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Half-yearly results

IP Group plc (LSE: IPO), the developer of intellectual property-based businesses, today announces its half-yearly results for the six months ended 30 June 2014.

Financial and operational highlights

- Net assets at 30 June 2014: £528.6m (HY13: £261.6m; FY13: £336.6m)
- Net cash and deposits at 30 June 2014: £122.6m (HY13: £38.1m; FY13: £24.1m)
- Adjusted profit before tax of £15.0m (HY13: £0.5m; FY13: £77.6m) excluding £0.9m reduction in fair value of the Oxford Equity Rights asset (HY13: £2.5m; FY13: £5.0m) and £1.5m amortisation of intangible assets (HY13: £nil; FY13: £nil)
- £100.0m (before expenses) raised through issue of new equity capital
- All-paper acquisition of the remaining 79.9% shareholding in Fusion IP plc not already owned by the Group
- Extension of intellectual property commercialisation agreement with The University of Manchester to 2019
- IP commercialisation collaboration agreement signed with Princeton University

Portfolio highlights

- Fair value of investment portfolio: £319.6m (HY13: £191.9m; FY13: £285.9m)
- Value of ten largest holdings: £233.9m (HY13: £145.7m; FY13: £225.2m)
- Investment in portfolio companies: £14.9m (HY13: £10.8m; FY13: £27.5m)
- Portfolio realisations: £3.3m (HY13: £2.8m; FY13: £5.5m)
- The Group's portfolio companies raised approximately £93m of new capital during the half year
- Admission of Xeros Technology Group plc and Actual Experience plc to AIM

Post-period-end highlights

- Oxford Nanopore Technologies Limited completes £35.0m financing, resulting in a £17.8m fair value uplift for the Group
- IP Group leads £6.0m financing for Diurnal Limited to fund a Phase III clinical trial for its lead Chronocort programme
- Retroscreen Virology Group plc and Ceres Power Holdings plc announce significant fundraisings of £33.6m and £20.0m respectively, with the Group contributing £4.0m to each
- Admission of Medaphor Group plc to AIM

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

"I am pleased to be able to report another busy half that has seen the Group build on the considerable successes of 2013. In the first quarter, the Group completed a £100m equity capital raise and the acquisition of Fusion IP plc, a company with a highly complementary business and management team. The integration of our two businesses, including a more formal divisionalisation of our core team into sectoral units, is progressing successfully and in line with our anticipated timeframes. The Group extended its agreement with The University of Manchester, one of the UK's major research universities, to include graphene projects. The Group also agreed a pilot IP commercialisation collaboration with Princeton University, the Group's third such relationship in the US. A number of portfolio companies have recorded significant developments including positive Phase II clinical trial results for Diurnal and post-period-end fund raisings by Retroscreen, Ceres and Oxford Nanopore Technologies. These achievements, combined with the successful admission of three of our portfolio companies to AIM, an increased pipeline of opportunities, and a strong cash and financial position, provide us with a solid platform from which to continue to generate significant value for shareholders over the long-term."

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IP Group plc is referred to as “IP Group”, “the Group” or “the Company”.

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

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

INTERIM MANAGEMENT REPORT

SUMMARY

IP Group's purpose is to systematically help create, build and support outstanding intellectual property-based businesses in order to provide attractive returns for our shareholders and other stakeholders. We aim to take a significant minority equity stake in these companies and then grow the value of this equity by taking an active role in business building.

2014 has so far been a successful year in which the Group and its portfolio of companies have made significant progress. In January, the Group announced its intention to raise further capital and acquire AIM-listed Fusion IP plc ("Fusion"), a complementary company in which the Group has held a strategic stake since 2009, in an all-paper transaction. The acquisition has created a business with an enlarged specialised team and greater breadth of coverage, enabling access to a wider pool of intellectual property while also allowing the Group to improve the service offering to existing and potential research institutions.

Due to significant demand from new and existing shareholders, the equity capital raise was increased in size from £75m to £100m (before expenses). The new capital will primarily enable the Group to accelerate growth by increasing its overall rate of capital deployment into both its existing portfolio and new early-stage opportunities, in the UK and internationally, as well as to broaden its access to world class IP.

In line with these commitments, capital deployed into portfolio companies for the period to 30 June 2014 increased to £14.9m (HY13: £10.8m). A number of portfolio companies have announced significant financings since the period end and as a result the total capital deployed by the Group for the year to date now exceeds £30m, already greater than the £27.5m for the whole of 2013. Overall the Group's portfolio companies have raised a total of £93m during the half year (HY13: £55m) and the Group continues to see a significant number of opportunities to deploy further capital.

The operational integration of Fusion into the Group is progressing successfully and in line with our anticipated timeframes. The Group's core opportunity evaluation and business building team has now been formally divisionalised into four specialist sector teams – Healthcare, Biotech, Cleantech and Tech – with the ultimate intention being to further develop the Group's sectoral knowledge and expertise.

The underlying performance of the Group's companies during the period was encouraging and at 30 June 2014 the value of the Group's holdings in 86 technology businesses had increased to £319.6m (HY13: £191.9m; FY13: £285.9m) reflecting a net unrealised fair value increase of £17.8m (HY13: £2.2m; FY13: £82.4m).

As well as the greater exposure to spin-out companies from Fusion's four partner universities as a result of the acquisition, the Group widened its access to high-quality intellectual property during the period. In January, the Group announced that it had extended its commercialisation agreement with The University of Manchester to include proof of principle funding for graphene projects. In addition, the Group committed a further £2.5m of funding, bringing the total to £7.5m, under the revised terms of the agreement that was extended to 2019. In April, the Group signed an IP commercialisation agreement with Princeton University covering an initial pilot phase of 18 months. The collaboration with Princeton is the Group's third IP commercialisation agreement with a US university, having signed agreements with Columbia University and the University of Pennsylvania in 2013.

During the period the Group announced five changes to its Board. In March, Professor Lynn Gladden CBE joined the Board as Non-Executive Director. Professor Gladden is Pro-Vice-Chancellor for Research for the University of Cambridge, the Shell Professor of Chemical Engineering and the former Head of the Department of Chemical Engineering and Biotechnology. In the same month, David Baynes, previously Chief Executive Officer of Fusion, joined the Board as an Executive Director and Doug Liversidge, previously Chairman of Fusion, joined as a Non-Executive Director. In April, David Baynes was appointed to the role of Chief Operating Officer and, separately, Charles Winward stepped down from the Board to pursue other opportunities. On 30 June 2014, Francis Carpenter stepped down as a Non-Executive Director of the Group following completion of his second three-year term of office.

PORTFOLIO REVIEW

Overview

During the six months ended 30 June 2014, the value of the Group's portfolio increased to £319.6m (HY13: £191.9m; FY13: £285.9m), reflecting net unrealised fair value gains of £17.8m and the net addition of £4.4m as a result of the Group's acquisition of Fusion.

The portfolio consisted of interests in 86 companies (HY13: 70; FY13: 72). During the period, the Group provided capital to portfolio companies totalling £14.9m (HY13: £10.8m; FY13: £27.5m) and made total cash realisations of £3.3m (HY13: £2.8m; FY13: £5.5m).

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

	For the six months ended 30 June 2014 £m	For the six months ended 30 June 2013 £m	For the year ended 31 December 2013 £m
Unrealised increases in fair value of equity and debt investments	**30.8**	17.4	90.3
Unrealised decreases in fair value of equity and debt investments	**(13.0)**	(15.2)	(7.9)
Net fair value gains	**17.8**	2.2	82.4
Profit/(loss) on disposals of equity investments	**1.3**	(0.1)	(0.2)
Change in fair value of limited and limited liability partnership interests	**0.2**	0.3	0.8
Total	**19.3**	2.4	83.0

Unrealised increases in the fair value of equity and debt investments principally arose from an increase in the share prices of Actual Experience plc (£10.7m), following its admission to AIM in February, Fusion IP plc (£6.0m), prior to its acquisition by the Group, and Tracsis plc (£4.1m). These unrealised gains were partially offset by unrealised decreases in the fair value of AIM-listed Getech Group plc (£3.1m) and the impairment of unquoted CH4E Limited (£2.4m).

Further information on developments in the Group's most valuable quoted and unquoted portfolio company holdings is set out below.

Investments and realisations

Cash investment analysis by company stage	**For the six months ended 30 June 2014 £m**	For the six months ended 30 June 2013 £m	For the year ended 31 December 2013 £m
Incubation projects	**1.0**	0.1	0.2
Seed businesses	**3.5**	3.3	4.2
Post-seed unquoted businesses	**5.0**	2.0	13.7
Post-seed quoted businesses	**5.4**	5.4	9.4
Total	**14.9**	10.8	27.5
Cash proceeds from sales of equity investments	**3.3**	2.8	5.5

During the first half of 2014, the Group deployed £14.9m of capital into 29 portfolio companies and projects (HY13: £10.8m, 28; FY13: £27.5m, 44). The Group provided seed or incubation capital for the first time to five opportunities (HY13: six; FY13: eight), whilst the acquisition of Fusion resulted in the net addition of a further twelve companies. The Group sold its entire interest in three companies.

The Group continues to support its most promising businesses while identifying and backing new opportunities and in so doing has deployed an average level of capital per company of £0.4m during the period (HY13: £0.4m).

The Group realised cash proceeds of £3.3m during the period (HY13: £2.8m; FY13: £5.5m), primarily as a result of the acquisition of Leeds spin-out company Rock Deformation Research Limited by Schlumberger (£2.5m). In addition, the Group realised its remaining stake in Velocys plc (£1.7m) with cash settlement occurring in early July. This brought total proceeds from Velocys to £12.9m from a total investment of £0.4m, representing an IRR in excess of 1,000%. Cash proceeds to date in 2014 now total £9.7m compared to £5.5m for the full year ended 31 December 2013.

Portfolio analysis – by investment stage

At 30 June 2014, the Group's portfolio fair value of £319.6m comprises holdings in businesses that are distributed across stages of maturity as follows:

	As at 30 June 2014				As at 31 December 2013			
	Fair value		**Number**		Fair value		Number	
Company stage	**£m**	**%**		**%**	£m	%		%
Incubation projects	**1.3**	**1%**	**11**	**13%**	0.1	—	8	11%
Seed businesses	**12.4**	**3%**	**24**	**28%**	11.3	4%	20	28%
Post-seed unquoted businesses	**159.0**	**50%**	**33**	**38%**	139.4	49%	26	36%
Post-seed quoted businesses	**146.9**	**46%**	**18**	**21%**	135.1	47%	18	25%
All portfolio businesses	**319.6**[1]	**100%**	**86**	**100%**	285.9	100%	72	100%

[1] Total fair value includes £1.5m attributable to minority interests represented by third party limited partners in the consolidated fund.

Incubation opportunities comprise businesses or pre-incorporation projects that are generally at a very early stage of development. Opportunities at this stage usually involve capital of less than £150,000 deployed from IP Group, predominantly allowing for proof of concept work to be carried out. Incubation projects generally have a duration of nine to eighteen months, following which the opportunity is progressed to seed financing, terminated or retained at the pre-seed stage for a further period to allow additional proof of concept work to be carried out. Seed businesses are those that have typically received financing of up to £1m in total, primarily from the Group, in order to continue to progress towards agreed commercial and technology milestones and to enable the recruitment of management teams and early commercial engagement.

Post-seed businesses are those that have received some level of further funding from co-investors external to IP Group, with total funding received generally in excess of £1m. Although each business can vary significantly in its rate and manner of development, such additional funding is generally used to progress towards key milestones and commercial validation, to build senior level capability in the business and to attract experienced non-executive directors to their boards. This category is further broken down into post-seed private and post-seed quoted companies. Post-seed quoted companies consist of companies quoted on either AIM or the ISDX markets.

Post-seed quoted businesses

Further details of the Group's holdings in quoted businesses at 30 June 2014 are as follows:

				Six months to 30 June 2014		
Company name	Description	**Group stake at 30 June 2014 %**	Fair value of Group holding at 31 December 2013 £m	Net investment/ (divestment) £m	Fair value movement £m	**Fair value of Group holding at 30 June 2014 £m**
Retroscreen Virology Group plc	*Viral challenge and 'virometrics' specialist ("conquering viral disease")*	**18.9%**	30.5[1]	—	(1.1)	**29.4**
Tissue Regenix Group plc	*Regenerative dCELL® soft tissue body parts*	**13.8%**	20.7	—	1.6	**22.3**
Actual Experience plc	*Optimising the human experience of networked applications*	**29.7%**	4.7	—	10.7	**15.4**
Avacta Group plc	*Reagents, arrays and instruments for human and animal healthcare*	**26.9%**	12.2	2.5	0.1	**14.8**
Applied Graphene Materials plc	*Producer of speciality graphene materials*	**20.3%**	14.9	—	(1.1)	**13.8**
Ceres Power Holdings plc	*Ceramic fuel cell technology for distributed generation*	**24.7%**	10.3	—	1.0	**11.3**

Tracsis plc	*Resource optimisation software for the transport industry*	**10.7%**	5.5	—	4.1	**9.6**
Xeros Technology Group plc	*"Virtually waterless" washing machines*	**11.9%**	3.2	2.3	1.3	**6.8**
Synairgen plc	*Respiratory diseases*	**10.9%**	4.3	0.2	0.6	**5.1**
Modern Water plc	*Technologies to address the world's water crisis*	**20.0%**	6.8	—	(1.9)	**4.9**
GETECH Group plc	*Gravitational and magnetic data services for the oil, gas and mining industries*	**23.4%**	6.4	—	(3.1)	**3.3**
Ilika plc	*Advanced cleantech materials discovery*	**8.0%**	0.9	0.5	1.7	**3.1**
Other quoted company holdings valued at less than £3m			9.0	(1.1)	(0.8)	**7.1**
Total			129.4	4.4	13.1	**146.9**

[1] In March 2013 Retroscreen Virology Group plc acquired Activiomics Limited, another Group portfolio company, for paper valued at £1.4m, representing an uplift of £0.5m on its opening value. As there was no cash invested the opening value of Retroscreen has been increased to reflect the opening cost of Activiomics.

In February, Actual Experience plc, an "analytics as a service" spin-out from Queen Mary University of London, was listed on AIM. Actual Experience's technology enables the measurement of the digital world as users experience it, enabling customers to measure and improve the performance of the business applications that they provide to their staff and their own clients, reducing costs while improving the experience of the user.

In March, Xeros Technology Group plc ("Xeros"), a spin-out from the University of Leeds that has developed a patented polymer bead cleaning system, gained admission to AIM and raised gross proceeds of £27.6m in a placing. Admission and the fundraising are expected to allow Xeros to accelerate roll-out of its technology in commercial laundry and to fund the research and development process through to commercialisation in other identified applications, not least domestic laundry. In May, Xeros announced the first incentive payment by a utility company in the US to an operator of a commercial laundry facility pursuant to an energy incentive programme available when using a Xeros Commercial Laundry System. The Group committed £2.3m to the Company's March placing.

Ceres Power Holdings plc ("Ceres"), a world-leading developer of low cost, next generation fuel cell technology for use in distributed generation and other applications, announced in July that it raised £20m (gross of expenses) by way of an oversubscribed placing. The purpose of the placing was to provide the company with sufficient working capital to (i) respond to the commercial interest it has generated until next stage commercial agreements are in place and to progress the Ceres Steel Cell technology and manufacturing roadmaps in order to maintain the company's technology advantage; (ii) provide enough growth capital funding to allow the company to explore and capture more value in higher power applications; and (iii) provide the company with the flexibility to increase manufacturing volumes, as driven by its commercial engagements. The Group committed £4m to the fundraising resulting in a 23.2% share of the enlarged issued share capital.

In May, Avacta Group plc ("Avacta"), a global provider of innovative diagnostic tools, consumables and reagents for human and animal healthcare, raised £10.1m before expenses. The proceeds will be used to accelerate Avacta's development and commercialisation of affimers. This acceleration will comprise the scaling up of the company's resources to identify and supply affimer reagents to replace or complement antibodies as general life sciences reagents and to resource the early stage commercialisation of such reagents through commercial partnerships as well as direct sales of custom reagents. The Group committed £2.5m to the placing.

In August, Retroscreen Virology Group plc ("Retroscreen"), a spin-out from Queen Mary University of London, announced that it had conditionally raised £33.6m before expenses in an oversubscribed placing. The Group will contribute £4.0m to the placing and this will result in a holding of 17.5%, assuming the placing completes. Retroscreen, which pioneered the commercialisation of the *h*VIVO Human Challenge Models of disease, seeks to leverage their *h*VIVO platform as a powerful tool in biomarker discovery and in the development of new disease models. The placing price of 260 pence per share was at a discount of 18.8% to the closing price prior to the announcement.

A number of the Group's other quoted portfolio businesses have announced positive results, trading updates, transactions and contract wins during the first half of the year, including:

- Tracsis plc, a leading provider of operational planning software to passenger transport industries, announced in May a recommended offer for the entire issued share capital of Datasys Integration Limited, the provider of rail management software systems, business applications and hosting services for the majority of the UK's train operating companies. The Group's 10.7% holding in Tracsis was valued at £9.6m at 30 June 2014.
- In June, Tissue Regenix Group plc ("Tissue Regenix"), the regenerative medical devices company, announced that it launched DermaPure™, its decellularised dermis product, in the US. Tissue Regenix's partner, Community Tissue Services, shipped product to customers in the week following the announcement. Tissue Regenix also announced that it continues to expand its distribution network around the US and currently has a network of over 60 reps that covers 80% of the US.

Five largest holdings in post-seed unquoted businesses

Company name	Description	**Group stake at 30 June 2014 %**	Fair value of Group holding at 31 December 2013 £m	Six months to 30 June 2014: Net investment/ (divestment) £m	Six months to 30 June 2014: Fair value movement £m	**Fair value of Group holding at 30 June 2014 £m**
Oxford Nanopore Technologies Limited	*Single-molecule detection. 1st application in 3rd generation DNA sequencing ("$1000 genome")*	**19.8%**	104.3	1.0	0.2	**105.5**
Diurnal Limited	*Developing improved drugs to treat cortisol deficiency*	**41.8%**	—	5.1	—	**5.1**
Cambridge Innovation Capital plc	*Investment fund into Cambridge University (and cluster) spin-outs*	**8.0%**	5.0	—	—	**5.0**
Asalus Medical Instruments Limited	*Medical devices to improve the safety and efficiency of laparoscopic surgery*	**58.0%**	0.6	3.2	0.1	**3.9**
Seren Photonics Limited	*Ultra high brightness LEDs*	**66.3%**	0.9	2.8	—	**3.7**

Oxford Nanopore Technologies Limited ("Oxford Nanopore"), a spin-out company from the University of Oxford that specialises in nanopore-based electronic molecular analysis systems, announced in August 2014 that it had completed a significantly oversubscribed £35m fundraising. Funds from the financing will be used to further develop Oxford Nanopore's commercial and manufacturing infrastructure that has been serving early customers through its MinION Access Programme ("MAP"). The financing resulted in a fair value uplift in the Group's resultant 19.9% interest of £17.8m post the period end. Earlier in the year, Oxford Nanopore announced that excellent progress has been made in the early phase of MAP, its programme designed to give life science researchers access to nanopore sequencing technology.

In June, Diurnal Limited announced positive results from its Phase 2 Chronocort® as treatment for congenital adrenal hyperplasia clinical study in 16 adults with the rare disease congenital adrenal hyperplasia ("CAH"). The trial successfully met its primary objective of fully characterising the pharmacokinetic profile of Chronocort in adult subjects with congenital adrenal hyperplasia. The 24-hour Chronocort pharmacokinetics in patients were comparable to those in the Phase 1 clinical trial of dexamethasone-suppressed healthy adult volunteers. The results show Chronocort provides circadian levels of the stress hormone cortisol similar to the normal healthy population; mimicking the overnight rise in cortisol levels such that patients wake with a normal cortisol level. Following the period end, IP Group led a tranched £6m financing into Diurnal in order to fund its Phase III clinical trial for Chronocort, contributing up to £4.1m.

Portfolio analysis – by sector

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

	As at 30 June 2014				As at 31 December 2013			
	Fair value		**Number**		Fair value		Number	
Sector	**£m**	**%**		**%**	£m	%		%
Healthcare	**191.3**	**60%**	**29**	**34%**	176.3	62%	24	33%
Tech	**63.9**	**20%**	**23**	**27%**	48.2	17%	21	29%
Cleantech	**43.0**	**13%**	**18**	**21%**	34.8	12%	18	25%
Biotech	**15.8**	**5%**	**13**	**15%**	6.8	2%	5	7%
Multiple sectors	**5.6**	**2%**	**3**	**3%**	19.8	7%	4	6%
	319.6[1]	**100%**	**86**	**100%**	285.9	100%	72	100%

[1] Total fair value includes £1.5m attributable to minority interests represented by third party limited partners in the consolidated fund.

A number of the Group's smaller post-seed businesses have seen further technical and commercial progress during the period, with some completing financings in which the Group, and/or funds managed by the Group, has participated. By way of example:

- Surrey NanoSystems Limited announced in July that it had launched the world's darkest material, Vantablack®, that can be used to enhance the range and sensitivity of optics. The company's patented nanotechnology has the highest thermal conductivity and lowest mass-volume of any material that can be used in high-emissivity applications.
- MedaPhor Group plc ("Medaphor"), the global provider of advanced ultrasound education and training for medical professionals, announced in May that a new study into the impact of ultrasound skills training using its ScanTrainer TVS (Transvaginal) simulator had concluded that novices' performances improved with practice. Their learning curves reached the level of expert performance after between three and four hours of simulator training. The study gives powerful support to the effectiveness of ScanTrainer simulation training in early phase ultrasound skills acquisition. In August, Medaphor announced that it intended to admit its shares for trading on AIM concurrent with a £4.7m placing.
- In April, a University of Oxford spin-out, OxSyBio Limited, announced that it will develop 3D printing techniques to produce tissue-like synthetic materials for wound healing and drug delivery. In the longer term, the company aims to print synthetic tissues for organ repair or replacement. The company has developed a technique to print synthetic tissue-like materials from thousands of tiny water droplets, each coated in a thin film mimicking a living cell's external membrane, and to stud these membranes with protein pores so they act like simplified cells. The company's research was featured on the cover page of *Science* in April 2013.

FINANCIAL AND OPERATIONAL REVIEW

Consolidated statement of comprehensive income

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

	For the six months ended 30 June 2014 £m	For the six months ended 30 June 2013 £m	For the year ended 31 December 2013 £m
Net portfolio gains	**19.3**	2.4	83.0
Revenue from services and other income	**1.2**	1.4	2.4
Change in fair value of Oxford Equity Rights asset	**(0.9)**	(2.5)	(5.0)
Amortisation of intangible assets	**(1.5)**	—	—
Administrative expenses – Modern Biosciences	**(0.3)**	(0.5)	(0.5)
Administrative expenses – all other businesses	**(4.4)**	(3.2)	(7.7)
Cost incurred in the acquisition of Fusion plc	**(1.0)**	—	—
Finance income	**0.2**	0.4	0.4
Taxation	**—**	—	—
Profit/(loss) and total comprehensive income for the period	**12.6**	(2.0)	72.6

Net portfolio gains consist primarily of realised and unrealised fair value gains and losses from the Group's equity and debt holdings in spin-out businesses, which are analysed in detail in the Portfolio analysis above, as well as movements in the fair value of the Group's interests in limited and limited liability partnerships.

The Group's revenue from services and other income, which principally comprises fund management and consultancy services fees, including private placement fees generated by the Group's Capital Markets team, decreased during the first half to £1.2m (HY13: £1.4m; FY13: £2.4m). The decrease was offset by grant income received by Modern Biosciences plc ("MBS"). MBS, a Group subsidiary, was awarded a grant of up to £1.6m by the UK Government-backed Biomedical Catalyst to provide support for MBS's lead anti-inflammatory programme, OsteoRx. In line with its commitments at the time of placing, the Group intends to continue developing a small number of early-stage therapeutic assets.

The Group continues to receive management fees and has the potential to generate performance fees from the successful investment performance of the £25m North East Technology Fund LP ("NETF"), whose "investment period" is currently anticipated to continue until the end of 2015. The Group will also generate management fees through its management of IP Venture Fund and IP Venture Fund II. However, given the Group currently has a limited partnership interest of 33% in IP Venture Fund II, it is consolidated and the fees are therefore not reflected in the condensed consolidated statement of comprehensive income.

Consolidated statement of financial position

Net assets in the period increased significantly to £528.6m (HY13: £261.6m; FY13: £336.6m) as a result of the £100m (gross) capital raising, the acquisition of Fusion IP plc and the net fair value increase in the Group's holdings in portfolio companies. These increases were offset slightly by the operating expenses, reduction in fair value of the Oxford Equity Rights asset and the amortisation of intangible assets in the period. The Group's diversified portfolio of holdings in private and publicly listed companies is valued at £319.6m (HY13: £191.9m; FY13: £285.9m). "Hard" net assets, i.e. total net assets less intangibles and the Oxford Equity Rights asset, totalled £449.8m at 30 June 2014 (HY13: £237.7m; FY13: £315.5m).

In March 2014 the Group acquired the remaining 79.9% of Fusion IP plc which it did not already own in an all-paper transaction, effected by the way of a scheme arrangement. The consideration comprised 39,150,484 newly issued IP Group shares valued at £81.8m based on the closing price on the day immediately prior to the scheme becoming effective. At the date of the acquisition of Fusion, in addition to its tangible assets, the Group separately recognised all acquired identifiable intangible assets at their fair value. These identifiable assets, with a fair value of £21.4m at the date of acquisition, represent the contracts and memoranda of understanding that Fusion had entered into with its partner universities. The assets will be amortised over their useful economic lives. Further details on the acquisition are set out in note 6.

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

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

	For the six months ended 30 June 2014 £m	For the six months ended 30 June 2013 £m	For the year ended 31 December 2013 £m
Net Cash used in operating activities	**(4.9)**	(1.8)	(1.9)
Net Cash used in investing activities	**(11.8)**	(8.0)	(21.9)
Net Cash from financing activities	**115.2**	—	—
Movement during period	**98.5**	(9.8)	(23.8)

Mainly due to the £97.6m (net of fees) capital raising and the acquisition of Fusion IP plc, Cash increased to £122.6m at 30 June 2014 (HY13: £38.1m; FY13: £24.1m).

Cash used in operations has increased from the comparable period in 2013 largely due to the operational expenses arising from the additional Fusion IP plc staff and offices, as well as costs directly associated with the acquisition of approximately £1.0m.

As described above, £14.9m of capital was committed to new and existing portfolio companies (HY13: £10.8m; FY13: £27.5m), partially offset by Cash realisations of £3.3m (HY13: £2.8m; FY13: £5.5m). In addition, a further £0.2m was committed to IP Venture Fund (HY13: £0.1m; FY13: £0.2m), which invested a total of £2.3m across six of the Group's portfolio companies.

Taxation

Since the Group's activities are predominantly trading in nature, the Directors continue to believe that the Group qualifies for the Substantial Shareholdings Exemption ("SSE") on chargeable gains arising on the disposal of qualifying holdings and, as such, the Group has continued not to recognise a provision for deferred taxation in respect of uplifts in value on those equity holdings in portfolio businesses that meet the qualifying criteria.

Principal risks and uncertainties

A detailed explanation of the principal risks and uncertainties faced by the Group, and the steps taken to manage them, is set out in the Corporate Governance section of the Group's 2013 Annual Report and Accounts. The principal risks and uncertainties are summarised as follows:

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

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

Summary and outlook

During the period the Group has seen a continuation of the encouraging performance of 2013 with our portfolio companies, in the main, continuing to grow their businesses, raise additional capital for development and attain both commercial and technical milestones. The Group's core competencies have been strengthened as a result of the integration of Fusion's management, scientific evaluation and business development teams. The Group now has exposure to spin-out companies from 15 partner universities in the UK and three in the US. The significant additional funds raised by the Group earlier in the year have enabled a continued increase in the level of capital deployed into our existing and new portfolio businesses.

While sources of capital for, and the risks inherent in, early-stage businesses are challenges that are likely to always face the Group and its spin-out companies, the Board remains confident in the Group's business model, partners and its portfolio. The Group continues to see opportunities for increased capital deployment within its existing portfolio and has a healthy pipeline of new potential businesses. The Board also intends to be able to announce the formation of its first spin-out opportunities with its US partner universities within the short-term. These factors give the Directors confidence that the Group remains well placed to continue to deliver medium to long-term value for shareholders.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2014

	Note	**Unaudited six months ended 30 June 2014 £m**	Unaudited six months ended 30 June 2013 £m	Audited year ended 31 December 2013 £m
Portfolio return and revenue				
Change in fair value of equity and debt investments		**17.8**	2.2	82.4
Profit/(loss) on disposal of equity investments		**1.3**	(0.1)	(0.2)
Change in fair value of limited and limited liability partnership interests		**0.2**	0.3	0.8
Revenue from services and other income		**1.2**	1.4	2.4
		20.5	3.8	85.4
Administrative expenses				
Research and development expenses		**(0.3)**	(0.4)	(0.4)
Share-based payment charge		**(0.2)**	(0.3)	(0.9)
Change in fair value of Oxford Equity Rights asset	3	**(0.9)**	(2.5)	(5.0)
Amortisation of intangible assets		**(1.5)**	—	—
Acquisition costs		**(1.0)**	—	—
Other administrative expenses		**(4.2)**	(3.0)	(6.9)
		(8.1)	(6.2)	(13.2)
Operating profit/(loss)		**12.4**	(2.4)	72.2
Finance income – interest receivable		**0.2**	0.4	0.4
Profit/(loss) before taxation		**12.6**	(2.0)	72.6
Taxation		—	—	—
Profit/(loss) and total comprehensive income for the period		**12.6**	(2.0)	72.6
Attributable to:				
Equity holders of the parent		**12.6**	(1.9)	73.0
Non-controlling interest		—	(0.1)	(0.4)
		12.6	(2.0)	72.6
Earnings per share				
Basic (p)	2	**2.83**	(0.51)	19.60
Diluted (p)	2	**2.81**	(0.51)	19.27

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2014

	Note	**Unaudited 30 June 2014 £m**	Unaudited 30 June 2013 £m	Audited 31 December 2013 £m
ASSETS				
Non-current assets				
Intangible assets:				
– goodwill	7	**57.1**	18.4	18.4
– acquired intangible asset	6	**19.9**	—	—
Property, plant and equipment		**0.2**	0.2	0.2
Oxford Equity Rights asset and related contract costs	3	**2.2**	5.6	3.1
Portfolio:				
– equity investments	4	**315.3**	187.2	283.1
– debt investments	4	**4.3**	4.7	2.8
Limited and limited liability partnership interests		**5.3**	4.4	4.8
Other financial asset		**0.7**	0.7	0.7
Contingent value rights		**1.4**	1.4	1.4
Total non-current assets		**406.4**	222.6	314.5
Current assets				
Trade and other receivables		**3.3**	1.3	0.8
Deposits		**15.0**	17.5	5.0
Cash and cash equivalents		**107.6**	20.6	19.1
Total current assets		**125.9**	39.4	24.9
Total assets		**532.3**	262.0	339.4
EQUITY AND LIABILITIES				
Equity attributable to equity holders				
Called up share capital		**9.6**	7.5	7.5
Share premium account		**327.6**	150.4	150.4
Merger reserve		**12.8**	12.8	12.8
Retained earnings		**179.0**	91.0	166.3
Total equity attributable to equity holders		**529.0**	261.7	337.0
Non-controlling interest		**(0.4)**	(0.1)	(0.4)
Total equity		**528.6**	261.6	336.6
Current liabilities				
Trade and other payables		**1.4**	0.4	1.5
Non-current liabilities				
Loans from limited partners of consolidated funds		**2.0**	—	1.3
Contingent loans from university partners		**0.3**	—	—
Total equity and liabilities		**532.3**	262.0	339.4

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months ended 30 June 2014

	Unaudited six months ended 30 June 2014 £m	Unaudited six months ended 30 June 2013 £m	Audited year ended 31 December 2013 £m
Operating activities			
Profit/(loss) before taxation	**12.6**	(2.0)	72.6
Adjusted for:			
Finance income – interest receivable	**(0.2)**	(0.4)	(0.4)
Change in fair value of equity and debt investments	**(17.8)**	(2.2)	(82.4)
Change in fair value of limited and limited liability partnership interests	**(0.2)**	(0.3)	(0.8)
Depreciation of property, plant and equipment	—	0.1	0.1
(Profit)/loss on disposal of equity investments	**(1.3)**	0.1	0.2
Amortisation of intangible assets	**1.5**	—	—
Change in fair value of Oxford Equity Rights asset	**0.9**	2.5	5.0
Share-based payment charge	**0.2**	0.3	0.9
Other portfolio income	—	(0.1)	(0.3)
Changes in working capital:			
(Increase)/decrease in trade and other receivables	**(0.3)**	(0.1)	0.1
(Decrease)/increase in trade and other payables	**(1.1)**	—	1.1
Increase in non-current liabilities	**0.6**	—	1.3
Net cash flow from deposits	**(10.0)**	15.0	27.5
Operating cash flows:			
Interest received	**0.2**	0.3	0.7
Net cash (outflow)/inflow from operating activities	**(14.9)**	13.2	25.6
Investing activities			
Purchase of property, plant and equipment	—	—	-
Purchase of equity and debt investments	**(14.9)**	(10.8)	(27.5)
Investment in limited and limited liability partnerships	**(0.2)**	(0.1)	(0.2)
Proceeds from sale of equity investments	**3.3**	2.8	5.5
Distributions from limited and limited liability partnerships	—	—	0.2
Other portfolio income received	—	0.1	0.1
Net cash outflow from investing activities	**(11.8)**	(8.0)	(21.9)
Financing activities			
Proceeds from the issue of share capital	**97.6**	—	—
Acquisition of subsidiary, net of cash acquired	**17.6**		
Net cash inflow from financing activities	**115.2**	—	—
Net increase in cash and cash equivalents	**88.5**	5.2	3.7
Cash and cash equivalents at the beginning of the period	**19.1**	15.4	15.4
Cash and cash equivalents at the end of the period	**107.6**	20.6	19.1

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 June 2014

	Attributable to equity holders of the parent						
	Share capital £m	Share premium £m	Merger reserve £m	Retained earnings £m	Total £m	Non-controlling interest £m	Total equity £m
At 1 January 2013 (audited)	7.3	150.4	12.8	92.6	263.1	—	263.1
Share-based payment charge	—	—	—	0.3	0.3	—	0.3
Equity issued to settle share-based payment	0.2	—	—	—	0.2	—	0.2
Loss and total comprehensive income for the period to 30 June 2013	—	—	—	(1.9)	(1.9)	(0.1)	(2.0)
At 30 June 2013 (unaudited)	7.5	150.4	12.8	91.0	261.7	(0.1)	261.6
Share-based payment charge	—	—	—	0.4	0.4	—	0.4
Profit and total comprehensive income for the period to 31 December 2014	—	—	—	74.9	74.9	(0.3)	74.6
At 31 December 2013 (audited)	7.5	150.4	12.8	166.3	337.0	(0.4)	336.6
Share-based payment charge	—	—	—	0.2	0.2	—	0.2
Issue of ordinary shares in connection with the Group's LTIP	0.1	—	—	(0.1)	—	—	—
Issue of equity	2.0	177.2	—	—	179.2	—	179.2
Profit and total comprehensive income for the period to 30 June 2014	—	—	—	12.6	12.6	—	12.6
At 30 June 2014 (unaudited)	**9.6**	**327.6**	**12.8**	**179.0**	**529.0**	**(0.4)**	**528.6**

NOTES TO THE HALF-YEARLY CONDENSED SET OF FINANCIAL STATEMENTS

1. OPERATING SEGMENTS

The Group is currently organised into three operating segments: (i) the commercialisation of intellectual property via the formation of long-term partnerships with universities; (ii) management of venture funds focusing on early-stage UK technology companies; and (iii) the in-licensing of drugable intellectual property from research-intensive institutions currently represented by Modern Biosciences plc.

Six months ended 30 June 2014 (unaudited)	**University partnership business £m**	**Venture capital fund management £m**	**In-licensing activity £m**	**Consolidated £m**
STATEMENT OF COMPREHENSIVE INCOME				
Portfolio return and revenue				
Change in fair value of equity and debt investments	17.8	—	—	17.8
Profit on disposal of equity investments	1.3	—	—	1.3
Change in fair value of limited and limited liability partnership investments	0.2	—	—	0.2
Other portfolio income	—	—	—	—
Revenue from advisory services and other income	0.4	0.1	—	0.5
Revenue from fund management services	—	0.7	—	0.7
Change in fair value of Oxford Equity Rights asset	(0.9)	—	—	(0.9)
Amortisation of intangible assets	(1.5)	—	—	(1.5)
Administrative expenses	(4.8)	(0.5)	(0.4)	(5.7)
Operating profit/(loss)	12.5	0.3	(0.4)	12.4
Finance income – interest receivable	0.2	—	—	0.2
Profit/(loss) before taxation	12.7	0.3	(0.4)	12.6
Taxation	—	—	—	—
Profit/(loss) and total comprehensive income for the year	12.7	0.3	(0.4)	12.6

Six months ended 30 June 2013 (unaudited)	University partnership business £m	Venture capital fund management £m	In-licensing activity £m	Consolidated £m
STATEMENT OF COMPREHENSIVE INCOME				
Portfolio return and revenue				
Change in fair value of equity and debt investments	2.2	—	—	2.2
Loss on disposal of equity investments	(0.1)	—	—	(0.1)
Change in fair value of limited and limited liability partnership interests	0.3	—	—	0.3
Revenue from advisory services and other income	0.3	0.3	—	0.6
Revenue from fund management services	—	0.6	—	0.6
Change in fair value of Oxford Equity Rights asset	(2.5)	—	—	(2.5)
Administrative expenses	(2.8)	(0.4)	(0.3)	(3.5)
Operating (loss)/profit	(2.6)	0.5	(0.3)	(2.4)
Finance income – interest receivable	0.4	—	—	0.4
(Loss)/profit before taxation	(2.2)	0.5	(0.3)	(2.0)
Taxation	—	—	—	—
(Loss)/profit and total comprehensive income for the year	(2.2)	0.5	(0.3)	(2.0)

Year ended 31 December 2013	University partnership business £m	Venture capital fund management £m	In-licensing activity £m	Consolidated £m
STATEMENT OF COMPREHENSIVE INCOME				
Portfolio return and revenue				
Change in fair value of equity and debt investments	82.4	—	—	82.4
Loss on disposal of equity investments	(0.2)	—	—	(0.2)
Change in fair value of limited and limited liability partnership interests	0.8	—	—	0.8
Revenue from advisory services and other income	0.8	0.3	—	1.1
Revenue from fund management services	—	1.3	—	1.3
Change in fair value of Oxford Equity Rights asset	(5.0)	—	—	(5.0)
Administrative expenses	(6.9)	(0.8)	(0.5)	(8.2)
Operating profit/(loss)	71.9	0.8	(0.5)	72.2
Finance income – interest receivable	0.4	—	—	0.4
Profit/(loss) before taxation	72.3	0.8	(0.5)	72.6
Taxation	—	—	—	—
Profit/(loss) and total comprehensive income for the year	72.3	0.8	(0.5)	72.6

2. EARNINGS PER SHARE

The basic earnings per share has been calculated by dividing the profit for the period attributable to equity holders of the parent of £12.6m (HY13: £1.9m loss; FY13: £73.0m profit) by the weighted average number of shares of 445,126,771 in issue during the six-month period ended 30 June 2014 (HY13: 369,706,904; FY13: 379,029,290).

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, an element of the performance criteria for vesting of awards under the LTIP have been satisfied. Based on this information, there are 2,070,860 potentially dilutive shares outstanding at the period end.

3. EQUITY RIGHTS AND RELATED ACQUISITION COSTS

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

The Directors make use of a valuation model to seek to determine the fair value of the asset. However, there is a range of reasonably possible values for each key variable within the model and this in turn results in a wide range of reasonably possible alternative fair values for the asset. None of these estimates of fair value are considered more appropriate or relevant than any other. In order to calculate a more accurate valuation figure given the multitude of possible scenarios generated when altering the discounted cash flows (“DCF”) variables, a probability weighting expected return method is utilised. Having applied probabilities to the various possible scenarios, the method returned an estimated asset value of £2.2m at 30 June 2014.

	Equity rights £m	Contract costs £m	Total £m
At 1 January 2014	2.9	0.2	3.1
Change in fair value	(0.9)	—	(0.9)
At 30 June 2014	**2.0**	**0.2**	**2.2**

4. INVESTMENT PORTFOLIO

The accounting policies in regards to valuations in these half-yearly results are the same as those applied by the Group in its audited consolidated financial statements for the year ended 31 December 2013 and which will form the basis of the 2014 Annual Report and Accounts. Investments are designated as fair value through profit or loss and are initially recognised at fair value and any gains or losses arising from subsequent changes in fair value are presented in profit or loss in the statement of comprehensive income in the period in which they arise.

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

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

	Level 1	Level 2		Level 3	
	Equity investments in quoted spin-out companies	Equity investments in unquoted spin-out companies	Unquoted debt investments in spin-out companies	Equity investments in unquoted spin-out companies	Total
	£m	£m	£m	£m	£m
At 1 January 2013	84.6	86.5	3.9	6.8	181.8
Investments during the period	5.4	2.4	2.6	0.4	10.8
Transaction-based reclassifications during the period	—	0.9	(1.3)	0.4	—
Other transfers between hierarchy levels during the period	—	—	—	—	—
Disposals during the period	(2.8)	0.2	—	(0.3)	(2.9)
Change in fair value of equity and debt investments in the period	2.7	1.0	(0.4)	(1.1)	2.2
At 30 June 2013 (unaudited)	89.9	91.0	4.8	6.2	191.9
Investments during the period	4.0	11.3	1.4	—	16.7
Transaction-based reclassifications during the period	—	2.8	(2.4)	(0.4)	—
Other transfers between hierarchy levels during the period	0.6	(12.0)	(0.4)	11.8	—
Disposals during the period	(2.8)	(0.1)	—	—	(2.9)
Change in fair value of equity and debt investments in the period	43.4	38.0	(0.6)	(0.6)	80.2
At 31 December 2013	135.1	131.0	2.8	17.0	285.9
Investments during the period	5.5	8.9	0.5	—	14.9
Acquired with Fusion	—	11.1	2.4	11.4	24.9
Fusion reclassified as subsidiary	(20.5)	—	—	—	(20.5)
Transaction-based reclassifications during the period	—	1.2	(1.2)	—	—
Other transfers between hierarchy levels during the period	9.2	(3.9)	0.2	(5.5)	—
Disposals during the period	(1.2)	(2.2)	—	—	(3.4)
Change in fair value of equity and debt investments in the period	18.8	1.5	(0.3)	(2.2)	17.8
At 30 June 2014 (unaudited)	**146.9**	**147.6**	**4.4**	**20.7**	**319.6**

4. INVESTMENT PORTFOLIO (continued)

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

Where fair values are based upon the most recent market transaction, but that transaction occurred more that twelve months prior to the balance sheet date, the investments are classified as Level 3 in the fair value hierarchy. The fair values of investments categorised as Level 3 are analysed on a monthly basis to determine business factors which may make the most recent investment rate no longer a representation of fair value.

There are no identified unobservable inputs to which the Level 3 fair values would be materially sensitive to. This is represented by the fact that if the fair value of all Level 3 investments were to decrease by 10% the net assets figure would decrease by £2.1m, with a corresponding increase if the unobservable inputs were to increase by 10%.

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

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

Transfers between Level 2 and 1 occur when a previously unquoted investment undertakes an initial public offering, resulting in its equity becoming quoted on an active market. In the current period transfers of this nature amounted to £9.2m.

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

Transfers between Level 3 and Level 2 occur when an investment which previously had a most recent investment of over twelve months ago undertake an investment, resulting in an observable market rate. In the current period transfer of this nature amounted to £12.0m.

Transfers between Level 2 and Level 3 occur when an investments' recent investment becomes more than twelve months old, with the price becoming deemed unobservable. In the current period transfers of this nature amounted to £7.8m.

Fair value changes in Level 3 investments has been a loss of £2.2m in the period, recognised in as change in fair value of equity and debt investments in the condensed consolidated statement of comprehensive income.

5. SHARE CAPITAL

	Unaudited 30 June 2014 £m	Unaudited 30 June 2013 £m	Audited 31 December 2013 £m
Issued and fully paid:			
479,524,397 ordinary shares of 2p each (HY13: 375,258,859; FY13: 375,258,859)	**9.6**	7.5	7.5

In February 2014, the Group raised £100m (before expenses) through the issuance of 60,606,060 shares at a price of £1.65 per share.

In March 2014, the acquisition of Fusion IP plc was completed and the Company issued 39,150,484 shares in consideration for the remaining shares in Fusion not already owned by the Company.

In April 2014, the Company issued 4,508,994 new ordinary shares in order to settle conditional awards made under the Group's LTIP in 2011 that achieved their vesting conditions and consequently became issuable to the Group's employees.

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

6. ACQUISITION OF SUBSIDIARY UNDERTAKING

Acquisition of Fusion IP plc

In 2009, the Group subscribed for a 20.1% stake in Fusion IP plc, a similar intellectual property commercialisation firm, and entered into an agreement with Fusion under which it acquired co-investment rights in all future Fusion portfolio companies. On 20 March 2014, the Group acquired the remaining 79.9% equity stake in Fusion, in exchange for 39,150,484 shares in IP Group. The acquisition has been accounted for using the acquisition method. The interim condensed consolidated financial statements include the results of Fusion for the three-month period from the acquisition date.

	Fair value net assets/(liabilities) £m
Net assets acquired:	
Acquired intangible asset	21.4
Investment portfolio	24.9
Trade and other receivables	1.1
Cash and cash equivalents	17.6
Trade and other payables less than one year	(1.1)
Trade and other payables more than one year	(0.3)
Net assets	63.6
Less: fair value of 20.1% interest previously held(i)	(20.5)
Share of net assets acquired	43.1
Goodwill	38.7
Total consideration	81.8
Consideration satisfied by:	
Issue of share capital (39,150,484 shares at 209 pence(ii))	81.8

(i) In the period from 1 January 2014 to the date of acquisition, the fair value of the Group's existing stake in Fusion increased in value by £6.0m and is recognised in the change in fair value of equity and debt investments in the condensed consolidated statement of comprehensive income.
(ii) being the closing price of IPG shares on 20 May 2014; the date of completion.

From the date of acquisition, Fusion's portfolio companies have contributed <£0.1m to the fair value gains, £0.2m to revenue from services and other income and £1.8m in expenses for the year. If the acquisition had occurred on 1 January 2014, the acquisition would have contributed £0.1m to fair value gains, £0.3m to revenue from services and other income and £2.9m expense for the period.

The balances noted above for trade and other receivables, as well as trade and other payables less than one year, represent the fair value of the receivables at the date of acquisition and are not materially different from the carrying values held by Fusion prior to Acquisition. Prior to acquisition, Fusion recognised an additional £1.5m in trade and other payables due over more than one year relating to balances owed to university partners on the basis of the values of associated spin-out companies. On applying the Group's valuation policies to these spin-outs a number were impaired, and correspondingly the fair value of the associated liability has been adjusted to reflect these fair value changes.

At the date of its acquisition by the Group, Fusion had contractual arrangements and memorandums of understanding with four UK universities. At the date of acquisition of Fusion the acquired intangible assets were valued at £21.4m. The fair value of the acquired intangible assets was calculated on an indexed cost basis as there is a limited number of such arrangements with universities and there is no active market. As the contractual agreements are for a finite term the intangible assets will be subsequently measured at amortised cost. Amortisation will occur over the remaining term, or useful life, of each contractual arrangement.

Goodwill arising on the acquisition of Fusion primarily relates to the expertise, knowledge and processes concerning successful commercialisation of intellectual properties through early investment and development gained by the Group. The goodwill forms part of the university partnership CGU. Further detail on goodwill can be found in the note below.

7. GOODWILL

	£m
At 1 January 2013	18.4
At 1 January 2014	18.4
Recognised on acquisition of subsidiary	38.7
At 31 December 2014	**57.1**

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

The Group conducts annual impairment tests on the carrying value of goodwill, based on the recoverable amount of the CGUs to which the goodwill has been allocated. The goodwill allocated to each CGU is summarised in the table below. A number of both value-in-use and fair-value-less-costs-to-sale calculations are used to assess the recoverable values of the CGUs, details of which are specified in the audited consolidated financial statements for the year ended 31 December 2013.

	University partnership CGU £m	Fund management CGU £m	Total £m
At 1 January 2013	16.3	2.1	18.4
At 30 June 2013	16.3	2.1	18.4
At 31 December 2013	16.3	2.1	18.4
At 30 June 2014	**55.0**	**2.1**	**57.1**

During the period to 30 June 2014, no factors indicating potential impairment of goodwill were noted and, as a result, no impairment review was deemed necessary.

8. RELATED PARTY TRANSACTIONS

a) Limited partnerships

The Group manages a number of investment funds structured as limited partnerships. Group entities act as the general partners of these limited partnerships and, while unable to exert significant influence over them, do perform the day-to-day operational tasks. The following amounts have been included in respect of these limited partnerships:

Income statement	**Unaudited six months ended 30 June 2014 £m**	Unaudited six months ended 30 June 2013 £m	Audited year ended 31 December 2013 £m
Revenue from services	**0.7**	0.6	1.3

Statement of financial position	**Unaudited 30 June 2014 £m**	Unaudited 30 June 2013 £m	Audited 31 December 2013 £m
Investment in limited partnerships	**4.0**	3.1	3.6

b) Key management transactions

The key management had investments with the following spin-out companies as at 30 June 2014:

Director	Company name	Number of shares held at 1 January 2014	Number of shares acquired/ (disposed) in the period	**Number of shares held at 30 June 2014**	% of issued capital
Alan Aubrey	Amaethon Limited – A Shares	104	-	104	3.1%
	Amaethon Limited – B Shares	11,966	-	11,966	1.0%
	Amaethon Limited – Ordinary shares	21	-	21	0.3%
	Avacta Group plc	20,276,113	-	20,276,113	0.4%
	Capsant Neurotechnologies Limited	11,631	-	11,631	0.8%
	Chamelic Limited	26	-	26	0.4%
	Crysalin Limited	1,447	-	1,447	0.1%
	EmDot Limited	15	-	15	0.9%
	Evocutis plc	767,310	-	767,310	0.4%
	Getech Group plc	15,000	-	15,000	<0.1%
	Green Chemicals plc	108,350	-	108,350	0.8%
	Ilika plc	117,500	-	117,500	0.2%
	Karus Therapeutics Limited	223	-	223	<0.1%
	Mode Diagnostics Limited - Ordinary Shares	3,226	-	3,226	0.4%
	Mode Diagnostics Limited - A Shares	-	229	229	0.5%
	Modern Biosciences plc	1,185,150	-	1,185,150	1.7%
	Modern Water plc	519,269	-	519,269	0.7%
	Oxford Advanced Surfaces Group plc	2,172,809	-	2,172,809	1.1%
	Oxford Nanopore Technologies Limited	114,420	1,246	115,666	0.5%
	Oxtox Limited	25,363	-	25,363	0.1%
	Plexus Planning Limited	1,732	-	1,732	0.6%
	Retroscreen Virology Group plc	37,160	-	37,160	<0.1%
	Revise Limited	19	-	19	0.5%
	Revolymer plc	88,890	-	88,890	0.2%
	Salunda Limited	53,639	-	53,639	<0.1%
	Structure Vision Limited	212	-	212	1.0%
	Surrey Nanosystems Limited	393	-	393	0.3%
	Sustainable Resource Solutions Limited	30	-	30	1.2%
	Tissue Regenix Group plc	2,389,259	-	2,389,259	0.4%
	Tracsis plc	121,189	-	121,189	0.5%
	Velocys plc	21,518	(21,518)	-	-
	Xeros Technology Group plc	40,166	-	40,166	<0.1%

b) Key management transactions continued

Director	Company name	Number of shares held at 1 January 2014	Number of shares acquired/ (disposed) in the period	**Number of shares held at 30 June 2014**	% of issued capital
Mike Townend	Amaethon Limited – A Shares	104	-	104	3.1%
	Amaethon Limited – B Shares	11,966	-	11,966	1.0%
	Amaethon Limited – Ordinary shares	21	-	21	0.3%
	Avacta Group plc	931,367	-	931,367	<0.1%
	Capsant Neurotechnologies Limited	11,282	-	11,282	0.8%
	Chamelic Limited	23	-	23	0.3%
	Crysalin Limited	1,286	-	1,286	0.1%
	EmDot Limited	14	-	14	0.8%
	Getech Group plc	20,000	-	20,000	<0.1%
	Green Chemicals plc	113,222	-	113,222	0.8%
	Ilika plc	10,000	-	10,000	<0.1%
	Mode Diagnostics Limited - Ordinary Shares	1,756	-	1,756	0.2%
	Modern Biosciences plc	1,185,150	-	1,185,150	1.7%
	Modern Water plc	575,000	-	575,000	0.7%
	Oxford Advanced Surfaces Group plc	932,994	-	932,994	0.5%
	Oxford Nanopore Technologies Limited	3,490	380	3,870	<0.1%
	Oxtox Limited	25,363	-	25,363	0.1%
	Retroscreen Virology Group plc	37,160	-	37,160	<0.1%
	Revise Limited	18	-	18	0.5%
	Revolymer plc	35,940	-	35,940	<0.1%
	Structure Vision Limited	212	-	212	1.0%
	Surrey Nanosystems Limited	350	-	350	0.2%
	Sustainable Resource Solutions Limited	28	-	28	1.1%
	Synairgen plc	20,000		20,000	<0.1%
	Tissue Regenix Group plc	1,950,863	-	1,950,863	0.3%
	Tracsis plc	25,430	-	25,430	<0.1%
	Velocys plc	5,000	(5,000)	-	-
	Xeros Technology Group plc	35,499	-	35,499	<0.1%
Greg Smith	Avacta Group plc	390,407	-	390,407	<0.1%
	Capsant Neurotechnologies Limited	896	-	896	<0.1%
	Chamelic Limited	3	-	3	<0.1%
	Crysalin Limited	149	-	149	<0.1%
	EmDot Limited	4	-	4	0.2%
	Encos Limited	5,671	-	5,671	0.3%
	Getech Group plc	8,000	-	8,000	<0.1%
	Green Chemicals plc	4,830	-	4,830	<0.1%
	Mode Diagnostics Limited - Ordinary Shares	361	-	361	<0.1%
	Mode Diagnostics Limited - A Shares	-	28	28	<0.1%
	Modern Biosciences plc	313,425	-	313,425	0.4%
	Modern Water plc	7,250	-	7,250	<0.1%
	Oxford Nanopore Technologies Limited	150	-	150	<0.1%
	Retroscreen Virology Group plc	61,340	-	61,340	0.1%
	Revise Limited	6	-	6	0.2%
	Revolymer plc	4,500	-	4,500	<0.1%
	Summit Corporation plc	15,972	-	15,972	<0.1%
	Surrey Nanosystems Limited	76	-	76	<0.1%
	Sustainable Resource Solutions Limited	9	-	9	0.4%
	Tissue Regenix Group plc	175,359	-	175,359	<0.1%
	Velocys plc	2,559	-	2,559	<0.1%
	Xeros Technology Group plc	5,499	-	5,499	<0.1%

b) Key management transactions continued

Director	Company name	Number of shares held at 1 January 2014	Number of shares acquired/ (disposed) in the period	**Number of shares held at 30 June 2014**	% of issued capital
Charles Winward[1]	Amaethon Limited – A Shares	15	-	15	0.5%
	Amaethon Limited – B Shares	1,766	-	1,766	0.2%
	Amaethon Limited – Ordinary shares	3	-	3	<0.1%
	Capsant Neurotechnologies Limited	2,264	-	2,264	0.2%
	Chamelic Limited	3	-	3	<0.1%
	Crysalin Limited	189	-	189	<0.1%
	EmDot Limited	5	-	5	0.3%
	Encos Limited	6,530	-	6,530	0.3%
	Mode Diagnostics Limited - Ordinary Shares	421	-	421	<0.1%
	Mode Diagnostics Limited - A Shares	-	30	30	<0.1%
	Modern Biosciences plc	360,914	-	360,914	0.5%
	Modern Water plc	12,400	-	12,400	<0.1%
	Oxford Advanced Surfaces Group plc	156,213	-	156,213	<0.1%
	Oxford Nanopore Technologies Limited	150	-	150	<0.1%
	Oxtox Limited	3,742	-	3,742	<0.1%
	Retroscreen Virology Group plc	66,080	-	66,080	0.1%
	Revise Limited	6	-	6	0.2%
	Revolymer plc	4,500	-	4,500	<0.1%
	Structure Vision Limited	26	-	26	0.1%
	Surrey Nanosystems Limited	87	-	87	<0.1%
	Sustainable Resource Solutions Limited	10	-	10	0.4%
	Tissue Regenix Group plc	482,236	-	482,236	<0.1%
	Tracsis plc	56,500	-	56,500	0.2%
	Xeros Technology Group plc	6,499	-	6,499	<0.1%
Bruce Smith	Capsant Neurotechnologies Limited	20,724	-	20,724	1.4%
	Evocutis plc	15,241	-	15,241	<0.1%
	Getech Group plc	15,000	-	15,000	<0.1%
	iQur Limited	2,000	-	2,000	0.8%
	Synairgen plc	200,000	-	200,000	0.3%
	Velocys plc	10,000	-	10,000	<0.1%
David Baynes	Diurnal Limited	82	-	82	0.2%
Angela Leach	Avacta Group plc	74,152	-	74,152	<0.1%
	Capsant Neurotechnologies Limited	1,858	-	1,858	0.1%
	Chamelic Limited	3	-	3	<0.1%
	Evocutis plc	7,990	-	7,990	<0.1%
	Getech Group plc	2,083	-	2,083	<0.1%
	Mode Diagnostics Limited - Ordinary Shares	606	-	606	<0.1%
	Mode Diagnostics Limited - A Shares	-	102	102	0.2%
	Modern Water plc	29,800	-	29,800	<0.1%
	Oxford Advanced Surfaces Group plc	68,101	-	68,101	<0.1%
	Oxford Nanopore Technologies Limited	150	16	166	<0.1%
	Retroscreen Virology Group plc	25,903	-	25,903	<0.1%
	Revise Limited	6.00	-	6	0.2%
	Revolymer plc	4500.00	-	4,500	<0.1%
	Structure Vision Limited	21	-	21	<0.1%
	Sustainable Resource Solutions Limited	9.00	-	9	<0.1%
	Tissue Regenix Group plc	329,172	-	329,172	<0.1%
	Xeros Technology Group plc	5,666	-	5,666	<0.1%

[1] Charles Winward resigned from the Board on 23 April 2014

General information

The comparative financial information presented herein for the year ended 31 December 2013 does not constitute full statutory accounts within the meaning of the Companies Act 2006. The Group's Annual Report and Accounts for the year ended 31 December 2013 have been delivered to the Registrar of Companies. The Group's independent auditor's report on those accounts was unqualified, did not include references to any matters to which the auditor drew attention by way of emphasis without qualifying their report and did not contain a statement under Section 498(2) or 498(3) of the Companies Act 2006.

In March 2014 the Group conducted a tender for the provision of its audit services. The appointment of KPMG LLP was recommended by the Audit Committee and the Board, and was approved at the AGM in May 2014. KPMG LLP replaced BDO LLP as auditors and the half year to 30 June 2014 represents the first period under review by KPMG LLP.

Accounting policies

Basis of preparation

The financial information presented in these half-yearly results constitutes the condensed consolidated financial statements of IP Group plc, a company incorporated in Great Britain and registered in England and Wales, and its subsidiaries (together, the "Group") for the six months ended 30 June 2014.

The condensed consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting and should be read in conjunction with the Annual Report and Accounts for the year ended 31 December 2013, which have been prepared in accordance with International Financial Reporting Standards as adopted for use in the EU ("IFRS"). The financial information in these half-yearly results, which were approved by the Board and authorised for issue on 20 August 2014, is unaudited but has been subject to a review by the Group's independent auditor.

Accounting estimates and judgements

The preparation of the half-yearly results requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Estimates and judgements are continually evaluated and are based on historical experience and other factors, such as expectations of future events, and are believed to be reasonable under the circumstances. Actual results may differ from these estimates. In preparing these half-yearly results, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the audited consolidated financial statements for the year ended 31 December 2013.

Going Concern

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

Accounting policies

The accounting policies applied by the Group in these half-yearly results are the same as those applied by the Group in its audited consolidated financial statements for the year ended 31 December 2013 and which will form the basis of the 2014 Annual Report and Accounts. Post the acquisition of Fusion IP plc, the Group compared accounting policies and applied the Group's policies to the assets and liabilities of the acquired entity and made the necessary adjustments to ensure that consistent polices have been applied across the enlarged Group. No new standards that have become effective in the period have had a material effect on the Group's financial statements.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors confirm to the best of their knowledge that:

a) the half-yearly results have been prepared in accordance with IAS 34 as adopted by the European Union; and
b) the interim management report includes a fair review of the information required by the FCA's Disclosure and Transparency Rules (4.2.7 R and 4.2.8 R).

The Directors of IP Group plc and their functions are listed on the below.

By order of the Board

Bruce Smith	**Alan Aubrey**
Chairman	***Chief Executive Officer***

27 August 2014

INDEPENDENT REVIEW REPORT

To IP Group plc

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2014 which comprises the condensed consolidated statement of comprehensive income, condensed consolidated statement of financial position, condensed consolidated statement of cash flows, condensed consolidated statement of changes in equity and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

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

Our responsibility

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2014 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FCA.

Jonathan Mills
for and on behalf of KPMG LLP
Chartered Accountants
15 Canada Square
London
E14 5GL

27 August 2014