares in Avacta Group plc as consideration for each ordinary share in Theragenetics Limited held at that time.

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

4. Related party transactions (continued)

b) Key management transactions (continued)

Director	Company name	Number of shares held at 1 January 2009	Number of shares acquired/ (disposed) in the period	Number of shares held at 30 June 2009	%
Mike Townend	Amaethon Limited – A Ordinary Shares	104	–	104	3.1%
	Amaethon Limited – B Ordinary Shares	11,966	–	11,966	1.0%
	Amaethon Limited – Ordinary Shares	21	–	21	0.3%
	Capsant Neurotechnologies Limited	11,282	–	11,282	0.8%
	Chamelic Limited	23	–	23	1.4%
	Crysalin Limited	1,286	–	1,286	0.4%
	Dispersia Limited	370	–	370	0.9%
	EmDot Limited	–	14	14	0.8%
	Green Chemicals plc	113,222	–	113,222	1.4%
	Icona Solutions Limited	1,515	–	1,515	1.1%
	Leeds Lithium Power Limited	178	–	178	1.2%
	Leeds Reproductive Biosciences Limited	18	–	18	1.1%
	Mode Diagnostics Limited	1,756	–	1,756	1.1%
	Modern Biosciences plc	1,185,150	–	1,185,150	2.3%
	Modern Water plc	575,000	–	575,000	1.0%
	Overlay Media Limited	19	10	29	1.3%
	Oxford Advanced Surfaces Group plc	932,994	–	932,994	0.5%
	Oxford Nanopore Technologies Limited	3,490	–	3,490	0.3%
	Oxtox Limited	25,363	–	25,363	0.6%
	Photopharmica (Holdings) Limited	37,020	–	37,020	1.0%
	ReactivLab Limited	51	–	51	1.2%
	Retroscreen Virology Limited	1,858	–	1,858	0.9%
	Revolymmer Limited	1,198	–	1,198	0.2%
	Simulstrat Limited – A Preference Shares	24,063	–	24,063	2.8%
	Simulstrat Limited – Ordinary Shares	2,255	–	2,255	1.3%
	Structure Vision Limited	212	–	212	1.2%
	Surrey Nanosystems Limited	350	–	350	1.0%
	Tissue Regenix Limited	89	–	89	0.8%
	Tracsis plc	84,750	–	84,750	0.4%
	Xanic Limited	16	–	16	0.6%
Xeros Limited	213	–	213	1.6%	
Graham Richards	Getech Group plc	30,000	–	30,000	0.1%
	Summit Corporation plc	662,958	–	662,958	1.1%
Bruce Smith	Capsant Neurotechnologies Limited	20,724	–	20,724	1.4%
	Getech Group plc	15,000	–	15,000	<0.1%
	iOur Limited	2,000	–	2,000	0.8%
	Nanotecture Group plc	50,000	–	50,000	0.5%
	Oxford Catalysts Group plc	10,000	–	10,000	<0.1%
	Synairgen plc	200,000	–	200,000	0.3%
Syntopix Group plc	15,241	–	15,241	0.2%	

4. Related party transactions (continued)
b) Key management transactions (continued)

Director	Company name	Number of shares held at 1 January 2009	Number of shares acquired/ (disposed) in the period	Number of shares held at 30 June 2009	%
Roger Brooke	Activotec SPP Limited	1,459	–	1,459	0.8%
	Avacta Group plc ⁽¹⁾	661,318	–	661,318	<0.1%
	Bioniqs Limited	1,000	–	1,000	0.9%
	Capsant Neurotechnologies Limited	2,667	–	2,667	0.2%
	Getech Group plc	30,000	–	30,000	0.1%
	Glycoform Limited	937	–	937	0.3%
	Inhibox Limited	500	–	500	0.2%
	iOur Limited	1,400	–	1,400	0.6%
	Nanotecture Group plc	33,335	–	33,335	0.3%
	Oxford Nanopore Technologies Limited	3,481	–	3,481	0.3%
	Pharminox Limited	786	–	786	0.4%
	Proximagen Neuroscience plc	160,000	(25,000)	135,000	0.2%
	ReOx Limited	2,717	–	2,717	0.3%
	Revolymer Limited	1,351	–	1,351	0.2%
	Stratophase Limited	4,549	–	4,549	0.5%
Summit Corporation plc	11,400	–	11,400	<0.1%	
Syntopix Group plc	11,299	–	11,299	0.1%	

(1) On 15 January 2009, Avacta Group plc acquired the entire issued ordinary share capital of Theragenetics Limited. Theragenetics Limited shareholders received approximately 112 ordinary shares in Avacta Group plc as consideration for each ordinary share in Theragenetics Limited held at that time.

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 2008 does not constitute full statutory accounts within the meaning of Section 240 of the Companies Act 1985. The Group's Annual Report and Accounts for the year ended 31 December 2008 have been delivered to the Registrar of Companies. The Group's Independent Auditors' report on those accounts was unqualified, did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain a statement under Section 237(2) or 237(3) of the Companies Act 1985.

Accounting policies

Basis of preparation

The financial information presented in this half-yearly report constitutes the condensed consolidated financial statements of the 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 2009.

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 2008 which have been prepared in accordance with International Financial Reporting Standards as adopted for use in the EU. The financial information in this half-yearly report, which was approved by the Board and authorised for issue on 19 August 2009, is unaudited but has been subject to a review by the Group's independent auditors.

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 this 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 2008.

Accounting policies

The accounting policies applied by the Group in this half-yearly report are the same as those applied by the Group in its audited consolidated financial statements for the year ended 31 December 2008 and which will form the basis of the 2009 annual report, except for as described below:

IFRS 8 – Operating Segments

IFRS 8 is a disclosure standard only. The Group's reportable segments as reported under IAS 14 have remained unchanged following the adoption of this standard. There has been no effect on the reported results or previous financial position of the Group.

IAS 1 (revised 2007) – Presentation of Financial Statements

The revised standard has introduced a number of terminology changes (including revised titles for the condensed financial statements) and has resulted in a number of changes in presentation and disclosure. There has been no effect on the reported results or previous financial position of the Group.

Improving Disclosures about Financial Instruments (Amendments to IFRS 7)

This amendment requires the analysis of each class of financial asset and financial liability, into a three level fair value measurement hierarchy. It requires additional disclosures in respect of those financial instruments classified as Level Three (namely those that are measured using a valuation technique which uses inputs that are not based on observable market data). It also implements some changes to the definition of and disclosures associated with liquidity risk. This standard will lead to a change in disclosures relating primarily to the Group's equity investments in the 2009 financial statements.

Improvements to IFRS (issued in May 2008)

The improvements standard includes 35 amendments across 20 different standards that largely clarify the required accounting treatment where previous practice had varied. The only amendment that has an impact on the group is an amendment to IAS 28 – Investments in Associates. The effect is the removal of an apparent inconsistency in the disclosure requirements for entities that are eligible and elect to account for investments in associates at fair value in accordance with IAS 39. These investments are excluded from the scope of IAS 28 and entities are therefore not required to make the disclosures that the Standard would otherwise require. However, IAS 32 Financial Instruments: Presentation and IFRS 7 Financial Instruments: Disclosures both require entities that account for investments in associates in accordance with IAS 39 to make the disclosures required by IAS 28 in addition to the disclosures they require. This amendment removes this anomaly and only requires disclosures to be made in accordance with IFRS 7. The effect on the Group will be the removal of the disclosures that were required only by IAS 28.

Statement of directors' responsibilities

The Directors confirm to the best of their knowledge that:

- a) the financial information in 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 FSA's Disclosure and Transparency Rules (4.2.7 R and 4.2.8 R).

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

By order of the Board

Bruce Smith

Chairman
19 August 2009

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 report for the six months ended 30 June 2009 which comprises the condensed consolidated statement of comprehensive income, condensed consolidated statement of financial position, condensed consolidated statement of cash flows, condensed consolidated statement of changes in equity and the related notes.

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

Directors' responsibilities

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

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

Our responsibility

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

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly report for the six months ended 30 June 2009 is not prepared, in all material respects, in accordance with International Accounting Standard 34, as adopted by the European Union, and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

BDO Stoy Hayward LLP

Chartered Accountants and Registered Auditors
London
19 August 2009

Shareholder information

Company registration number	4204490
Registered office	24 Cornhill London EC3V 3ND
Directors	Dr Bruce Gordon Smith, CBE (Non-executive Chairman) Alan John Aubrey (Chief Executive Officer) Dr Alison Margaret Fielding (Chief Technology Officer) Magnus James Goodlad (Chief Operating Officer) Michael Charles Nettleton Townend (Director of Capital Markets) Professor William Graham Richards, CBE (Senior Non-executive Director) Christopher Roger Ettrick Brooke (Non-executive Director) Francis Adam Wakefield Carpenter (Non-executive Director)
Company secretary	Angela Leach
Brokers	KBC Peel Hunt Ltd 111 Old Broad Street London EC2N 1PH
Registrars	Capita IRG plc The Registry 34 Beckenham Road Beckenham Kent BR3 4TU
Bankers	Royal Bank of Scotland PO Box 333 Silbury House 300 Silbury Boulevard Milton Keynes MK9 2ZF
Solicitors	Pinsent Masons CityPoint One Ropemaker Street London EC2Y 9AH
Independent auditors	BDO Stoy Hayward LLP 55 Baker Street London W1U 7EU



ISO 14001
Produced at a mill that holds
ISO 14001 certification



Fully recyclable and
biodegradable



NAPM approved
recycled product



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