



FOR RELEASE ON

3 MARCH 2009

(“IP Group” or “the Group” or “the Company”)

IP Group Annual Results Release

IP Group plc (LSE: IPO), the UK’s leading university intellectual property commercialisation company, today announces its annual results for the year ended 31 December 2008.

Financial highlights

- Net assets: £173.8m (2007: £213.8m)
- Cash balance at 31 December 2008: £33.3m (2007: £46.0m) and zero borrowings
- Cash invested in portfolio companies: £8.6m (2007: £6.8m)
- Revenue from services of £1.9m (2007: £2.0m)

Portfolio highlights

- Fair value of investment portfolio: £98.4m (2007: £126.1m)
- Portfolio of companies in which the Group has a fair value holding of £3m or above at year end: 10 (2007: 12)
- Over £55m of capital raised by portfolio companies during the year, of which over £30m was raised in private financing rounds
- Significant commercial and technical milestones achieved by portfolio companies during 2008
- Landmark \$18m investment from major US corporate into Oxford Nanopore Technologies, the Group’s largest holding, since the period end

Commenting on the Group’s annual results, Alan Aubrey, Chief Executive of IP Group, said:

“While we have not been immune to the effects of the economic crisis, the Group remains well positioned financially with a well diversified portfolio, strong cash resources and no borrowings. Furthermore, the majority of our largest portfolio companies, which make up around three quarters of the value of our portfolio, are debt free and well funded.

Operationally, the portfolio has seen a number of significant commercial and technical developments and is maturing across all sectors. The pipeline of opportunities from our 10 university partners, where we have unrivalled, exclusive access to intellectual property, remains strong.

We continue to manage our cash balances prudently while maintaining conservative treasury policies and we are carefully monitoring our cost base, having already taken action to position the business appropriately for the current economic climate. All of these factors give us continued confidence that the business remains well positioned for the creation of long term shareholder value.”

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Further information on IP Group is available on our website: www.ipgroupplc.com

Notes

(i) Nature of announcement

This Annual Results Release was approved by the directors on 2 March 2009.

The financial information in the announcement does not constitute the company's statutory accounts for the years ended 31 December 2008 or 31 December 2007 but is derived from those accounts. The statutory accounts for the year ended 31 December 2007 have been delivered to the Registrar of Companies and those for the year ended 31 December 2008 will be delivered following the Company's annual general meeting. The auditors reported on those accounts; their reports were unqualified, did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their reports and did not contain statements under the Companies Act 1985, s 237(2) or (3).

The 2008 Annual Report and Accounts will be published on 26 March 2009 and a copy will be posted on the Group's website (www.ipgroupplc.com). A copy will also be lodged with the UK Listing Authority's Document Viewing Facility which is situated at: Financial Services Authority, 25 The North Colonnade, Canary Wharf, London E14 5HS.

(ii) Forward looking statements

This Annual 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 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.

(iii) Investor presentation

A presentation for analysts and investors will take place at 10:00 a.m. (GMT/London) on Tuesday 3 March 2009 at 24 Cornhill, London EC3V 3ND.

CHAIRMAN'S STATEMENT

In February 2008, I wrote of being confident that the Group was well positioned for further progress despite a backdrop of global economic uncertainty. The scale of the economic crisis which subsequently unfolded across the world's markets during 2008 was greater than almost everyone's expectations, and although this has had a significant effect on the carrying value of the Group's portfolio holdings, I have been encouraged by the manner in which the Group and its portfolio businesses have responded promptly and appropriately to the increasingly challenging environment.

Despite what has been one of the most difficult funding environments for a number of years, the Group's portfolio companies raised in excess of £25 million from public markets and over £30 million by way of private financings during the year, in a number of cases with the support of the Group's Capital Markets team. Indeed, the majority of our largest portfolio companies, which make up around three-quarters of the value of our portfolio, are debt-free and well funded having taken advantage of opportunities to strengthen their balance sheets through equity financings during the last two years and adopting prudent growth strategies. These businesses are therefore relatively well positioned to withstand the current challenging environment and continue progress towards critical technical and commercial milestones. IP Group itself remains well-positioned financially with £33m of cash resources and no borrowings.

Operationally, the Group's portfolio continued to mature over the period and it was encouraging to see many of our companies signing significant deals with industry partners, attracting new investors, undertaking acquisitions, achieving critical technical and commercial milestones as well as delivering products to customers.

The strength of IP Group's business lies in managing the process from identification, at low cost, of suitable intellectual property with commercial potential from our unrivalled network of UK universities, through to the establishment of spin-out companies and the growth and creation of value from them. The Group now has a portfolio of over 70 technology businesses and these are well diversified by sector and stage of development. Many of the key drivers of demand for the technologically advanced products and services being developed by these portfolio companies, which include the environment, energy supply and health, are not significantly exposed to levels of consumer spending, do not require debt financing and continue to be relevant notwithstanding economic downturns. Further, the Group holds healthy cash balances, both directly and in undrawn commitments to IP Venture Fund, which is managed by the Group and invests in the Group's portfolio, and these will continue to be deployed into opportunities emanating from some of the very best UK university scientific research in an efficient and prudent manner reflective of the current funding environment.

For these reasons the directors remain confident of delivering shareholder value over the full course of the investment cycle.

This year has seen two changes to the Board. In April I was delighted to welcome Francis Carpenter to the Board as a Non-Executive Director who brings to the Group a wealth of European technology transfer and venture capital market experience. Francis had previously been with the European Investment Bank for 33 years, most recently as Chief Executive Officer of the European Investment Fund. In November, we announced that David Norwood, the Group's founder and previous Executive Chairman, would step down from the Board at the end of 2008 to pursue a career outside of the business world. I have very much enjoyed working with David and am grateful to him for the enormous contribution that he has made to the development of IP Group since its formation in 2001. On behalf of the entire Board, I wish him every success in his future endeavours.

The Group's achievements would not be possible without the hard work and dedication of its staff, as well as the ongoing support of our shareholders, university partners, portfolio company management and associates and I therefore thank each of them for their contribution to the Group.

DR BRUCE SMITH
CHAIRMAN

CHIEF EXECUTIVE'S STATEMENT

Economic environment

The Group's overall financial performance during 2008 has been heavily impacted by events in the world economy and the financial markets, most notably the large falls seen across the world's stock markets as investors' appetite for risk and illiquid holdings has reduced significantly. This wider economic environment has had a significant adverse effect on the Group's portfolio performance.

However, IP Group was established to take advantage of long-term, secular macro-economic trends and works with leading scientists to commercialise research in a systematic and cost effective way. This research addresses many of the key challenges facing the world today, such as advancing healthcare to support the world's increasingly ageing population, developing alternative and more efficient sources of energy as fossil fuel resources diminish, and identifying effective ways to combat climate change.

In the current global economic crisis, Governments in most developed Western Countries have acknowledged that, in order to remain economically competitive, their countries will need to both increase the level of investment in scientific research and to put measures in place to facilitate the growth of sustainable industries that will be based on that research. The Group believes that this recognition will lead to an increasingly favourable operating environment.

Our response

Whilst the Group remains confident that the medium and longer term market fundamentals remain favourable, the short-term financing climate has presented particular challenges. In response to this the Group's strategy during the period has been to manage its cash resources carefully, to take positive action in response to the immediate economic conditions, to ensure that resources are prioritised in support of the most promising assets and to encourage portfolio companies to adopt a similar approach.

We rigorously review our portfolio companies on a regular basis and we have been actively working with management teams to assist them in minimising cost and furthering the development of their businesses with existing resources.

In anticipation of a less certain capital raising environment, the Group raised IP Venture Fund in 2006, with a second closing in 2007. This Fund, which is managed by the Group's FSA-regulated fund management subsidiary, provides the Group with the ability to benefit from exposure to further financings in its portfolio and to exert greater influence over them as well as providing a recurring income stream. The Group will seek to increase the level of third party funds under management to further consolidate these benefits. The Group has also continued to invest in its Capital Markets team.

Portfolio companies have also increased engagement with industry as development partners, sources of equity financing and potential routes to market for their products and we are pleased to note a number of material investments from major commercial partners in the portfolio during the last year.

In the last quarter of 2008 we also reviewed our resourcing requirements in the light of the slowdown in the equity markets and our anticipated levels of business activity in the medium term. This review enabled us to make some organisational and process improvements. These included re-organising our university partnership sourcing and business building team into broad sectoral groups, which will enable more specialist support and therefore greater value-add for our university partners and portfolio companies. The review has resulted in an overall reduction in headcount and administrative overheads leading to an anticipated reduction in costs in excess of £1m in 2009.

Impact on our portfolio

At 31 December 2008, the Group's portfolio was valued at £98.4m (2007: £126.1m). However, notwithstanding the challenging economic environment many of our portfolio businesses continue to make strong progress towards their technical and commercial milestones and details of these are given in the *Portfolio Review* below.

Outlook

IP Group remains well positioned financially with healthy cash resources of £33m and no borrowings. We continue to carefully monitor our operating costs while also maintaining conservative treasury policies. Furthermore, we believe that our largest portfolio companies, which make up a significant proportion of the Group's net asset value, are generally well financed.

This, combined with IP Group's unrivalled, exclusive access to intellectual property from world class research institutions and its diverse and maturing portfolio with exposure to multiple sectors, gives the directors continued confidence that the Group remains well positioned to create long term shareholder value.

PORTFOLIO REVIEW

Portfolio overview

At 31 December 2008, the Group's portfolio consisted of holdings in 74 companies (2007: 65) with a fair value of £98.4m (2007: £126.1m). A summary analysis of portfolio gains and losses is as follows:

	2008	2007
	£m	£m
Unrealised gains on the revaluation of investments	12.2	38.1
Unrealised losses on the revaluation of investments	(47.7)	(11.7)
Net fair value (losses) / gains	(35.5)	26.4
Gain on deemed disposal of subsidiaries & disposals of equity investments	-	8.6
Total	(35.5)	35.0

Unrealised gains on the revaluation of investments principally comprise Oxford Nanopore Technologies Limited (£7.2m) ("Oxford Nanopore", formerly Oxford Nanolabs Limited), which announced a £10.1m private fund raising in March, valuing the Group's 34.9% stake at £19.5m, Revolymer Limited (£2.3m), which announced a £10.0m private fund raising in May, valuing the Group's 11.2% stake at £3.0m, and the positive share price performance of Proximagen Neuroscience plc (£1.6m).

Unrealised losses on the revaluation of investments consist of falls in the share prices of certain companies in the Group's listed portfolio, most significantly Modern Water plc (£8.4m), Oxford Advanced Surfaces plc (£7.7m), Oxford Catalysts Group plc (£3.3m) and Summit Corporation plc (£3.2m) as well as reductions in the holding values of a number of unquoted portfolio companies. Overall, despite progress in many of the underlying businesses, the Group's portfolio of quoted companies saw unrealised net fair value losses of 45%. This compares favourably to a fall in the FTSE AIM All-Share Index of 62% during the period but constitutes a

significant fall in the overall value of the portfolio. Since the period end, the Group has experienced some further weakening in the share prices of a number of its portfolio companies.

Fair values of investments in unquoted portfolio companies at each reporting date are established using valuation techniques, a detailed description of which is included in Note 1 to the Group Financial Statements. At 31 December 2008 the application of these techniques has resulted in a reduction in holding values for a number of unquoted companies totalling some £14.0m, an average of 50% of the opening holding values of these companies plus investments. Overall, excluding Oxford Nanopore and Revolymmer Limited, the Group's portfolio of unquoted companies saw net unrealised fair value losses of 26% during 2008.

	2008	2007
	£m	£m
Cash investment analysis by company stage		
Incubation projects	0.8	0.5
Portfolio businesses <£3m	6.2	4.8
Portfolio businesses >£3m	1.6	1.5
Total	8.6	6.8
Proceeds from sales of equity investments	-	8.0

The level of cash investment into our portfolio during 2008 of £8.6m was moderately increased compared to the prior year (2007: £6.8m). The Group's investment approach is designed to enable us to incubate early stage technology businesses with low levels of cash investment, which we consider a particular strength in today's capital constrained environment. This approach allows the progressive elimination of risk with minimal capital deployment and facilitates the maintenance of a portfolio that is well diversified by stage and sector. During 2008 the level of such investment was increased; the Group invested an average of £44,000 across 17 incubation opportunities (2007: £38,000, 13).

The Group did not realise cash from any of its equity investments during the period (2007: £8.0m). The directors will continue to identify and evaluate opportunities to realise cash from the portfolio when market conditions and/or specific circumstances make this attractive to do so.

The Group's Capital Markets team has continued to work closely with our portfolio companies, who have raised over £30m through private financings this year despite the continued difficult equity market conditions (2007: £30m).

Portfolio analysis – by investment stage

Of the 74 companies in the Group's portfolio, 74% of the fair value resides in those companies in which IP Group's stake is worth over £3m. As at 31 Dec 2008, these businesses were valued at £72.6m (2007: £96.9m). An analysis of the Group's portfolio by investment stage is as follows:

Company stage	As at 31 Dec 2008				As at 31 Dec 2007			
	Fair Value		Number		Fair Value		Number	
	£m	%		%	£m	%		%
Incubation projects	1.5	2%	20	27%	0.6	0%	14	22%
Portfolio businesses <£3m	24.3	24%	44	59%	28.6	23%	39	60%
Portfolio businesses >£3m	72.6	74%	10	14%	96.9	77%	12	18%
All portfolio businesses	98.4	100%	74	100%	126.1	100%	65	100%

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

Portfolio businesses <£3m are generally less mature companies, which in many cases have received only seed round financing of less than £1m. Examples of interesting developments in this portfolio during the period include Xeros Limited ("Xeros") and Surrey NanoSystems Limited ("SNS").

Xeros Limited is the result of research work carried out at the University of Leeds which sought to reduce the amount of water consumed during garment cleaning and enable savings to be made in the amounts of energy and environmentally harmful chemicals that are consumed during wet processing and laundering. Xeros

received seed financing during 2008 and received press attention for its developments towards a “virtually waterless” washing machine.

SNS is a spin out company from the University of Surrey’s Advanced Technologies Institute, which focuses on providing production platforms for using carbon nanotubes and other nanowires in high technology applications. The company has grown significantly in the last year with orders for its advanced sputtering tools being received from diverse groups such as Munich-based Ludwig-Maximilians-Universität and Romania’s National Institute of Materials Physics.

Incubation projects are generally very early stage and form an essential part of the Group’s low-cost technology evaluation model. Opportunities at this stage usually involve investments of up to £50,000 allowing for proof of concept work or early commercial due diligence to be carried out. Incubation projects typically have durations of nine to eighteen months, following which the opportunity is generally either progressed to seed financing or terminated.

An example of an interesting technology at this stage is Azellon Limited (“Azellon”) from the University of Bristol, where Professor Anthony Hollander is developing a revolutionary stem-cell-based “cell bandage” therapy to treat torn menisci in the knee. After the period end, following an extended incubation period of nearly two and a half years, Azellon received seed financing in January 2009 from IP Group, Oxford Technology and the Wyvern Seed Fund as well as a Translation Award from the Wellcome Trust and project funding from the Technology Strategy Board.

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	Group Stake		Company value*	Value* of Group holding at:	
		31 Dec 08	Quoted/ % Unquoted	31 Dec 08 £m	31 Dec 08 £m	31 Dec 07 £m
Avacta Group plc <i>Specialist contract analysis & research services</i>	Feb 09: acquisition of York Test Veterinary Services Jan 09: acquisitions of Curidium plc and Theragenetics Limited	23.9%	Quoted	16.5	3.9	6.9
Green Chemicals plc <i>Environmentally friendly textiles and bleaching chemicals</i>	Aug 08: Martin Penny, Founder of GHD ("Good Hair Days") joins as non-executive director Mar 08: successful trials of formaldehyde free and durable flame retardant products	24.3%	Quoted	24.1	6.1	7.5
Ilika Technologies Limited <i>Fast-tracking materials discovery</i>	Oct 08: Ilika more than doubles project capacity through £3m investment in new "second generation" high throughput equipment Jun 08: Shell Hydrogen Extends Joint Development Project with Ilika	23.6%	Unquoted	29.5	7.0	7.0
Modern Water plc <i>Technologies to address the world's water crisis</i>	Dec 08: investment in UK-based AguaCure Sept 08: Agreement to develop new desalination plant in Oman; Gibraltar plant produces first fresh water	23.0%	Quoted	16.5	3.8	12.2
Oxford Advanced Surfaces Group plc <i>Surface modification technologies applicable to a broad range of materials</i>	Nov 08: enters Knowledge Transfer Partnership on advanced material solutions for solar cells Aug 08: £5m placing with new and existing investors Apr 08: Joint development agreement signed with DuPont Advanced Fiber Systems	15.3%	Quoted	29.7	4.5	12.0
Oxford Catalysts Group plc <i>Speciality catalysts for the generation of clean fuels</i>	Nov 08: £10m placing and acquisition of Velocys, world leader in microchannel process technology Sept 08: Fischer-Tropsch contract signed with Thai national oil company	11.4%	Quoted	56.7	6.4	9.7
Oxford Nanopore Technologies Limited <i>Nanopore technology used for super-fast genome sequencing</i>	Jan 09: strategic alliance with, and equity investment by, Nasdaq-listed Illumina Inc Aug 08: collaboration/licencing agreements signed with Harvard University and University of California Mar 08: £10m private financing	34.9%	Unquoted	55.9	19.5	11.6
Photopharmica (Holdings) Limited <i>Wound treatment using light (photodynamic therapy or "PDT")</i>	Dec 08: MHRA regulatory approval to commence PPA-904 repeat dose Phase II leg ulcer trial Oct 08: Conducting proof of principle clinical trial to evaluate the use of PDT to eradicate MRSA	49.9%	Unquoted	26.0	13.0	13.0
Proximagen Neuroscience plc <i>Treatments for neurodegenerative disorders such as Parkinson's disease</i>	Oct 08: Milestone hit, triggering \$6m equity investment from Upsher-Smith Jul 08: Up to \$232m licensing agreement with Upsher-Smith to develop Parkinson's programme	21.8%	Quoted	32.4	7.1	5.4
Revolymmer Limited <i>Removable "Clean Chewing Gum"</i>	May 08: £10m private financing from institutional and private investors	11.2%	Unquoted	26.3	3.0	0.7
				"Provisions"	(1.7)	
				Total	72.6	

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

Portfolio analysis – by sector

The Group's portfolio consists of five key sectors, and the unrealised reductions in fair value seen during the period have been reasonably evenly distributed across these. An analysis of the portfolio by sector is as follows:

Sector	As at 31 Dec 2008				As at 31 Dec 2007			
	Fair Value		Number		Fair Value		Number	
	£m	%		%	£m	%		%
Chemicals & Materials	23.9	24%	18	25%	32.0	25%	17	26%
Energy & Renewables	13.0	13%	9	12%	25.4	20%	8	12%
Healthcare & Life Sciences: Non-therapeutics	30.2	31%	23	31%	28.5	23%	17	26%
Healthcare & Life Sciences: Therapeutics	27.0	28%	12	16%	35.0	28%	12	19%
IT & Communications	4.3	4%	12	16%	5.2	4%	11	17%
	98.4	100%	74	100%	126.1	100%	65	100%

Chemicals & Materials

The decrease in the fair value of the Chemicals & Materials portfolio can be largely attributed to the negative share price movement of Oxford Advanced Surfaces Group plc ("OAS"), which contributed an unrealised fair value reduction of £7.7m during the period. This was offset to some degree by an unrealised fair value gain in the Group's holding in Revolymer Limited, which contributed £2.3m as a result of its £10.0m private financing in May.

Revolymmer continues to make good commercial progress in the area of removable "clean-gum" and in September announced the appointment of Rob Cridland as Chief Financial Officer. Rob joined from seven years as part of the management team which took Renovo Group plc from a start up organisation through to IPO, most recently serving as Executive Director Finance and Business Development.

OAS's share price has seen significant volatility during the period and had contributed a fair value gain of £11.5m at the date of IP Group's half year results. Shortly thereafter, the company announced the successful completion of a £5.0m placing (before expenses) with new and existing shareholders which strengthened the company's cash position and will enable further development of a number of significant opportunities around its patented surface-modification technology, Onto™.

Energy & Renewables

The Energy & Renewables sector has experienced the most significant reduction in fair value (approximately 50%), largely as a result of holdings in AIM-listed Modern Water plc and Oxford Catalysts Group plc ("OCG"), which have contributed unrealised fair value reductions of £8.4m and £3.3m respectively.

Based on its bid price at 31 December 2008, Modern Water plc had a market capitalisation of £16.5m which compares to £28.7m cash held by the company at its last reporting date of 30 June 2008. Modern Water plc announced in September that its Manipulated Osmosis proving plant in Gibraltar had produced its first fresh water and that it had agreed to install a further proving plant in Oman, at the heart of the company's target market of the Middle East. Modern Water plc's manipulated osmosis process is targeted at the fast-growing global desalination industry, where capital expenditure worldwide is expected to total \$56.4 billion by the end of 2015, according to Global Water Intelligence.

In November, OCG announced a placing of approximately £10.3m and the acquisition of Velocys Inc, the recognised world-leader in the design and development of microchannel process technology for the production of synthetic fuels and commodity chemicals, for mainly equity-based consideration of \$35.0m. Combined with OCG's innovative catalyst technologies, the company believes that the acquisition will create a leader in smaller scale synthetic fuels technologies.

Healthcare & Life Sciences: Therapeutics

The Group's Therapeutics portfolio saw unrealised fair value losses of £9.2m during 2008 (approximately 25%), while in comparison, the FTSE AIM Health Care Index fell by some 49% over this same period.

Among the most significant contributors to this reduction were AIM-listed therapeutics companies such as Summit Corporation plc (“Summit”), Synairgen plc, and Syntopix Group plc (“Syntopix”) although these were offset to some degree by positive share price performance of Proximagen Neuroscience plc (“Proximagen”).

Proximagen announced in October that the successful attainment of a technical milestone had triggered a \$6m equity investment by Upsher-Smith Laboratories Inc. (“Upsher-Smith”). The company had announced earlier in the year that it had signed a licence agreement with Upsher-Smith worth a maximum of \$232m to develop its PRX1 programme for the symptomatic treatment of Parkinson’s disease. Post the period end, in February 2009, Proximagen announced the appointment of Peter Allen as its new Non-Executive Chairman. Peter brings a wealth of experience to the role having previously been Chief Financial Officer of Abacus Group plc prior to its sale to Avnet Inc in January 2009 and of Celltech Group between 1992 and 2004 where he played a key role in a number of strategic acquisitions.

The negative share price performance of the other therapeutics companies was experienced despite positive technical and commercial advances being announced during the year. As examples, Summit announced a number of co-development deals and licensing agreements, including the signing of a worldwide licensing agreement with NASDAQ-listed BioMarin Pharmaceutical Inc. for its Duchenne Muscular Dystrophy program which could be worth up to \$143m, including an initial equity investment of \$7m; and Syntopix announced in July the signing of a joint development agreement with Procter & Gamble with the objective of improving the efficacy of one of their major consumer healthcare brands, following the announcement in February of positive results from its Phase II cosmetic study in subjects with acneic skin.

Healthcare & Life Sciences: Non-therapeutics

The Group’s portfolio of Non-therapeutics or “med tech” companies experienced a broadly neutral performance with the unrealised fair value gain of £7.2m arising from Oxford Nanopore’s private fund raising being offset by a number of smaller unrealised fair value reductions, most notably AIM-listed Avacta Group plc (“Avacta”) whose fair value fell by £3.0m in spite of positive progress across all aspects of the business.

Oxford Nanopore has made strong progress since its private financing in May, announcing in August that it had signed an agreement with Harvard University giving exclusive rights to develop and commercialise a number of nanopore technological breakthroughs developed by Harvard and its collaborators, and then, in January 2009, a significant strategic alliance with, and \$18m equity investment by, Nasdaq-listed Illumina Inc. to exclusively market, sell, distribute, and service BASE™ Technology products developed by Oxford Nanopore for DNA sequencing.

Avacta, a biophysics company from the University of Leeds which specialises in the provision of contract services and innovative new technologies for the biopharmaceutical and other sectors, experienced negative share price performance during the year despite the announcement of the launch of its QPCR (quantitative polymerase chain reaction) contaminant detection service in September. This aims to provide a comprehensive analytical service to customers in the rapidly growing biopharmaceutical sector which outsources \$16.2 billion of contract services per year. Following the period end, Avacta announced the strategic acquisitions of three companies owning complementary technologies and providing an established route to market for its products and services.

IT & Communications

The Group’s holdings in IT & Communications portfolio companies decreased to a fair value of £4.3m at 31 December 2008 (2007: £5.2m). This was largely attributable to a fall in the share price of AIM-listed CCTV and surveillance technology company, Coe Group plc (“Coe”) of £1.9m, partially offset by the appreciation of Tracsis plc (£0.3m), which develops intelligent crew optimisation scheduling software for worldwide transport markets.

Coe announced in November that it had raised almost £1.0m (before expenses) by way of a placing, having announced a restructuring plan in July in order to match the company’s cost base with anticipated trading. Following the restructuring, Coe announced that it had recorded an operating profit (before reorganisation costs) in the quarter ended 30 September 2008 and that the placing would strengthen the company’s balance sheet and enable it to take advantage of developing sales opportunities.

VENTURE CAPITAL FUND MANAGEMENT

Top Technology Ventures Limited, the Group's FSA regulated subsidiary, manages a number of venture capital funds, the most recent of which is the £31m IP Venture Fund ("IPVF"), a limited partnership fund that completed its second closing in August 2007. IPVF has the ability to invest up to 25% of post-seed financings in the Group's university spin-out companies and, as at 31 December 2008, had invested £10.6m into 19 portfolio businesses (at 31 December 2007: £7.6m, 13 companies).

IPVF has proved to be an excellent source of follow-on funding for a number of the Group's portfolio companies and the Group expects this to continue to be the case in the medium term. The Group considers that management of further venture capital funds has the potential to continue to benefit portfolio companies and continues to explore opportunities in this area.

FINANCIAL REVIEW – INCOME STATEMENT

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

	2008	2007
	£m	£m
Net portfolio (losses)/gains	(35.0)	35.0
Other income	1.9	2.0
Administrative expenses – Modern Businesses & Photopharmica	(3.0)	(2.6)
Administrative expenses – All other businesses	(6.6)	(6.6)
Finance income	2.2	2.7
(Loss)/profit for the period before tax	(40.5)	30.5

Portfolio gains consist primarily of unrealised fair value gains and losses, as well as any dividends or other distribution income received from portfolio companies (£0.5m, 2007: £nil). A detailed analysis of fair value gains and losses is provided in the portfolio review above.

Other income remained broadly in line with the prior year at £1.9m (2007: £2.0m). This income is derived principally from venture capital fund management activity and consultancy services and includes private placement fees of £0.3m (2007: £0.3m) generated by the Group's Capital Markets team. Given the difficult funding environment currently being experienced for technology companies, the Group's capital markets expertise is considered valuable support for our portfolio businesses.

During the period, the Group continued to operate ten university partnerships (2007: 10). As mentioned above, during 2008 the Group reviewed how it services those partnerships and is currently implementing a number of process changes, on a trial basis, over its existing partnership agreements with a number of partner universities. The directors believe that these improvements will further increase the success and efficiency of the sourcing and development of commercialisable intellectual property from partner universities. In some cases, the Group may forego its rights to small minority shareholdings in those spin-out companies in which it does not make an investment.

The Group has maintained control of its cost base during the period and, excluding costs attributable to those portfolio companies which are consolidated by virtue of the Group's shareholding being greater than 50% (predominantly the Group's drug-discovery subsidiary, Modern Biosciences plc, and in 2007, Photopharmica (Holdings) Limited), administrative expenses were maintained at £6.6m for the period (2007: £6.6m). However, mainly as a result of reduced interest receivable on lower average cash balances during the period, the net operating cost for the Group's core intellectual property commercialisation business increased slightly to £2.5m for the period (2007: £2.1m). It should be noted that this income statement amount includes a number of non-cash charges including a share-based payments charge of £0.6m relating to the Group's Long-Term Incentive Plan (2007: £0.3m).

Finance income of £2.2m (2007: £2.7m) consists of interest earned on the Group's cash and cash equivalents. Given the falls in interest rates in the UK in the last six months, a significant reduction in this income is expected in 2009.

FINANCIAL REVIEW – BALANCE SHEET

The Group continues to have a strong balance sheet with cash and cash equivalents of £33.3m (2007: £46.0m), no borrowings and a diversified portfolio of investments in private and publicly-listed companies across five distinct sectors.

Although impacted by a number of significant unrealised fair value losses in the period, the Group's portfolio of 74 companies is valued at £98.4m as at 31 December 2008 (2007: £126.1m, 65 companies). A detailed analysis of the Group's portfolio of equity and debt instruments, and movements during the period, is provided in the Portfolio Review above.

The Group's balance sheet includes goodwill of £18.4m (2007: £18.7m) and an equity rights asset of £19.9m (2007: £19.9m). The goodwill balances arose as a result of the Group's historical acquisitions of Techtran Group (university partnership business, £15.5m; 2007: £15.5m) and Top Technology Ventures (venture capital fund management business, £2.9m; 2007: £2.9m), while the equity rights asset represents amounts paid to the University of Oxford giving the Group the right to receive 50% of the university's entitlement to equity in any spin-out company or of any licensing income emanating from the University of Oxford's Chemistry Department until 2015. The carrying values of these assets have been reviewed during the period and the directors do not believe these assets to be impaired. Further details are provided in Notes 11 and 15 to the Group Financial Statements.

Cash

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

	2008 £'m	2007 £'m
Net cash used in operating activities	(3.5)	(2.6)
Net cash used in investing activities	(9.2)	(2.9)
Issued share capital	-	0.2
Movement during period	(12.7)	(5.3)

The Group has continued to invest cash in new university spin-outs and participate in some follow-on funding rounds and has invested £8.6m across 40 opportunities during the period (2007: £6.8m, 30). As no realisations were made during the period (2007: £8.0m), the net cash used in investing activities increased to £9.2m (2007: £2.9m). This figure includes the repayment of a loan of £0.6m due to an academic founder in relation to the Group's investment in Oxford Nanopore during the period, in addition to a further £0.4m investment in IP Venture Fund, and partially offset by the receipt of £0.5m of dividends and other distributions (2007: £nil).

The Group has discretion over the level of investment in portfolio opportunities and can adjust this level to suit the volume of attractive intellectual property commercialisation opportunities arising from our partner universities and the wider economic climate in any given period. The directors believe that it is an essential part of the Group's strategy to maintain a healthy pipeline of early-stage and low-cost development opportunities however the directors will continue to apply stringent qualification criteria to its investment opportunities.

It is the Group's policy to place cash which is surplus to near term working capital requirements in low-risk treasury funds rated "AA" or above, or on short-term and overnight deposits with financial institutions that meet the Group's treasury policy criteria as detailed in Note 2 to the Group Financial Statements. The Group has no borrowings or foreign currency deposits.

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 continued not to recognise a provision for deferred taxation in respect of uplifts in value on equity stakes which meet the qualifying criteria.

ALAN AUBREY
CHIEF EXECUTIVE OFFICER

PRINCIPAL RISKS AND UNCERTAINTIES

The key risks and uncertainties affecting the Group and the steps taken to manage these are as follows:

Financial risks

Through its normal operations, the Group is exposed to a number of financial risks, comprising liquidity, market and credit risks.

Market risk

The Group is exposed to market risks, principally equity securities price risk as a result of its equity investments and investments in limited partnerships. The Group holds investments which are publicly traded on the Alternative Investment Market ("AIM") or PLUS Markets and investments which are not traded on an active market. The valuation of quoted and unquoted investments depends on a combination of market factors, including investor sentiment, availability of liquidity and appetite for specific asset classes, as well as the specific performance of each underlying company.

The Group seeks to mitigate price risk by having an established investment appraisal process and asset-specific monitoring procedures which are subject to overall review by the Board. In a number of cases these monitoring procedures can include members of the Group's executive team and other staff serving in an advisory capacity to portfolio companies (including secondments and non-executive directorships). The Group has also established a Capital Markets team dedicated to investor relations.

Liquidity risk

The Group is exposed to liquidity risk arising from the need to have finance available to make investments in portfolio companies and to meet payments for administrative and other costs as they fall due.

The Group seeks to manage its liquidity risk to ensure sufficient cash is available to meet foreseeable needs and to invest cash assets safely and profitably. Accordingly, the Group only places working capital on overnight deposits with clearing banks or in short term treasury funds managed by reputable counterparties. The Group continuously monitors rolling cash flow forecasts to ensure sufficient cash is available for anticipated cash requirements.

Credit risk

Credit risk arises from the exposure to the risk of loss if a counterparty fails to perform its financial obligations to the Group. This could include non-repayment of cash and cash equivalents held with financial institutions or defaults of individual trade debtors. Reasons for counterparty defaults include general economic or sector specific downturns, or the failure of an individual financial institution or other entity.

The Group seeks to mitigate its credit risk on cash and cash equivalents by investing in treasury funds with an "AA" credit rating or above managed by institutions, or by making short term deposits with counterparties with most recent reported total assets in excess of £3 billion and, where counterparties have required a rating, a "P1" credit rating, at the time of investment (ratings determined by Standard & Poor's or Moody's).

Loss of key personnel from the Group

The Group's employees are highly qualified and experienced, and the area in which the Group operates is a specialist area. There is a risk that the Group's management and employees will be targeted by competitors or technology companies. The loss of key employees of the Group may also have an adverse effect on the value of the Group.

The Group mitigates this risk by performing a thorough market comparison of the remuneration of its staff, balancing salary with longer-term incentive plans. All senior executives are shareholders in the business and members of the senior management and executive teams participate in the Group's long-term incentive plan and/or equity bonus scheme.

Group investments are generally into companies at an early stage of development

Investments made by the Group in spin-out companies are made at an early stage and are subject to risks associated with early stage investments in general, including the ability to secure second round funding, the impact of competing technologies entering the market and the risk that the technology will fail. In some cases the ability to succeed will be dependent upon regulatory approval for certain trials to proceed.

The Group mitigates this risk in a number of ways. Executives and senior management collectively have many years of experience in sourcing, developing and investing in early stage technology companies and then growing these to significant value creation. This is achieved through the Group's investment and business building methodology. The risk is further mitigated through low value initial investments prior to seed funding, which enables identification and removal of potential failures at the earliest possible stage of the investment process.

Failure of companies within the Group's portfolio

The Group has a portfolio of equity interests in portfolio companies and there is a high risk that certain of the Group's current and future investments in portfolio companies may fail, resulting in an impairment of the Group's profitability. In addition, failure of companies within the Group's portfolio may make it more difficult for other spin-out companies within the portfolio to raise additional capital.

The Group mitigates this by investing in a number of portfolio companies across different sectors which reduces the potential impact of the failure of any one individual portfolio company. Further, members of the Group's management team and staff frequently serve in an advisory capacity to the Group's portfolio companies (including secondments and non-executive directorships) enabling identification and remedy of business issues at an early stage.

Changes in legislation and government policy

There may be unforeseen changes in government policy or legislation (including taxation legislation), or other changes in the terms upon which public monies are made available to universities and research institutions. Such changes could result in universities and research institutions no longer being able, or for it to become commercially unattractive for them, to own, exploit or protect intellectual property. In addition, changes in government policy or legislation (including changes to tax legislation, in particular in relation to the substantial shareholder exemption) or other terms upon which university academics are incentivised could make it commercially unattractive for research academics to participate in the commercialisation of the intellectual property that they create. Changes of this nature could represent a fundamental risk to the Group's business.

The Group's university partners are incentivised to protect their intellectual property for the Group to exploit through the structure of the partnership agreements which share the returns between the universities, the academic founders and the Group. The Group has further mitigated this risk by having client service team managers working locally at its partner universities to assist them with the management of their intellectual property and with the negotiation with research contracts to ensure that their intellectual property is not unduly compromised. The Group's university partners also maintain close links with the government to manage their position with respect to future legislative changes and the Group utilises professional advisors as appropriate to support its monitoring of, and response to, changes in tax or other legislation.

Termination of university partnerships and change of control provisions

The benefits to which the Group is entitled under its university partnerships are dependent on the continuation of those partnerships. In a number of instances (principally relating to a failure on the part of the Group to meet certain contractual obligations), the partnerships can be terminated, which could have an adverse effect on the Group's business. In addition, a number of the partnership agreements contain change of control clauses which may result in their renegotiation or termination.

The Group manages this risk by ensuring that its university partners receive the highest level of service in line with the Group's contractual obligations and continuing to generate significant value for the universities and their academic founders through the success of spin-out companies created.

Recoverability of the University of Oxford Equity Rights asset

The Equity Rights asset on the Group's consolidated balance sheet relates to amounts paid to the University of Oxford to secure 50 per cent of the university's equity in any spin-out company or of any licensing income emanating from the university's chemistry department until November 2015. The accounting treatment of the Equity Rights asset is described further in the accounting policies described below, however the asset is not repayable in cash by the university and its value is therefore affected by a number of factors. In the event of evidence that the future recoverable amount of the Equity Rights asset is less than the balance sheet value, a provision for impairment would be recognised at that time through the income statement.

The key risks that could result in an impairment of the Equity Rights include: the timing and number of successful IP spin-out opportunities arising from the university, the extent to which the Group's holding is diluted through further financing of spin-out companies, and general market conditions which may impact the disposal values or IPO valuations of such companies.

The Group manages these risks by working closely with the university to jointly source and develop intellectual property spin-out companies and then utilising the knowledge and experience of the Group's management team to create value from these companies and generate exit routes.

CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements set out below have been extracted from the annual report and financial statements of IP Group plc and are an abridged version of the full financial statements, not all of which are reproduced in this announcement.

DIRECTORS' RESPONSIBILITIES

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group, for safeguarding the assets of the company, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a Directors' Report and Directors' Remuneration report which comply with the requirements of the Companies Act 1985.

The directors are responsible for preparing the annual report and the financial statements in accordance with the Companies Act 1985. The directors are also required to prepare financial statements for the Group in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs) and Article 4 of the IAS Regulation.

Financial statements are published on the Group's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Group's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Group financial statements

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Group's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. A fair presentation also requires the directors to:

- consistently select and apply appropriate accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

- Prepare the accounts on a going concern basis unless, having assessed the ability of the Group to continue as a going concern, management either intends to liquidate the entity or to cease trading, or have no realistic alternative but to do so.

Going concern

The directors confirm that they have a reasonable expectation that the Group will have adequate resources to continue in operational existence for the foreseeable future, and accordingly they continue to adopt the going concern basis in preparing the financial statements.

Responsibility statement

The annual report and accounts is the responsibility of, and has been approved by, the directors. The directors confirm to the best of their knowledge that:

- the consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as endorsed by the European Union and Article 4 of the IAS regulation;
- the financial statements, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the annual report and accounts includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

ON BEHALF OF THE BOARD

Bruce Smith
Chairman

Alan Aubrey
Chief Executive Officer

2 March 2009

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2008

	Note	2008 £'m	2007 £'m
Portfolio return and revenue			
Change in fair value of equity and debt investments	16	(35.5)	26.4
Gains on deemed disposal of subsidiaries	22	-	8.1
Gains on disposal of equity investments		-	0.5
Other portfolio income		0.5	-
Revenue from services	4	1.9	2.0
		(33.1)	37.0
Administrative expenses			
Employee bonus costs	19	(0.1)	(1.3)
Research and development costs		(1.3)	(0.7)
Share based payment charge	24	(0.6)	(0.3)
Other administrative expenses		(7.6)	(6.9)
		(9.6)	(9.2)
Operating (loss) / profit	7	(42.7)	27.8
Finance income – interest receivable		2.2	2.7
(Loss) / profit before taxation		(40.5)	30.5
Taxation	9	0.1	-
(Loss) / profit for the year		(40.4)	30.5
(Loss) / profit attributable to:			
Equity holders of the parent		(40.3)	30.5
Minority interest	27	(0.1)	-
		(40.4)	30.5
Basic earnings per ordinary share (p)	10	(16.10)	12.25
Diluted earnings per ordinary share (p)	10	(16.10)	12.25

CONSOLIDATED BALANCE SHEET
As at 31 December 2008

	Note	2008 £'m	2007 £'m
ASSETS			
Non-current assets			
Intangible assets:			
Goodwill	11	18.4	18.7
Acquired intangible assets	12	0.1	0.3
Property, plant and equipment	13	0.5	0.5
Equity rights and related contract costs	15	20.2	20.2
Investment portfolio:			
Equity investments	16	96.5	125.7
Debt investments	16	1.9	0.4
Other financial asset	18	1.1	1.1
Investment in limited partnerships	25	1.4	1.0
Total non-current assets		140.1	167.9
Current assets			
Trade and other receivables	17	1.1	2.1
Cash and cash equivalents		33.3	46.0
Total current assets		34.4	48.1
Total assets		174.5	216.0
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	20	5.0	5.0
Share premium account		96.7	96.7
Merger reserve		12.8	12.8
Retained earnings		59.3	99.0
Total shareholders' equity		173.8	213.5
Minority interest in equity	27	-	0.3
Total equity		173.8	213.8
Current liabilities			
Trade and other payables	19	0.7	2.2
Total equity and liabilities		174.5	216.0

Approved by the Board of Directors and authorised for issue on 2 March 2009 and signed on its behalf by:

Bruce Smith
Chairman

Alan Aubrey
Chief Executive

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 December 2008

	2008 £'m	2007 £'m
Operating activities		
(Loss) / profit before taxation	(40.5)	30.5
Adjusted for:		
Finance income – interest receivable	(2.2)	(2.7)
Fair value movements in equity and debt investments	35.5	(26.4)
Depreciation of tangible non-current assets	0.1	0.1
Amortisation of intangible non-current assets	0.2	0.2
Profit on disposal of equity investments	-	(0.5)
Gains on deemed disposal of subsidiaries	-	(8.1)
Non cash employee bonus costs	0.1	1.3
Share-based payment charge	0.6	0.3
Changes in working capital		
Decrease / (increase) in trade and other receivables	0.7	(0.3)
Decrease in trade and other payables	(0.1)	(0.1)
Operating cash flows		
Other portfolio income classified as investing activities cash flows	(0.5)	-
Research and development tax credits received	0.1	-
Interest received	2.5	3.1
Net cash outflow from operating activities	(3.5)	(2.6)
Investing activities		
Purchase of property, plant and equipment	(0.1)	(0.1)
Purchase of equity and debt investments	(9.2)	(6.8)
Investment in Limited Partnership Funds	(0.4)	(0.7)
Acquisition of subsidiaries net of cash acquired	-	(1.7)
Proceeds from sale of equity investments	-	8.0
Deemed disposal of subsidiaries net of cash disposed	-	(1.6)
Other portfolio income received	0.5	-
Net cash outflow from investing activities	(9.2)	(2.9)
Financing activities		
Proceeds from issue of share capital	-	0.2
Net increase in cash and cash equivalents	(12.7)	(5.3)
Cash and cash equivalents at the beginning of the year	46.0	51.3
Cash and cash equivalents at the end of the year	33.3	46.0

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2008

Attributable to equity holders of the Company

	Share capital £'m	Share premium (i) £'m	Merger reserve (ii) £'m	Retained earnings (iii) £'m	Other reserve £'m	Total £'m	Minority interest £'m	Total Equity £'m
At 1 January 2007	4.9	92.0	12.8	69.2	-	178.9	0.3	179.2
Consolidated profit for the year (iv)	-	-	-	30.5	-	30.5	-	30.5
Pre acquisition reserves attributable to the Group	-	-	-	(0.4)	-	(0.4)	-	(0.4)
Liabilities acquired in excess of net interest in subsidiary (v)	-	-	-	-	(2.3)	(2.3)	-	(2.3)
Partial disposal of subsidiary investments to minority interests	-	-	-	(0.6)	-	(0.6)	0.6	-
Disposal of subsidiary undertakings	-	-	-	-	2.3	2.3	(0.9)	1.4
Issue of share capital in the year	0.1	4.7	-	-	-	4.8	-	4.8
Share based payment charge	-	-	-	0.3	-	0.3	-	0.3
Minority interest acquired with subsidiary	-	-	-	-	-	-	0.3	0.3
At 1 January 2008	5.0	96.7	12.8	99.0	-	213.5	0.3	213.8
Consolidated loss for the year (iv)	-	-	-	(40.3)	-	(40.3)	(0.1)	(40.4)
Acquisition of minority interest	-	-	-	-	-	-	(0.2)	(0.2)
Share based payment charge	-	-	-	0.6	-	0.6	-	0.6
At 31 December 2008	5.0	96.7	12.8	59.3	-	173.8	-	173.8

- (i) Share premium Amount subscribed for share capital in excess of nominal value, net of directly attributable issues costs
- (ii) Merger reserve Amount subscribed for share capital in excess of nominal value in relation to the qualifying acquisition of subsidiary undertakings
- (iii) Retained earnings Cumulative net gains and losses recognised in the consolidated income statement and income and expenses recognised directly in equity
- (iv) Consolidated (loss)/profit for the year This represents the total income and expense for the year
- (v) Liabilities acquired in excess of net interest in subsidiary This represents liabilities acquired upon acquisition of a subsidiary undertaking which are in excess of the Group's net interest in those liabilities. As the minority interest associated with this undertaking had no binding obligation to repay their interest in the liability, the amount is allocated to a separate component of equity. See note 21.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

Basis of consolidation

(i) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than half of the voting rights. The existence and effect of potential voting rights are considered when assessing whether the Group controls an entity. Subsidiaries are fully consolidated from the date on which control is established by the Group until the date control ceases.

The purchase method of accounting is used to account for the acquisition of the Group's subsidiaries. The cost of acquisition is measured at fair value of the assets given, equity instruments issued, and liabilities incurred or assumed at the date of exchange plus costs directly attributable to the transaction. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are initially measured at their fair values at acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets is recorded as goodwill.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Subsidiaries' accounting policies are amended where necessary to ensure consistency with the policies adopted by the Group.

(ii) Associates

Associates are entities over which the Group has significant influence, but does not control, generally accompanied by a shareholding of between 20% to 50% of the voting rights.

Investments in associates are held at fair value in the balance sheet. This treatment is permitted by IAS 28 *Investment in Associates*, which requires investments held by entities which are akin to venture capital organisations, to be excluded from its scope where those investments are designated, upon initial recognition, as at fair value through profit or loss and accounted for in accordance with IAS 39 *Financial Instruments: Recognition and Measurement*. Changes in fair value of associates are recognised in the income statement in the period of the change. The Group has no interests in associates through which it carries on its business.

(iii) Limited partnerships

Group entities act as General Partner to the following limited partnerships:

Name	Interest in limited partnership %
IP Venture Fund	10.0
Top Technology Ventures IV LP	1.0

IP Venture Fund has a narrow and well-defined scope of operation and, as its limited partners are predominantly parties external to the Group, the Group does not have access to substantially all the risks and rewards arising from its operation. Having due regard for the Group's minor interests in Top Technology Ventures IV LP, the Group does not have the power to govern the operations of the limited partnerships so as to obtain benefits from their activities. Accordingly, none of the limited partnerships meets the definition of a subsidiary under IAS 27 'Consolidated and separate financial statements'. The Group does have the power to exercise significant influence over the limited partnerships and accordingly the Group's accounting treatment for these interests is consistent with that of associates as described above, i.e. in accordance with IAS 39 'Financial Instruments: recognition and measurement' and designated as at fair value through profit or loss on initial recognition.

(iv) Deemed disposals

Where the Group ceases to control an entity by means other than physical disposal, such as the entity issuing shares to other non-group parties, the entity ceases to be a subsidiary and is no longer consolidated. Any gain or loss arising on the disposal is recognised in the income statement.

(v) Transactions with minority shareholders – ‘economic entity approach’

The Group applies a policy of treating transactions with minority interests as transactions with equity owners of the Group. For purchases from minority interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is deducted from equity. Gains or losses on disposals to minority interests are also recorded in equity. For disposals to minority interests, differences between any proceeds received and the relevant share of minority interests are also recorded in equity.

Portfolio return and revenue

Change in fair value of equity and debt investments represents revaluation gains and losses on the Group's portfolio of investments. Gains on disposal of equity investments represent the difference between the fair value of consideration received and the carrying value at the start of the accounting period on the disposal of equity investments. Dividends receivable from equity shares are included within other portfolio income and recognised on the ex-dividend date or, where no ex-dividend date is quoted, are recognised when the Group's right to receive payment is established.

Revenue from services: All revenue from services is generated within the United Kingdom and is stated exclusive of value added tax. Revenue from services comprises:

Advisory fees: Fees earned from the provision of business support services are recognised as the related services are provided. Corporate finance advisory fees are generally earned as a fixed percentage of total funds raised and recognised at the time the related transaction is successfully concluded.

Fund management services: Fiduciary fund management fees are generally earned as a fixed percentage of total funds under management and are recognised as the related services are provided.

Property, plant and equipment

All property, plant and equipment is shown at cost less subsequent depreciation and impairment. Cost includes expenditure that is attributable to the acquisition of the items. Depreciation on assets is calculated using the straight-line method to allocate the cost of each asset to its residual value over its estimated useful life, as follows:

Fixtures and fittings	Over 3 to 5 years
Computer equipment	Over 3 to 5 years

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets and allocated from the acquisition date to each of the Group's cash generating units ("CGU") 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. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses.

(ii) Acquired intangible assets – business combinations

Intangible assets that are acquired as a result of a business combination and that can be separately measured at fair value on a reliable basis, are separately recognised on acquisition at their fair value. Amortisation is charged on a straight-line basis to the income statement over their expected useful economic lives, and is included within “Other administrative expenses”.

Impairment of intangible assets (including goodwill)

Goodwill is not subject to amortisation but is tested for impairment annually and whenever events or circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are tested for impairment when events or a change in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset’s fair value less costs to sell and the value in use. For the purposes of assessing impairments, assets are grouped at the lowest levels for which there are identifiable cash flows (i.e. cash generating units).

Financial assets

In respect of regular way purchases or sales, the Group uses trade date accounting to recognise or derecognise financial assets.

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or the Group has transferred substantially all risks and rewards of ownership.

The Group classifies its financial assets into one of the categories listed below, depending on the purpose for which the asset was acquired. None of the Group’s financial assets are categorised as held to maturity or available for sale.

(i) At fair value through profit or loss

Financial assets at fair value through profit or loss are either financial assets held for trading or financial assets which are designated at fair value through profit or loss on initial recognition.

This category includes equity investments, debt investments, equity rights and investments in limited partnerships. Investments in associated undertakings which are held by the Group with a view to the ultimate realisation of capital gains are also categorised as at fair value through profit or loss. This measurement basis is consistent with the fact that the Group’s performance in respect of investments in equity investments, limited partnerships and associated undertakings is evaluated on a fair value basis in accordance with an established investment strategy.

Financial assets at fair value through profit and loss are initially recognised at fair value and any gains or losses arising from subsequent changes in fair value are presented in the income statement in the period which they arise.

The fair values of quoted investments are based on bid prices in an active market at the balance sheet date.

The fair value of unlisted securities is established using valuation techniques. These include the use of recent arm’s length transactions, discounted cash flow analysis and earnings multiples. Wherever possible the Group uses valuation techniques which make maximum use of market based inputs. Accordingly, the valuation methodology used most commonly by the Group is the ‘price of recent investment’ contained in the International Private Equity and Venture Capital Valuation Guidelines (the “IPEVCV Guidelines”) endorsed by the British & European Venture Capital Associations. The following considerations are used when calculating the fair value of unlisted securities:

Cost

Where the investment being valued was itself made recently, its cost will generally provide a good indication of fair value unless there is objective evidence that the investment has since been impaired, such as observable data suggesting a deterioration of the financial, technical, or commercial performance of the underlying business.

Price of recent investment

The Group considers that fair value estimates that are based entirely on observable market data will be of greater reliability than those based on assumptions and accordingly where there has been any recent investment by third parties, the price of that investment will generally provide a basis of the valuation. It is generally assumed that investments within a twelve month period will provide a reliable basis for valuation although the specific circumstances surrounding each investment are considered, which may result in this period being lengthened or shortened.

Where there is objective evidence that a deterioration in fair value has occurred, the Group reduces the carrying value of the investment, usually in tranches of 25% in accordance with the IPEVCV Guidelines. Where appropriate, the Group performs further validation using alternative valuation methodologies such as Discounted Cash Flows ('DCF'). DCF involves estimating the fair value of a business by calculating the present value of expected future cash flows, based on the most recent forecasts in respect of the underlying business.

Other valuation techniques

If there is no readily ascertainable value from following the 'price of recent investment' methodology, the Group considers alternative methodologies in the IPEVCV Guidelines, being principally price-earnings multiples. When using the earnings multiple methodology, earnings before interest and tax ("EBIT") are generally used, adjusted to a maintainable level. A suitable earnings multiple is derived from an equivalent business or group of businesses, for which the average price-earnings multiple for the relevant sector index can generally be considered a suitable proxy. This multiple is applied to earnings to derive an Enterprise Value which is then discounted by up to 60% for non-marketability and other risks inherent to businesses in early stages of operation.

No reliable estimate

Where a fair value cannot be estimated reliably the investment is reported at the carrying value at the previous reporting date unless there is objective evidence that the investment has since been impaired.

(ii) Loans and receivables

These assets are non-derivative financial assets with fixed and determinable payments that are not quoted in an active market. They arise principally through the provision of services to customers (trade receivables) and are carried at cost less provision for impairment.

Equity rights

Equity rights represent consideration paid to the University of Oxford between December 2000 and June 2001.

The payment gives the Group the right to receive 50% of the University's equity in any spin-out company or of any licensing income emanating from the University's Chemistry Department. The contract expires on 23 November 2015.

The equity rights agreement is considered to be a derivative contract and is classified as a *held for trading* financial instrument with changes in fair value recognised in the income statement.

As described in note 15, the directors have not been able to determine a reliable fair value for this financial instrument. Until such time as the directors are able to compute a reliable fair value, the equity rights are carried at cost less provision for impairment. The directors review equity rights for impairment annually and if there is objective evidence of an impairment, then a provision would be charged to the income statement.

Debt investments

Debt investments are generally unquoted debt instruments which are convertible to equity at a future point in time. Such instruments are considered to be hybrid instruments containing a fixed rate debt host contract with an embedded equity derivative. The Group designate the entire hybrid contract at fair value through profit or loss on initial recognition and accordingly, the embedded derivative is not separated from the host contract and accounted for separately. The fair value of debt investments is established by calculating the present value of expected future cash flows associated with the instrument.

Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held with financial institutions.

Financial liabilities

Financial liabilities are comprised of trade payables and other short-term monetary liabilities, which are recognised at amortised cost.

Unless otherwise indicated, the carrying amounts of the Group's financial liabilities are a reasonable approximation to their fair value.

Share capital

Financial instruments issued by the Group are treated as equity if the holders have only a residual interest in the Group's assets after deducting all liabilities. The objective of the Group is to manage capital so as to provide shareholders with above average returns through capital growth over the medium to long term. The Group considers its capital to comprise its share capital, share premium, merger reserve and retained earnings.

Top Technology Ventures Limited, a Group subsidiary, is subject to external capital requirements imposed by the Financial Services Authority ("FSA") and as such must ensure that it has sufficient capital to satisfy these requirements. The Group ensures it remains compliant with these requirements as described in the financial statements of Top Technology Ventures Limited.

Contract costs

Contract costs comprise related costs to secure university partnership arrangements and these costs are amortised over the life of the respective partnership.

Segment reporting

A business segment is a group of assets and operations engaged in providing services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing services within a particular economic environment that is subject to different risks and returns from other segments in other economic environments.

Employee benefits

(i) Pension obligations

The Group operates a stakeholder pension scheme for which all employees are eligible. The assets of the scheme are held separately from those of the Group in an independently administered fund. At present the Group does not make contributions to this scheme, but does make contributions to employee personal pension schemes on an individual basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due.

(ii) Share based payments

The fair value of Long-Term Incentive Plan ("LTIP") awards are estimated at the date of award, using a Monte Carlo simulation technique, taking into account the terms and conditions of the award, including market based performance conditions.

No expense is recognised for grants that do not vest and charges previously made are reversed except where vesting is conditional upon a market condition which are treated as vesting irrespective of whether or not the market condition is satisfied, provided all other performance conditions are satisfied.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions, the number of equity instruments that will ultimately vest or in the case of an instrument subject to a market condition, be treated as vesting as described above. The movement in

cumulative expense since the previous balance sheet date is recognised in the Income Statement, with a corresponding entry in equity.

Where the terms for an equity settled award are modified, and the modification increases the total fair value of the share based payment, or is otherwise beneficial to the employee at the date of modification, the incremental fair value is amortised over the vesting period.

(iii) Bonus plan

The Group operates a bonus incentive scheme linked to the equity received in spin-out companies as a result of investments made by the Group ('the equity bonus scheme'). The Group accrues for employee bonuses at a cost to the Group of up to 17.5% of the fair value of investments made by the Group. Bonus awards due under the scheme are settled using shares held in companies in the Group's equity portfolio. Some of these shares have been subscribed for in cash by the Group and others have been received for no cash consideration by virtue of the Group's university partnerships.

Deferred tax

Full provision is made for deferred tax on all temporary differences resulting from the carrying value of an asset or liability and its tax base. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or deferred tax liability settled. Deferred tax assets are recognised to the extent that it is probable that the deferred tax asset will be recovered in the future.

Leases

Leases where the lessor retains substantially all of the risks and rewards of ownership are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the term of the lease.

Significant accounting estimates and judgements

Details of the significant accounting estimates and judgements are disclosed in note 3.

New standards and interpretations not applied

The International Accounting Standards Board and the International Financial Reporting Interpretations Committee have issued the following standards and interpretations to be applied to financial statements with periods commencing on or after the following dates:

International Accounting Standards (IAS/IFRS)		Effective Date
IFRS 1*	First time adoption of IFRS (Revision)	01/01/2009
IFRS1 & IAS27	Cost of an Investment in a subsidiary, jointly-controlled entity or associate	01/01/2009
IFRS 2	Share based payment: Vesting Conditions and Cancellations (Amendment)	01/01/2009
IFRS 3*	Business Combinations (Revision)	01/07/2009
IFRS 8	Operating Segments	01/01/2009
IAS 1	Presentation of Financial Statements: A Revised Presentation (Amendment)	01/01/2009
IAS 1 & IAS 32	Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation (Amendment)	01/01/2009
IAS 23	Borrowing costs (Amendment)	01/01/2009
IAS 27*	Consolidated and Separate Financial Statements (Amendment)	01/07/2009
IAS 39*	Financial Instruments: Recognition and Measurement: Eligible Hedged Items (Amendment)	01/07/2009
	Improvements to IFRSs	01/01/2009
International Financial Reporting Interpretations Committee (IFRIC)		Effective Date
IFRIC 12*	Service Concession Arrangements	01/01/2008
IFRIC 13	Customer Loyalty Programmes	01/07/2008
IFRIC 15*	Agreements for the Construction of Real Estate	01/01/2009

IFRIC 16*	Hedges of a Net Investment in A Foreign Operation	01/10/2008
IFRIC 17*	Distributions of Non-Cash Assets to Owners	01/07/2009
IFRIC 18*	Transfers of Assets from Customers	01/07/2009

* Not endorsed by the EU as at the date of approval of these financial statements.

If the Group had been able to early adopt IAS 27, minority interests in the consolidated balance sheet would have been £2.4m lower and losses attributable to minority interests would have been £2.4m higher. This would have increased total shareholders' equity by £2.4m.

With the exception of IAS 27, the directors do not anticipate the adoption of these standards and interpretations will have a material impact on the financial statements in the period of initial adoption other than as relating to disclosure and presentation.

2. FINANCIAL RISK MANAGEMENT

As set out in the *Principal risks and uncertainties* section of the Annual Results Release, above, the Group is exposed, through its normal operations, to a number of financial risks, the most significant of which are market, liquidity and credit risks.

In general, risk management is carried out throughout the Group under policies approved by the Board of Directors. The following further describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

(a) Market risk

(i) Price risk

The Group is exposed to equity securities price risk as a result of the equity investments and investments in limited partnerships held by the Group and categorised as at fair value through profit and loss.

The Group mitigates this risk by having established investment appraisal processes and asset monitoring procedures which are subject to overall review by the Board. The Group has also established a Capital Markets team dedicated to investor relations.

The Group holds investments which are publicly traded on the Alternative Investment Market ("AIM") or PLUS Markets and investments which are not traded on an active market.

The net reduction in fair value of the Group's equity investments during 2008 of £35.4m represents a 28% change against the opening balance (2007: net increase of £26.4m, 30%) and a similar increase or decrease in the prices of quoted and unquoted investments is considered to be reasonably possible. The table below summarises the impact of a 1% increase / decrease in the price of both quoted and unquoted investments on the Group's post tax profit for the year and on equity.

	2008			2007		
	Quoted £'m	Unquoted £'m	Total £'m	Quoted £'m	Unquoted £'m	Total £'m
Equity investments and investments in limited partnerships	0.4	0.6	1.0	0.7	0.6	1.3

(ii) Interest rate risk

As the Group has no significant borrowings it has only a limited interest rate risk. The primary impact to the Group is the impact on income and operating cash flow as a result of the interest-bearing cash and cash equivalents held by the Group.

The Group mitigates this risk, in co-ordination with liquidity risk, by managing its proportion of fixed to floating rate financial assets. The table below summarises the interest rate profile of the Group.

	2008				2007			
	Fixed rate £'m	Floating rate £'m	Interest free £m	Total £m	Fixed rate £m	Floating rate £'m	Interest free £'m	Total £'m
Financial assets								
Equity rights	-	-	20.2	20.2	-	-	20.2	20.2
Equity investments	-	-	96.5	96.5	-	-	125.7	125.7
Debt investments	1.0	-	0.9	1.9	-	-	0.4	0.4
Cash and cash equivalents	15.0	18.3	-	33.3	24.0	22.0	-	46.0
Other financial asset	-	-	1.1	1.1	-	-	1.1	1.1
Trade receivables	-	-	0.2	0.2	-	-	0.6	0.6
Related parties	-	-	-	-	-	-	0.2	0.2
Other receivables	-	-	0.8	0.8	-	-	1.2	1.2
	16.0	18.3	119.7	154.0	24.0	22.0	149.4	195.4
Financial liabilities								
Trade payables	-	-	0.1	0.1	-	-	0.2	0.2
Accrued staff bonus	-	-	-	-	-	-	0.7	0.7
Other accruals and deferred income	-	-	0.4	0.4	-	-	1.2	1.2
	-	-	0.5	0.5	-	-	2.1	2.1

At 31 December 2008, if interest rates had been 1% higher / lower, post-tax profit for the year, and other components of equity, would have been £0.2m (2007: £0.2m) higher / lower as a result of higher interest received on floating rate cash deposits.

(b) Liquidity risk

The Group seeks to manage liquidity risk, to ensure sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. Accordingly the Group only invests working capital in short term instruments issued by reputable counterparties. The Group continuously monitors rolling cash flow forecasts to ensure sufficient cash is available for anticipated cash requirements.

(c) Credit risk

The Group's credit risk is primarily attributable to its cash and cash equivalents, debt investments and trade receivables. The Group seeks to mitigate its credit risk on cash and cash equivalents by investing in treasury funds with an "AA" credit rating or above managed by institutions, or by making short term deposits with counterparties with most recently reported total assets in excess of £3 billion and, where counterparties have required a rating, a "P1" credit rating, at the time of investment (ratings determined by Standard & Poor's or

Moody's). An analysis of the Group's cash and cash equivalents balance analysed by credit rating as at the balance sheet date is shown in the table below. All other financial assets are unrated.

Credit rating	2008 £'m	2007 £'m
P1	10.0	19.0
AA	14.4	12.6
Unrated*	8.9	14.4
Total cash and cash equivalents	33.3	46.0

* Unrated cash and cash equivalents includes £5m (2007: £5m) of short term instruments where the counterparty has not been required to obtain a rating as they have no commercial paper issued in public markets. These counterparties are building societies who, in accordance with the Group's treasury policy, have most recently reported total assets in excess of £3 billion at the time of investment.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers. The Group has detailed policies and strategies which seek to minimise these associated risks.

The Group's exposure to credit risk on debt investments is managed in a similar way to equity price risk, as described above, through the Group's investment appraisal processes and asset monitoring procedures which are subject to overall review by the Board.

The maximum exposure to credit risk for debt investments, receivables and other financial assets is represented by their carrying amount.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The directors make judgements and estimates concerning the future. 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. The estimates and assumptions that have the most significant effects on the carrying amounts of the assets and liabilities in the financial statements are discussed below.

(i) *Impairment of goodwill* - The Group is required to test, at least annually, whether goodwill has suffered any impairment. The recoverable amount is determined using value in use calculations. The use of this method requires the estimation of future cash flows and the selection of a suitable discount rate in order to calculate the present value of these cash flows.

(ii) *Equity rights* - The equity rights agreement is considered to be a derivative contract and is classified as a *held for trading* financial instrument with changes in fair value recognised in the income statement. The directors consider that for each of the key variables which would be relevant in determining a fair value for this financial instrument, there is a range of reasonably possible alternative values which result in a wide range of fair value estimates. None of these estimates is considered more appropriate or relevant than any other and accordingly the directors have not been able to determine a reliable fair value for this financial instrument.

(iii) *Valuation of unquoted equity investments* - The judgements required in order to determine the appropriate valuation methodology of unquoted equity investments have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities. These judgements include making assessments of the future earnings potential of portfolio companies, appropriate earnings multiples to apply, and marketability and other risk discounts.

Discussion of sensitivity analyses is included in the relevant note for each of the above estimates and judgements.

4. REVENUE FROM SERVICES

All revenue from services is derived from the provision of advisory and venture capital fund management services.

5. BUSINESS SEGMENTS

For both the year ended 31 December 2008 and the year ended 31 December 2007 the Group's revenue and profit before taxation was derived entirely from its principal activity within the United Kingdom. For management purposes, 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.

Year ended 31 December 2008	University partnership business £'m	Venture capital fund management £'m	In-licensing activity £'m	Consolidated £'m
INCOME STATEMENT				
Portfolio return and revenue				
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 profit / (loss)	(39.9)	0.2	(3.0)	(42.7)
Finance income – interest receivable	2.0	0.1	0.1	2.2
Profit / (loss) before taxation	(37.9)	0.3	(2.9)	(40.5)
Taxation	-	-	0.1	0.1
Profit / (loss) for the year	(37.9)	0.3	(2.8)	(40.4)
BALANCE SHEET				
Assets	170.7	3.2	0.6	174.5
Liabilities	(0.5)	(0.1)	(0.1)	(0.7)
Net assets	170.2	3.1	0.5	173.8
Other segment items				
Capital expenditure	0.1	-	-	0.1
Depreciation	0.1	-	-	0.1
Amortisation of intangible assets	-	0.2	-	0.2
Year ended 31 December 2007				
	University partnership business £'m	Venture capital fund management £'m	In-licensing activity £'m	Consolidated £'m
INCOME STATEMENT				
Portfolio return and revenue				
Change in fair value of equity and debt investments	26.4	-	-	26.4
Gains on deemed disposal of subsidiaries	8.1	-	-	8.1
Gains on disposal of equity investments	0.5	-	-	0.5
Other portfolio income	-	-	-	-
Revenue from advisory services	0.5	0.3	-	0.8
Revenue from fund management services	-	1.2	-	1.2
Administrative expenses	(5.4)	(1.2)	(2.6)	(9.2)
Operating profit	30.1	0.3	(2.6)	27.8
Finance income – interest receivable	2.4	0.1	0.2	2.7
Profit before taxation	32.5	0.4	(2.4)	30.5
Taxation	-	-	-	-
Profit for the year	32.5	0.4	(2.4)	30.5
BALANCE SHEET				
Assets	210.2	2.3	3.5	216.0

Liabilities	(1.6)	(0.2)	(0.4)	(2.2)
Net assets	208.6	2.1	3.1	213.8
Other segment items				
Capital expenditure	(0.5)	-	-	(0.5)
Depreciation	(0.1)	-	-	(0.1)
Amortisation of intangible assets	-	(0.1)	-	(0.1)

Secondary format – geographical segments

The Group operates exclusively in the United Kingdom and consequently no additional disclosures are given.

6. AUDITORS' REMUNERATION

Details of the auditors' remuneration are set out below:

	At 31 December 2008 £'000	At 31 December 2007 £'000
Audit services		
- Fees payable to company auditor for the audit of parent and consolidated accounts	74	67
Non-audit services		
Fees payable to company auditor and its associates for other services:		
- Auditing of accounts of subsidiaries pursuant to legislation	10	19
- Other services supplied under legislation	13	10
- Other taxation services		
- Corporation tax compliance	43	23
- Corporation tax advisory	22	30
- Other tax advisory	69	3
- Recruitment and remuneration services	-	10
- All other services	4	3
	235	165

7. PROFIT FROM OPERATIONS

Profit from operations has been arrived at after charging / (crediting):

	At 31 December 2008 £'m	At 31 December 2007 £'m
Amortisation of intangible assets	0.2	0.2
Depreciation of tangible assets	0.1	0.1
Employee costs (see Note 8)	5.5	5.5
Operating leases – property	0.5	0.6
Profit on disposal of equity investments	-	(0.5)
Gain on deemed disposal of subsidiaries	-	(8.1)

8. EMPLOYEE COSTS

Employee costs (including directors) comprise:

	2008 £'m	2007 £'m
Salaries	4.2	3.3
Defined contribution pension cost	0.1	0.2
Share based payment charge (see Note 24)	0.6	0.3
Equity Bonuses Accrued in the year	0.1	1.3
Social Security	0.5	0.4
	5.5	5.5

The average monthly number of persons (including executive directors) employed by the Group during the year was 54, all of whom were involved in management and administration activities (2007: 44). The Company had no employees in the year ended 31 December 2008 (2007: nil). All Group and Company employee costs were borne by other Group companies with the exception of the share based payment charge.

9. TAXATION

	2008 £'m	2007 £'m
Current tax	(0.1)	-
Deferred tax	-	-

The credit for the year can be reconciled to the (loss) / profit per the income statement as follows:

	2008 £'m	2007 £'m
(Loss) / profit before tax	(40.5)	30.5
Tax at the UK Corporation tax rate of 28% (2007: 30%)	(11.3)	9.2
Non-taxable income	(0.1)	(10.5)
Non-deductible net fair value losses	9.9	-
Schedule 23 deduction	-	(0.1)
Research and development tax credits	(0.1)	-
Tax losses arising not recognised	0.9	0.9
Other adjustments	0.6	0.5
Tax credit	(0.1)	-

At 31 December 2008, deductible temporary differences and unused tax losses for which no deferred tax asset has been recognised totalled £16.7m (2007: £14.1m). An analysis is shown below:

	2008		2007	
	Amount £'m	Deferred tax £'m	Amount £'m	Deferred tax £'m
Share based payment costs	-	-	0.6	0.2
Unused tax losses	16.7	4.7	13.5	3.8
	16.7	4.7	14.1	4.0

This asset has not been recognised in the financial statements due to current uncertainties surrounding the reversal of the underlying temporary differences. This deferred tax asset would be recovered if there were future taxable profits from which the reversal of the underlying temporary difference could be deducted.

The directors believe that the Group qualifies for Substantial Shareholder Exemption and therefore no deferred tax is provided for in respect of the net uplift in valuation of the Group's equity investments.

10. EARNINGS PER SHARE

Earnings

	2008 £'m	2007 £'m
Earnings for the purposes of basic and dilutive earnings per share	(40.3)	30.5
	2008 No. of shares	2007 No. of shares
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	250,291,965	248,952,170
Effect of dilutive potential ordinary shares:		
Share options	-	-
Weighted average number of ordinary shares for the purposes of diluted earnings per share	250,291,965	248,952,170

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.

11. GOODWILL

	£'m
At 1 January 2007	18.7
Recognised on acquisition of subsidiary (ii) (Note 21a)	3.7
Disposed with subsidiary (i),(ii) (Note 22)	(3.7)
At 1 January 2008	18.7
Acquisition of minority interests (iii)	0.1
Disposed with subsidiary (iii)	(0.4)
At 31 December 2008	18.4
At 31 December 2007	18.7

- i) Goodwill arising on the acquisition of Poseidon Water Limited forms part of the university partnership CGU. Poseidon Water was subsequently disposed of in 2007 as part of the deemed disposal of Modern Water plc (Note 22).
- ii) Goodwill arising on the acquisition of Modern Waste Ltd and Photopharmica (Holdings) Ltd which both form part of the in-licensing CGU. Photopharmica (Holdings) Ltd was subsequently disposed by way of a deemed disposal (Note 22).
- iii) Goodwill arising on the Group increasing its stake in Modern Waste Limited in the year. Modern Waste Limited was then subsequently disposed of on 17 December 2008.

The recoverable amount of the above goodwill has been determined from value in use calculations on cash flow projections from formally approved budgets in respect of the relevant cash generating unit, covering the remaining life of the related funds under management or university partnerships.

The goodwill allocated to each CGU is summarised in the following table:

	2008 £'m	2007 £'m
University partnership CGU	15.5	15.5
Fund management CGU	2.9	2.9
In-licensing CGU	-	0.3
	18.4	18.7

Impairment review of venture capital fund management CGU

The following key assumptions have been used to determine value in use:

	2008	2007
Discount rate	9%	9%
Number of funds under management	3	2
Management fee	2%	2%
Cost inflation	4%	4%

The assumptions above reflect past experience. All reasonably possible changes to key assumptions do not result in the recoverable amount being less than the carrying value of goodwill.

Impairment review of the university partnership CGU

The directors consider that for each of the key variables which would be relevant in determining a value in use for the university partnership CGU, there is a range of reasonably possible alternative values. The key variable ranges are set out below.

	2008	2007
The number of spin-out companies per year	2 – 8	2 – 8
Initial equity stake acquired by the Group under the University partnership	20%	20%
Proportion of spin-out companies failing	20-30%	20-30%
Dilution rates prior to exit as a result of financing for spin-out companies	35-50%	30-50%
Proportion of IPO exits	30-50%	30-50%
IPO exit valuations	£30m-50m	£45m-70m
Proportion of disposal exits	30-50%	30-50%
Disposal valuations	£15m-35m	£15m-35m
Discount rate	8-10%	8-10%

These key variable ranges result in a wide range of value in use estimates for the university partnership CGU. None of these estimates of value in use is considered more appropriate or relevant than any other, however none indicate that an impairment of the goodwill allocated to the CGU is required.

12. ACQUIRED INTANGIBLE ASSETS

	£'m
At 1 January 2007	0.5
Amortisation charge during the year ended 31 December 2007	(0.2)
At 1 January 2008	0.3
Amortisation charge during the year ended 31 December 2008	(0.2)
At 31 December 2008	0.1
At 31 December 2007	0.3

On 30 June 2004 the Group acquired the entire issued share capital of Top Technology Ventures Limited. At this time, Top Technology Ventures Limited was party to two contracts to supply fund management services. The directors calculated the fair value of this asset on a discounted cash flow basis, and concluded that the fair value of this asset at 30 June 2004 was £0.8m. The asset is being amortised on a straight-line basis over its useful life which has been determined by reference to the residual life of the two contracts to be 5 ½ years from the date of acquisition. At 31 December 2008 the asset had a remaining useful life of 1 year (2007: 2 years).

13. PROPERTY, PLANT AND EQUIPMENT

	Total
	£'m
Cost	
At 1 January 2008	0.7
Additions	0.1
At 31 December 2008	0.8
Accumulated depreciation	
At 1 January 2008	0.2
Charge for the year	0.1
At 31 December 2008	0.3
Net book value	
At 31 December 2008	0.5
At 31 December 2007	0.5

	Total
	£'m
Cost	
At 1 January 2007	0.2
Additions	0.5
At 31 December 2007	0.7
Accumulated depreciation	
At 1 January 2007	0.1
Charge for the year	0.1
At 31 December 2007	0.2
Net book value	
At 31 December 2007	0.5
At 31 December 2006	0.1

Depreciation on property, plant and equipment was £119,320 (2007: £80,033).

14. CATEGORISATION OF FINANCIAL INSTRUMENTS

	<u>At fair value through profit and loss</u>			Total £'m
	Held for trading £'m	Designated upon initial recognition £'m	Loans and receivables £'m	
Financial assets				
At 31 December 2008				
Equity rights	19.9	-	-	19.9
Equity investments	-	96.5	-	96.5
Debt investments	-	1.9	-	1.9
Other financial asset	1.1	-	-	1.1
Investment in limited partnerships	-	1.4	-	1.4
Trade and other receivables	-	-	1.0	1.0
Cash and cash equivalents	-	-	33.3	33.3
Total	21.0	99.8	34.3	155.1

At 31 December 2007

Equity rights	19.9	-	-	19.9
Equity investments	-	125.7	-	125.7
Debt investments	-	0.4	-	0.4
Other financial asset	1.1	-	-	1.1
Investment in limited partnerships	-	1.0	-	1.0
Trade and other receivables	-	-	2.1	2.1
Cash and cash equivalents	-	-	46.0	46.0
Total	21.0	127.1	48.1	196.2

All financial liabilities are categorised as other financial liabilities and recognised at amortised cost.

The Group does not consider that any change in fair value of financial assets in the year is attributable to credit risk (2007: nil).

All net fair value gains in the year are attributable to financial assets designated at fair value through profit and loss on initial recognition (2007: All net fair value gains attributable to financial assets designated at fair value through profit and loss on initial recognition).

15. EQUITY RIGHTS AND RELATED CONTRACT COSTS

	Equity Rights £'m	Contract costs £'m	Total £'m
Cost			
At 1 January 2008 and 31 December 2008	19.9	0.5	20.4
Aggregate amortisation of contract costs			
At 1 January 2008	-	(0.2)	(0.2)
Charge for the year	-	-	-
At 31 December 2008	-	(0.2)	(0.2)
Net book value			
At 31 December 2008	19.9	0.3	20.2
At 31 December 2007	19.9	0.3	20.2

	Equity Rights £'m	Contract costs £'m	Total £'m
Cost			
At 1 January 2007	19.9	0.5	20.4
Additions	-	-	-
At 31 December 2007	19.9	0.5	20.4
Aggregate amortisation of contract costs			
At 1 January 2007	-	(0.1)	(0.1)
Charge for the year	-	(0.1)	(0.1)
At 31 December 2007	-	(0.2)	(0.2)
Net book value			
At 31 December 2007	19.9	0.3	20.2
At 31 December 2006	19.9	0.4	20.3

Carrying amount of equity rights

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

The directors consider that for each of the key variables which would be relevant in determining a fair value for this financial instrument, there is a range of reasonably possible alternative values. The key variable ranges are set out below.

	2008	2007
The number of spin-out companies per year from the University of Oxford chemistry department	1 – 3	1 – 4
Initial equity stake acquired by the Group under the equity rights contract	20%	20%
Proportion of spin-out companies failing	20-30%	20-30%
Dilution rates prior to exit as a result of financing for spin-out companies	35-50%	30-50%
Proportion of IPO exits	30-50%	30-50%
IPO exit valuations	£30m-50m	£45m-70m
Proportion of disposal exits	30-50%	30-50%
Disposal valuations	£15m-35m	£15m-35m
Discount rate	8-10%	8-10%

These key variable ranges result in a wide range of fair value estimates for the equity rights agreement. None of these estimates of fair value is considered more appropriate or relevant than any other and accordingly the directors have not been able to determine a reliable fair value for this financial instrument at either 1 January 2004 or any subsequent reporting date. The directors consider a fair value for this instrument could be reliably estimated when the remaining duration of the contract reaches a stage at which the above variable ranges produce a range of fair values which are sufficiently close.

Until such time as the directors are able to compute a reliable fair value, the equity rights are carried at cost less provision for impairment. The directors review equity rights for impairment annually and if there is objective evidence of an impairment, such as a continued decline in either the number of new spin-out companies from the University of Oxford Chemistry Department or the valuations achieved at IPO or disposal, then a provision would be charged to the income statement. None of the above reasonably possible estimates of fair value indicate that an impairment of carrying value of the equity rights agreement is required.

16. INVESTMENT PORTFOLIO

Group	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 2007	48.7	36.9	0.1	1.7	87.4
Investments during the year	0.5	5.9	0.4	-	6.8
Reclassifications during the year	2.3	(2.2)	(0.1)	-	-
Reclassification of subsidiaries and debt to equity conversions during the year	9.2	5.4	-	-	14.6
Change in fair value in the year	13.8	12.5	-	0.1	26.4
Equity allocated to staff	-	(1.4)	-	(0.2)	(1.6)
Disposal during the year	(7.5)	-	-	-	(7.5)
At 1 January 2008	67.0	57.1	0.4	1.6	126.1
Investments during the year	1.8	5.0	1.8	-	8.6
Reclassifications during the year	0.5	(0.3)	(0.2)	-	-
Change in fair value in the year	(31.3)	(2.9)	(0.1)	(1.2)	(35.5)
Equity allocated to staff	-	(0.8)	-	-	(0.8)
At 31 December 2008	38.0	58.1	1.9	0.4	98.4

Certain fair values of unquoted spin-out companies have been determined in part or in full by valuation techniques that are not supported by observable market prices or rates. However if the assumptions used in the valuation techniques 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 net reduction in fair value for the year of £35.5m (2007: £26.4m gain) includes a net reduction of £3.6m (2007: £12.5m gain) that has been estimated using a valuation technique. Further details are contained within the accounting policy for equity investments.

Change in fair value in the year

	2008 £'m	2007 £'m
Fair value gains	12.2	38.1
Fair value losses	(47.7)	(11.7)
	(35.5)	26.4

Significant equity investments

At 31 December 2008 the Group has investments where it holds 20% or more of the issued ordinary share capital of the following companies:

Undertaking	% of issued share capital held	Net assets (liabilities) £'000	Profit (Loss) before tax £'000	Date of financial statements
Empiricom Technologies Limited	49.9%	(23)	-	31/03/2008
Capsant Neurotechnologies Limited	49.9%	803	(557)	31/12/2007
Photopharmica (Holdings) Limited	49.9%	11,935	-	31/07/2008
Chamelic Limited	46.4%	375	-	31/07/2007
Sustainable Resource Solutions Limited	44.4%	2	-	30/04/2008
Xeros Limited	44.1%	(7)	-	31/07/2007
Leeds Reproductive Biosciences Limited	43.8%	116	-	31/07/2007
Overlay Media Limited	43.6%	-	-	-
Dispersia Limited	42.8%	102	-	31/07/2007
Structure Vision Limited	41.8%	21	-	31/07/2007
Icona Solutions Limited	40.6%	(109)	(263)	31/12/2006
Simulstrat Limited	39.8%	162	(187)	31/07/2007
Cerogenix Limited	37.7%	83	-	31/05/2008
Crysalin Limited	37.1%	-	-	-
Leeds Lithium Power Limited	36.7%	71	-	31/07/2007
Phonologica Limited	36.7%	67	-	28/02/2006
Mode Diagnostics Limited	35.4%	350	-	31/07/2007
Activotec SPP Limited	35.3%	311	-	31/12/2007
Oxford Nanopore Technologies Limited	34.9%	14,295	(2,959)	30/06/2008
COE Group plc	34.6%	-	(1,115)	30/06/2008
DyeCat Limited	33.3%	(40)	-	31/07/2007
Surrey Nano Systems Limited	33.3%	(33)	(212)	30/06/2007
Amaethon Limited	33.0%	266	(140)	31/07/2008
ReactivLab Limited	33.0%	-	-	-
Retroscreen Virology Limited	31.4%	1,532	(259)	31/07/2007
Bioniqs Limited	30.1%	192	-	31/07/2007
Plexus Planning Limited	29.3%	278	-	31/12/2007
Synairgen plc	28.7%	4,167	(2,467)	30/06/2008
Tissue Regenix Limited	27.6%	535	-	31/07/2007
Rock Deformation Research Limited ⁽¹⁾	27.5%	636	159	31/07/2008
Glythera Limited	26.2%	-	-	-

Imagel Limited	26.1%	-	-	31/07/2007
OxTox Limited	25.2%	319	-	31/12/2007
Theragenetics Limited	25.0%	2,157	-	31/03/2008
EMDOT Limited	24.6%	-	-	-
Green Chemicals plc	24.3%	2,630	(809)	31/03/2008
Avacta Group plc	23.9%	4,869	(1,573)	31/07/2008
Ilika Technologies Limited	23.6%	6,822	-	30/04/2008
Modern Water plc	23.0%	43,254	(1,749)	31/12/2007
Oxford RF Sensors Limited	22.9%	891	-	31/12/2007
Proximagen Neuroscience plc	21.8%	8,671	(2,934)	30/11/2007
Luto Research Limited	24.2%	759	-	31/07/2007
Karus Therapeutics Limited	20.4%	822	(564)	30/06/2007
GETECH Group plc	20.3%	4,652	900	31/07/2008
Escubed Limited	20.0%	-	-	-

(1) Shares held by University of Leeds as nominee for IP Group plc

All companies are incorporated in England and Wales. All companies are held indirectly through subsidiary companies with the exception of Photopharmica (Holdings) Limited and Modern Water plc.

No financial information is presented in respect of companies that have not filed accounts at Companies House. No profit / (loss) information is presented in respect of companies that have filed abbreviated accounts.

In addition, at 31 December 2008, the Group has the following investments in spin-out companies where it holds less than 20% of the issued share capital:

Undertaking	% of issued share capital held
Tracsis plc	19.3%
Syntopix Group plc	18.7%
iQur Limited	17.7%
Pharminox Limited	17.4%
Oxford Advanced Surfaces Group plc	15.3%
Xanic Limited	14.8%
Vision Semantics Limited	13.3%
ReOx Limited	12.2%
CoDriva Limited	11.9%
Oxford Catalysts Group plc	11.4%
Revolymmer Limited	11.2%
Nanotecture Group plc	10.2%
Perpetuum Limited	8.2%
Summit Corporation plc	7.2%
Glycoform Limited	6.1%
NanoGan Limited	5.5%
Inhibox Limited	3.9%
Sigma Capital Group plc	3.9%
Nano-porous Solutions Limited	2.2%
Powerlase Limited	1.4%
Stratophase Limited	1.3%
Offshore Hydrocarbon Mapping plc	0.8%
leDeZine Limited	0.6%

All companies are incorporated in England and Wales

17. TRADE AND OTHER RECEIVABLES

	2008 £'m	2007 £'m
Trade debtors	0.2	0.6
Prepayments	0.1	0.1
Amounts due from related parties	-	0.2
Other receivables	0.8	1.2
	1.1	2.1

The directors consider the carrying amount of trade and other receivables to approximate their fair value. All receivables are interest free, repayable on demand and unsecured.

18. OTHER FINANCIAL ASSETS

Other financial asset comprises of a zero cost forward contract giving the Group the right to receive sale proceeds when the University of Leeds sells down its stake in specified spin-out companies subject to a maximum receivable of £1.2m (2007: £1.2m). The asset has no set date of repayment or other rights of recourse. This asset is classified as a financial asset held for trading initially measured at fair value with subsequent changes recognised in the income statement. Fair value is determined by discounting expected cash flows at prevailing market rates of interest.

Cash and cash equivalents comprises cash held by the Group. The carrying amount of these assets approximates their fair value.

19. TRADE AND OTHER PAYABLES

Group	2008 £'m	2007 £'m
Trade payables	0.1	0.2
Social security expenses	0.2	0.1
Accrued staff bonuses	-	0.7
Other accruals and deferred income	0.4	1.2
	0.7	2.2

Accrued staff bonuses

During the year ended 31 December 2008, bonus entitlements were settled by the allocation of equity from investments made by the Group.

The timing of the actual allocations of equity to employees is subject to a number of factors, including the performance of the business as a whole.

Group	Current bonus accrual £'m
At 1 January 2008	0.7
Charged in the income statement in the year to 31 December 2008	0.1
Settled during the year to 31 December 2008	(0.8)
At 31 December 2008	-

Group	Current bonus accrual £'m
At 1 January 2007	1.4
Charged in the income statement in the year to 31 December 2007	1.3
Settled during the year to 31 December 2007	(2.0)
At 31 December 2007	0.7

20. SHARE CAPITAL

Group and Company	2008 £'m	2007 £'m
Authorised:		
450 million ordinary shares of 2 pence each (2007: 450 million ordinary shares of 2 pence each)	9.0	9.0
Issued and fully paid:		
250,291,965 ordinary shares of 2 pence each (2007: 250,291,965 ordinary shares of 2 pence each)	5.0	5.0

On 30 April 2007 the Company issued 500,000 new ordinary shares with a par value of 2p with respect to the exercise of share options with an exercise price of 43.5p. On 17 May 2007, the Company issued 409,353 new ordinary shares with a par value of 2p at an issue price of 139 pence as consideration for the acquisition of Photopharmica (Holdings) Limited (see note 21a) and a further 2,828,057 at an issue price of 139 pence as consideration for the acquisition of various debt instruments in Photopharmica (Holdings) Limited.

The Company has one class of ordinary shares which carry equal voting rights, equal rights to income and distributions of assets on liquidation or otherwise, and no right to fixed income.

21. ACQUISITIONS OF SUBSIDIARY UNDERTAKINGS DURING 2007

Acquisition of Photopharmica (Holdings) Limited ('Photopharmica')

In 2005, the Group acquired a 5.2% stake in Photopharmica, by virtue of its agreement with the University of Leeds, and the fair value of consideration paid was £nil. The book and fair value of net liabilities acquired at this stage was £1.6m giving rise to goodwill of £0.1m.

On 17 May 2007, the Group acquired a further 51.4% equity stake in Photopharmica, taking the Group's total stake to 56.6%. At that date, the Group also acquired £3.5m of debt instruments and 100% of the issued redeemable preference share capital of Photopharmica.

	Fair value and book value of net assets/(liabilities) £'000
Net liabilities acquired:	
Property, plant and equipment	43
Cash and cash equivalents	241
Trade and other receivables	45
Trade and other payables	(732)
Redeemable preference shares	(1,449)
Debt instruments acquired	(3,482)
Net liabilities	(5,334)
Less: fair value of 5.2% interest previously held	280
Share of net liabilities acquired	(5,054)
Liabilities acquired in excess of net interest in subsidiary	2,313
Goodwill (note 11)	3,310
Total consideration	569

Consideration satisfied by:	
Issue of share capital (409,353 shares at 139 pence ⁽ⁱ⁾)	569
	569

(i) being the average closing price of the shares over the 5 day period prior to 17 May 2007

As the 43.4% of minorities associated with this undertaking had no binding obligation to repay their interest of Photopharmica's net liabilities, the excess of liabilities acquired over the Group's net interest in those liabilities was allocated to a separate component of equity attributable to equity shareholders.

From the date of acquisition to the subsequent date of deemed disposal (Note 22), the acquisition contributed £39k to turnover and £659k loss for the year. If the acquisition had occurred on 1 January 2007, the acquisition would have contributed £57k to turnover and £1,388k loss for the year.

The outflow of cash and cash equivalents on the acquisition, including those cash flows in relation to the acquisition of the debt instruments, redeemable preference share capital and additional draw-downs on those instruments, can be calculated as follows:

	£'m
Cash consideration	2,000
Cash acquired	(241)
	1,759

Acquisition of Modern Waste Limited ('Modern Waste')

On 3 May 2007, the Group acquired an 84% equity stake in Modern Waste for cash consideration of £2m.

	Fair value and book value of net assets £'000
Net assets acquired:	
Cash and cash equivalents	2,000
	2,000
Minority interest	(312)
Goodwill (note 11)	312
Total consideration	2,000
Consideration satisfied by:	
Cash	2,000

From the date of acquisition, which was the date trading commenced, Modern Waste contributed £nil to turnover and £184k loss for the year.

The outflow of cash and cash equivalents on the acquisition can be calculated as follows:

	£'m
Cash consideration	2,000
Cash acquired	(2,000)
	-

22. DISPOSALS OF SUBSIDIARY UNDERTAKINGS DURING 2007

Deemed disposal of Modern Water plc (“Modern Water”)

On 12 June 2007 the Group announced that Modern Water had raised additional finance from non-group parties and was admitted to the Alternative Investment Market (“AIM”). As a result of this, the Group’s equity stake was diluted and Modern Water ceased to be considered a subsidiary.

The following table summarises the assets disposed:

	£’000
Net assets attributable to the Group pre-disposal:	
Goodwill	277
Investments in associated undertakings	578
Property, plant and equipment	14
Trade and other receivables	21
Cash and cash equivalents	1,356
Trade and other payables	(133)
	2,113
Minority interests	(861)
Net assets disposed of	1,252

Immediately following the transaction, the Group’s interest in Modern Water was 23%. At that time, Modern Water had net assets of £40.7m, giving rise to a gain on deemed disposal amounting to £8.1m. This associated undertaking was then designated as at fair value through profit and loss in accordance with the Group’s accounting policies. No proceeds were received and the cash out flow on disposal was £1.4m.

Deemed disposal of Photopharmica (Holdings) Limited (“Photopharmica”)

On 21 December 2007 the Group announced that Photopharmica had raised additional finance from non-group parties as part of a financing round. As a result of this, the Group’s equity stake was diluted and Photopharmica ceased to be considered a subsidiary.

The following table summarises the net assets disposed:

	£’000
Net assets attributable to the Group pre-disposal:	
Property, plant and equipment	37
Trade and other receivables	71
Cash and cash equivalents	324
Trade and other payables	(461)
Preference share capital	(1,457)
	(1,486)
Goodwill	3,393
Liabilities acquired in excess of net interest in subsidiary	2,313
Net assets disposed of	4,220

Immediately following the transaction, the Group’s interest in Photopharmica was 46.9%. At that time, Photopharmica had net assets of £4.5m plus attributable goodwill of £2.8m, giving rise to a loss on the deemed disposal of £40k, after deducting £0.7m of additional investment by the Group as part of the financing round. This associated undertaking was then designated as at fair value through profit and loss in accordance with the Group’s accounting policies. No proceeds were received and the cash outflow on disposal was £0.3m.

23. OPERATING LEASE ARRANGEMENTS

	2008 £'m	2007 £'m
Payments under operating leases recognised in the income statement for the year	0.5	0.6

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2008 £'m	2007 £'m
Within one year	0.3	0.5
In the second and fifth years inclusive	0.6	0.9
	0.9	1.4

Operating lease payments represent rentals payable by the group for certain of its office properties. Leases are negotiated for an average term of five years and rentals are fixed for an average of one year.

24. SHARE-BASED PAYMENTS

Long term incentive plan ("LTIP") awards

Awards under the LTIP will take the form of provisional awards of ordinary shares of two pence each in the Group. Awards will generally vest over three years following the date on which they are made, to the extent that performance conditions have been met. The Remuneration Committee will impose objective conditions on the vesting of awards, and it is proposed that such conditions will be imposed as reflect the guidelines of institutional investors from time to time. At present, it is intended that the performance conditions for future grants will be based on the Group's total shareholder return ("TSR") performance. The awards granted in 2007 and 2008 will vest in full after three years in the event of TSR growth of 15% per annum on a cumulative basis being achieved. 50% of an award granted will vest in the event of compound annual TSR growth of 10% being achieved with a sliding scale between these points.

The movement in the number of shares notionally awarded under the LTIP is set out below:

	2008	2007
At 1 January	2,656,716	-
Notionally awarded during the year	826,293	2,656,716
At 31 December	3,483,009	2,656,716

The fair value of awards has been calculated using a Monte-Carlo pricing model with the following key assumptions:

	2008	2007
Share price at date of award	105p	135p
Exercise price	£nil	£nil
Expected volatility (median of historical 50 day moving average)	26%	23%
Expected life (years)	3	3
Expected dividend yield	0%	0%
Risk-free interest rate	4.0%	5.6%
Value per option	42p	55p

Share options

The Group previously granted options over the ordinary shares of the Company at not less than the market value of the Group's ordinary shares on the date of grant. The vesting period was generally 3 to 4 years. If the options remained unexercised after a period of 10 years from the date of grant, the options expire. The

Group has no legal or constructive obligation to repurchase or settle the options in cash. The movement in the number of share options is set out below:

	2008	2007
Outstanding at 1 January	-	500,000
Exercised during the year	-	500,000
Number of outstanding share options at 31 December	-	-

As at 31 December 2008, there were no share options outstanding (2007: nil). The weighted average share price at the date of exercise for share options exercised during the prior year was £1.41. The weighted average exercise price of options exercised in the prior year was 43.5p.

National Insurance is payable on gains and losses made by employees on exercise of share options granted to them. The Group has entered into a reciprocal arrangement with employees such that employees will reimburse the Group for any National Insurance liability. These were previously included in trade and other receivables and amounted to £nil at both 31 December 2008 and 31 December 2007. The movement in provisions is set out below:

	National insurance on options £'m
At 1 January 2007	0.1
Utilised in the year	(0.1)
At 1 January 2008 and 31 December 2008	-

25. INVESTMENTS IN LIMITED PARTNERSHIPS

	£'m
At 1 January 2007	0.3
Additions during the year	0.7
At 1 January 2008	1.0
Additions during the year	0.4
At 31 December 2008	1.4

26. 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:

	2008 £'m	2007 £'m
Income statement		
Revenue from services	0.9	1.2
Balance sheet		
Investment in limited partnerships	1.4	1.0
Amounts due from related parties	-	0.2

b) Key management transactions

The key management had direct shareholdings in the following spin-out companies as at 31 December 2008:

Director	Company name	Number of shares held at 1 January 2008	Number of shares acquired / (disposed) in the year	Number of shares held at 31 December 2008	% of issued share capital at 31 December 2008
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	12,961,857	-	12,961,857	1.6%
	Bioniqs Limited	1,063	-	1,063	1.0%
	Capsant Neurotechnologies Limited	9,958	1,673	11,631	0.8%
	Cerogenix Limited	3,143	-	3,143	1.7%
	Chamelic Limited	26	-	26	1.6%
	COE Group plc	246,094	111,110	357,204	1.0%
	Crysalin Limited	-	1,447	1,447	0.4%
	Dispersia Limited	-	416	416	1.0%
	Empiricom Technologies Limited ⁽¹⁾	61,710,430	(61,710,430)	-	0.0%
	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	1.1%
	Mode Diagnostics Limited	-	1,863	1,863	1.2%
	Modern Biosciences plc ⁽²⁾	39,505	1,145,645	1,185,150	2.3%
	Modern Water plc	575,000	-	575,000	1.0%
	Overlay Media Limited	-	22	22	1.0%
	Oxford Advanced Surfaces Group plc	2,357,994	(185,185)	2,172,809	1.2%
	Oxford Catalysts Group plc	254,749	-	254,749	0.4%
	Oxford Nanopore Technologies Limited	11,442	-	11,442	1.2%
	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%
	Revolymex 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	1.3%	
Surrey Nanosystems Limited	-	393	393	1.1%	
Syntopix Group plc	63,726	13,333	77,059	1.0%	
Theragenetics Limited	3,150	-	3,150	0.7%	
Tissue Regenix Limited	89	-	89	0.8%	
Tracsis plc	203,400	-	203,400	1.1%	
Xanic Limited	-	16	16	0.6%	
Xeros Limited	86	155	241	1.4%	
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	7,522,403	-	7,522,403	0.9%
	Bioniqs Limited	1,063	-	1,063	1.0%
	Capsant Neurotechnologies Limited	6,472	1,375	7,847	0.5%
	Cerogenix Limited	874	-	874	0.5%
	Chamelic Limited	21	-	21	1.3%
	COE Group plc	246,094	222,220	468,314	1.3%
	Crysalin Limited	-	1,447	1,447	0.4%

	Dispersia Limited	-	342	342	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	1.1%
	Mode Diagnostics Limited	-	1,632	1,632	1.1%
	Modern Biosciences plc ⁽²⁾	25,782	747,678	773,460	1.5%
	Modern Water plc	276,000	-	276,000	0.5%
	Overlay Media Limited	-	18	18	0.8%
	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	0.6%
	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	434	764	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	1.2%
	Surrey Nanosystems Limited	-	323	323	0.9%
	Syntopix Group plc	27,510	7,967	35,477	0.5%
	Theragenetics Limited	1,260	-	1,260	0.3%
	Tissue Regenix Limited	85	-	85	0.8%
	Tracsis plc	197,750	-	197,750	1.0%
	Xanic Limited	-	15	15	0.5%
	Xeros Limited	70	127	197	1.2%
David Norwood	Activotec SPP Limited	1,500	-	1,500	0.9%
	Amaethon Limited - A Ordinary Shares	76	-	76	2.3%
	Amaethon Limited - B Ordinary Shares	8,703	-	8,703	0.8%
	Amaethon Limited - Ordinary shares	15	-	15	0.2%
	Avacta Group plc	5,310,841	-	5,310,841	0.6%
	Bioniqs Limited	1,063	-	1,063	1.0%
	Capsant Neurotechnologies Limited	7,287	743	8,030	0.6%
	Cerogenix Limited	3,143	-	3,143	1.7%
	Chamelic Limited	13	-	13	0.8%
	COE Group plc	246,094	111,110	357,204	1.0%
	Crysalin Limited	-	-	-	0.0%
	Dispersia Limited	-	-	-	0.0%
	Green Chemicals plc	-	-	-	0.0%
	Icona Solutions Limited	718	(718)	-	0.0%
	Ilika Technologies Limited	1,175	-	1,175	1.0%
	Karus Therapeutics Limited	223	-	223	0.7%
	Leeds Lithium Power Limited	129	-	129	0.9%
	Leeds Reproductive Biosciences Limited	13	(13)	-	0.0%
	Luto Research Limited	119	-	119	1.0%
	Mode Diagnostics Limited	-	-	-	0.0%
	Modern Biosciences plc ⁽²⁾	28,693	(28,693)	-	0.0%
	Modern Water plc	418,200	-	418,200	0.7%
	Overlay Media Limited	-	-	-	0.0%
	Oxford Advanced Surfaces Group plc	9,753,674	307,700	10,061,374	5.4%
	Oxford Catalysts Group plc	216,792	-	216,792	0.4%
	Oxford Medical Diagnostics Limited	-	-	-	0.0%
	Oxford Nanopore Technologies Limited	17,442	2,002	19,444	2.0%
	Oxford RF Sensors Limited	53,639	-	53,639	0.8%

	Oxtox Limited	18,446	-	18,446	0.5%
	Pharminox Limited	950	-	950	0.4%
	Photopharmica (Holdings) Limited	20,370	-	20,370	0.5%
	Plexus Planning Limited	1,732	-	1,732	0.8%
	ReactivLab Limited	-	-	-	0.0%
	Retroscreen Virology Limited	1,352	-	1,352	0.6%
	Revolymer Limited	2,963	-	2,963	0.4%
	Simulstrat Limited - A Preference shares	17,500	-	17,500	2.0%
	Simulstrat Limited - Ordinary shares	1,640	-	1,640	1.0%
	Structure Vision Limited	154	(154)	-	0.0%
	Surrey Nanosystems Limited	-	-	-	0.0%
	Syntopix Group plc	83,787	26,667	110,454	1.4%
	Theragenetics Limited	3,150	-	3,150	0.7%
	Tissue Regenix Limited	65	-	65	0.6%
	Tracsis plc	129,950	-	129,950	0.7%
	Xanic Limited	-	-	-	0.0%
	Xeros Limited	43	69	112	0.7%
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	2,297,770	-	2,297,770	0.3%
	Bioniqs Limited	533	-	533	0.5%
	Capsant Neurotechnologies Limited	6,472	1,300	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%
	Dispersia Limited	-	324	324	0.8%
	Green Chemicals plc	43,067	-	43,067	0.5%
	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 ⁽²⁾	25,782	747,678	773,460	1.5%
	Modern Water plc	476,200	-	476,200	0.8%
	Overlay Media Limited	-	17	17	0.8%
	Oxford Advanced Surfaces Group plc	611,042	(185,185)	425,857	0.2%
	Oxford Catalysts Group plc	74,684	-	74,684	0.1%
	Oxford Medical Diagnostics Limited	-	-	-	0.0%
	Oxford Nanopore Technologies Limited	2,231	3,490	5,721	0.6%
	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	666	562	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	1,260	-	1,260	0.3%
	Tissue Regenix Limited	31	-	31	0.3%
	Tracsis plc	113,000	-	113,000	0.6%

	Xanic Limited	-	14	14	0.5%
	Xeros Limited	67	120	187	1.1%
Mike Townend	Amaethon Limited - A Ordinary Shares	104	-	104	3.1%
	Amaethon Limited - B Ordinary Shares	11,966	-	11,966	1.0%
	Amaethon Limited - Ordinary shares	21	-	21	0.3%
	Capsant Neurotechnologies Limited	9,796	1,486	11,282	0.8%
	Chamelic Limited	23	-	23	1.4%
	Crysalin Limited	-	1,286	1,286	0.4%
	Dispersia Limited	-	370	370	0.9%
	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 ⁽²⁾	39,505	1,145,645	1,185,150	2.3%
	Modern Water plc	575,000	-	575,000	1.0%
	Overlay Media Limited	-	19	19	0.8%
	Oxford Advanced Surfaces Group plc	932,994	-	932,994	0.5%
	Oxford Nanopore Technologies Limited	-	3,490	3,490	0.4%
	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%
	Revolymr 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	1.3%
	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	76	137	213	1.3%
Graham Richards	Getech Group plc	30,000	-	30,000	0.1%
	Summit Corporation plc	1,010,100	(347,142)	662,958	1.2%
Bruce Smith	Capsant Neurotechnologies Limited	8,724	12,000	20,724	1.4%
	Getech Group plc	15,000	-	15,000	<0.1%
	iQur Limited	2,000	-	2,000	0.8%
	Nanotecture Group plc	50,000	-	50,000	0.5%
	Offshore Hydrocarbon Mapping plc	-	-	-	0.0%
	Oxford Catalysts Group plc	10,000	-	10,000	<0.1%
	Phonologica Limited	2,000	-	2,000	1.0%
	Synairgen plc	200,000	-	200,000	0.9%
	Syntopix Group plc	11,299	3,942	15,241	0.2%
Roger Brooke	Activotec SPP Limited	1,459	-	1,459	0.8%
	Avacta Group plc	-	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%
	iQur Limited	1,400	-	1,400	0.6%
	Nanotecture Group plc	33,335	-	33,335	0.3%
	Oxford Nanopore Technologies Limited	2,857	624	3,481	0.4%
	Pharminox Limited	786	-	786	0.4%
	Phonologica Limited	2,000	-	2,000	1.0%
	Proximagen Neuroscience plc	160,000	-	160,000	0.7%
	ReOx Limited	2,717	-	2,717	0.3%
	Revolymr 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%
Zyentia Limited	3,766	(3,766)	-	0.0%

- (1) During the year, Alan Aubrey transferred 61,710,430 shares in Empiricom Technologies Limited to the Group for nil consideration.
(2) In April 2008, shareholders of Modern Biosciences plc received a bonus issue of 29 ordinary shares for each ordinary share held at that time.

All figures refer to ordinary shares unless indicated otherwise.

c) Portfolio companies

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

	2008	2007
Income statement	£'m	£'m
Revenue from services	0.8	0.8
	2008	2007
Balance sheet	£'m	£'m
Trade debtors	0.2	0.6

27. MINORITY INTEREST

	2008	2007
	£'m	£'m
At 1 January	0.3	0.3
On acquisition of subsidiary undertaking	-	0.3
Disposal of minority interest	(0.2)	-
Partial disposal of subsidiary undertaking to minority interests	-	0.6
Disposed with subsidiary undertaking	-	(0.9)
Share of loss for the year	(0.1)	-
At 31 December	-	0.3

28. CAPITAL COMMITMENTS

Partnership	Year of commencement of partnership	Original commitment (£'m)	Invested to date (£'m)	Remaining commitment (£'m)
University of Southampton (i)	2002	5.0	3.0	2.0
King's College London (ii)	2003	5.0	1.8	3.2
University of York – CNAP (iii)	2003	0.8	0.2	0.6
University of Leeds (iv)	2005	5.0	5.0	-
University of Bristol (v)	2005	5.0	0.7	4.3
University of Surrey (vi)	2006	5.0	0.5	4.5
University of York (iii)	2006	5.0	0.1	4.9
Queen Mary, University of London (vii)	2006	5.0	0.1	4.9
University of Bath (viii)	2006	5.0	0.2	4.8
University of Glasgow (ix)	2006	5.0	1.0	4.0
		45.8	12.6	33.2

(i) Under the terms of an agreement entered into in 2002 between the Group, the University of Southampton and certain of the University of Southampton's subsidiaries, IP2IPO Limited agreed to make £5.0m available for the purposes of making investments in University of Southampton spin-out companies.

(ii) Under the terms of an agreement entered into during 2003 between the Group and King's College London ("KCL") and KCL Enterprises Limited, the Group agreed to make £5.0m available for the purposes of making investments in spin out companies. Under the terms of this agreement, KCL can require the Company to make a further £5.0m available for investments in spin out companies on the tenth anniversary of the partnership.

(iii) In 2003 the Group entered into an agreement with the University of York. The agreement relates to a specialist research centre within the University of York: the Centre for Novel Agricultural Products (“CNAP”). The Group has committed to invest up to a total of £0.8m in spin-out companies based on CNAP’s intellectual property. In 2006 The Group extended its partnership with the University of York to cover the entire university. The Group has committed to invest £5.0m in University of York spin-outs over and beyond the £0.8m commitment as part of the Group’s agreement with CNAP.

(iv) The Group extended its partnership with the University of Leeds in July 2005 by securing the right and obligation to invest up to £5.0m in University of Leeds spin-out companies.

(v) In December 2006, the Group entered into an agreement with the University of Bristol. The Group has committed to invest up to a total of £5.0m in University of Bristol spin-out companies.

(vi) Under the terms of an agreement entered into in 2006 between the Group and the University of Surrey (‘Surrey’), the Group has committed to invest up to a total of £5.0m in spin-out companies based on Surrey’s intellectual property.

(vii) In July 2006, the Group entered into an agreement with Queen Mary, University of London (‘QM’) to invest in QM spin-out companies. The Group has committed to invest up to a total of £5.0m in QM spin-out companies.

(viii) In September 2006, the Group entered into an agreement with the University of Bath (‘Bath’) to invest in Bath spin-out companies. The Group has committed to invest up to a total of £5.0m in Bath spin-out companies.

(ix) In October 2006, the Group entered into an agreement with the University of Glasgow (‘Glasgow’) to invest in Glasgow spin-out companies. The Group has committed to invest up to a total of £5.0m in Glasgow spin-out companies.

29. POST BALANCE SHEET EVENTS

On 12 January 2009, Oxford Nanopore Technologies Limited (‘Oxford Nanopore’) entered into a worldwide strategic alliance with Illumina Inc for the development and commercialisation of its DNA sequencing technology. As part of this alliance, Illumina Inc invested \$18 million of equity finance into Oxford Nanopore at a value premium to the previous funding round. Accordingly, the Group recognised a £3.2 million fair value gain in January 2009 in respect of its investment in Oxford Nanopore.

Since 31 December 2008 and as at 27 February 2009, the last practical date prior to the approval of this Annual Results Release, the fair value of quoted companies in the Group’s portfolio has decreased by £7.2m to a total fair value of £30.8m.

END