

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the action you should take, you are recommended to seek your own personal financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser who, if you are taking advice in the United Kingdom, is authorised pursuant to the Financial Services and Markets Act 2000 or, if you are in a territory outside the United Kingdom, is an appropriately authorised independent financial adviser.

This document and any documents incorporated into it by reference should be read in conjunction with the accompanying Form of Acceptance (if you hold Touchstone Shares in certificated form), which forms part of this document.

If you have sold or otherwise transferred all of your Touchstone Shares (other than pursuant to the Offer), please send this document and the accompanying reply-paid envelope (for use in the UK only), but not the personalised Form of Acceptance, at once to the purchaser or transferee or to the bank, stockbroker, or other agent through whom the sale or transfer was effected for delivery to the purchaser or transferee. **However, the foregoing documents must not be forwarded or transmitted in or into any Restricted Jurisdiction or in or into any jurisdiction where to do so would constitute a violation of the relevant laws in that jurisdiction.** If you have sold or transferred only part of your holding of Touchstone Shares, you should retain this document and consult the bank, stockbroker or other agent through whom the sale or transfer was effected. If you have recently purchased or otherwise acquired Touchstone Shares in certificated form, notwithstanding receipt of this document and any accompanying documents from the transferor, you should contact the Receiving Agent, Capita Asset Services, Corporate Actions, at The Registry, 34 Beckenham Road, Beckenham, BR3 4TU or on +44 (0) 371 664 0321 to obtain a personalised Form of Acceptance.

All-Share Offer

by

IP GROUP PLC

for

TOUCHSTONE INNOVATIONS PLC

TO ACCEPT THE OFFER IN RESPECT OF CERTIFICATED TOUCHSTONE SHARES, THE FORM OF ACCEPTANCE SHOULD BE COMPLETED, SIGNED AND RETURNED TOGETHER WITH YOUR VALID SHARE CERTIFICATE(S) AND/OR ANY OTHER DOCUMENT(S) OF TITLE AS SOON AS POSSIBLE AND, IN ANY EVENT, SO AS TO BE RECEIVED BY THE RECEIVING AGENT NOT LATER THAN 1.00 P.M. (LONDON TIME) ON 15 SEPTEMBER 2017.

ACCEPTANCES IN RESPECT OF UNCERTIFICATED TOUCHSTONE SHARES SHOULD BE MADE ELECTRONICALLY THROUGH CREST SO THAT THE TTE INSTRUCTION SETTLES NOT LATER THAN 1.00 P.M. (LONDON TIME) ON 15 SEPTEMBER 2017. IF YOU ARE A CREST SPONSORED MEMBER YOU SHOULD REFER TO YOUR CREST SPONSOR AS ONLY YOUR CREST SPONSOR WILL BE ABLE TO SEND THE NECESSARY TTE INSTRUCTION TO EUROCLEAR.

THE PROCEDURE FOR ACCEPTANCE OF THE OFFER IS SET OUT IN PARAGRAPH 20 OF PART I OF THIS DOCUMENT, PARTS C AND D OF APPENDIX I AND, IN RESPECT OF CERTIFICATED TOUCHSTONE SHARES, IS FURTHER DESCRIBED IN THE FORM OF ACCEPTANCE.

Unless otherwise determined by IPG or required by the Code, and permitted by applicable law and regulation, the Offer shall not be capable of acceptance from or within a Restricted Jurisdiction. Accordingly, copies of this document and the accompanying Form of Acceptance and any other accompanying document must not be, directly or indirectly, mailed or otherwise forwarded, distributed or sent (including, without limitation, by way of facsimile, transmission, telephone or internet) in, into or from a Restricted Jurisdiction and persons receiving this document, the Form of Acceptance and any other accompanying document (including custodians, nominees and trustees) must not mail or otherwise distribute or send them in, into or from such jurisdictions as doing so may invalidate any purported acceptance of the Offer. The availability of the Offer to persons who are not resident in the United Kingdom may be affected by the laws of their relevant jurisdiction. Such persons should inform themselves about and observe any applicable legal or regulatory requirements of their jurisdiction.

Rothschild, which is authorised and regulated in the United Kingdom by the FCA, is acting exclusively as lead financial adviser to IPG and no one else in connection with the Offer. In connection with such matters, Rothschild, its affiliates and their respective directors, officers, employees and agents will not regard any other person as their client, nor will they be responsible to anyone other than IPG for providing the protections afforded to clients of Rothschild nor for providing advice in connection with the Offer, the contents of this document or any matter referred to herein.

Numis, which is authorised and regulated in the United Kingdom by the FCA, is acting exclusively as joint financial advisor to IPG and no one else in connection with the Offer. In connection with such matters, Numis, its affiliates and their respective directors, officers, employees and agents will not regard any other person as their client, nor will they be responsible to anyone other than IPG for providing the protections afforded to clients of Numis nor for providing advice in connection with the Offer, the contents of this document or any matter referred to herein.

Disclosure requirements of the Code

Under Rule 8.3(a) of the Code, any person who is interested in 1% or more of any class of relevant securities of an offeree company or of any securities exchange offeror (being any offeror other than an offeror in respect of which it has been announced that its offer is, or is likely to be, solely in cash) must make an Opening Position Disclosure following the commencement of the offer period and, if later, following the announcement in which any securities exchange offeror is first identified. An Opening Position Disclosure must contain details of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any securities exchange offeror(s). An Opening Position Disclosure by a person to whom Rule 8.3(a) applies must be made by no later than 3.30 p.m. (London time) on the 10th business day following the commencement of the offer period and, if appropriate, by no later than 3.30 p.m. (London time) on the 10th business day following the announcement in which any securities exchange offeror is first identified. Relevant persons who deal in the relevant securities of the offeree company or of a securities exchange offeror prior to the deadline for making an Opening Position Disclosure must instead make a Dealing Disclosure.

Under Rule 8.3(b) of the Code, any person who is, or becomes, interested in 1% or more of any class of relevant securities of the offeree company or of any securities exchange offeror must make a Dealing Disclosure if the person deals in any relevant securities of the offeree company or of any securities exchange offeror. A Dealing Disclosure must contain details of the dealing concerned and of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any securities exchange offeror, save to the extent that these details have previously been disclosed under Rule 8. A Dealing Disclosure by a person to whom Rule 8.3(b) applies must be made by no later than 3.30 p.m. (London time) on the business day following the date of the relevant dealing.

If two or more persons act together pursuant to an agreement or understanding, whether formal or informal, to acquire or control an interest in relevant securities of an offeree company or a securities exchange offeror, they will be deemed to be a single person for the purpose of Rule 8.3.

Opening Position Disclosures must also be made by the offeree company and by any offeror and Dealing Disclosures must also be made by the offeree company, by any offeror and by any persons acting in concert with any of them (see Rules 8.1, 8.2 and 8.4).

Details of the offeree and offeror companies in respect of whose relevant securities Opening Position Disclosures and Dealing Disclosures must be made can be found in the Disclosure Table on the Panel's website at <http://www.thetakeoverpanel.org.uk>, including details of the number of relevant securities in issue, when the offer period commenced and when any offeror was first identified. If you are in any doubt as to whether you are required to make an Opening Position Disclosure or a Dealing Disclosure, you should contact the Panel's Market Surveillance Unit on +44 (0)20 7638 0129.

Publication on Website and Availability of Hard Copies

This document, together with all information incorporated into this document by reference to another source, subject to certain restrictions relating to persons resident in Restricted Jurisdictions, shall be available on the offer website at <http://www.ipgroupplc.com> by no later than 12 noon (London time) on 19 July 2017. For the avoidance of doubt, the contents of this website is not incorporated into and do not form part of this document.

You may request a hard copy of this document and/or any information incorporated into this document by reference to another source by contacting the Receiving Agent at The Registry, 34 Beckenham Road, Beckenham, BR3 4TU or on +44 (0)371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9 a.m. – 5.30 p.m., Monday to Friday excluding public holidays in England and Wales. Please note that Capita Asset Services cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes. You may also request that all future documents, announcements and information to be sent to you in relation to the offer should be in hard copy form.

Rounding

Certain figures included in this document have been subjected to rounding adjustments. Accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

Overseas Shareholders

The Offer is not being made, directly or indirectly, in, into or from a Restricted Jurisdiction where to do so would violate the laws in that jurisdiction, and the Offer is not capable of acceptance from or within a Restricted Jurisdiction. Accordingly, copies of this document, the Form of Acceptance and any accompanying document are not being, and must not be, directly or indirectly, mailed or otherwise forwarded, distributed or sent in, into or from a Restricted Jurisdiction where to do so would violate the laws in that jurisdiction, and persons receiving this document, the Form of Acceptance and any accompanying document (including custodians, nominees and trustees) must not mail or otherwise distribute or send them in, into or from such jurisdictions as doing so may invalidate any purported acceptance of the Offer. The availability of the Offer to Touchstone Shareholders who are not resident in the United Kingdom may be affected by the laws of the relevant jurisdictions in which they are resident. Such persons should read paragraph 5 of Part B and paragraph (c) of Part C (if such person holds Touchstone Shares in certificated form) or paragraph (b) of Part D (if such person holds Touchstone Shares in uncertificated form) of Appendix I to this document and inform themselves of, and observe, any applicable legal or regulatory requirements of their jurisdictions.

If you are a resident of the United States, please read the following:

The Offer is being made for securities of an English company and is subject to United Kingdom disclosure requirements which are different from certain United States disclosure requirements. In addition, US investors should be aware that this document has been prepared in accordance with a United Kingdom format and style, which differs from the United States format and style. In particular, the Appendices to this document contain information concerning the Offer required by UK disclosure requirements which may be material and may not have been summarised elsewhere in the document. Furthermore, the payment and settlement procedure with respect to the Offer will comply with the relevant United Kingdom rules, which differ from United States payment and settlement procedures. The Offer is not subject to the disclosure and other procedural requirements of Regulation 14D under the US Exchange Act. The Offer is being made in the United States in accordance with the requirements of Regulation 14E under the US Exchange Act to the extent applicable. To the extent permitted by applicable law and in accordance with normal United Kingdom market practice, IPG or any person acting on their behalf may from time to time make certain market or private purchases of, or arrangements to purchase, directly or indirectly, Touchstone Shares other than pursuant to the Offer. Any information about such purchases will be publicly announced as required by law or regulation in the United Kingdom and United States.

The financial information relating to Touchstone has been extracted from the relevant audited consolidated financial statements of Touchstone for the financial year ended 31 July 2016 which have been prepared in accordance with IFRS. The interim results for Touchstone for the six month period ended 31 January 2017 has been extracted from the Touchstone interim results announcement dated 31 March 2017. Neither the financial information or statements may be wholly comparable to financial information or statements of US companies or companies whose financial statements are solely prepared in accordance with Generally Accepted Accounting Principles in the United States.

The Offer has not been approved by the U.S. Securities and Exchange Commission (the “SEC”) or by the securities regulatory authority of any state or of any other United States jurisdiction, nor has the SEC or any such securities regulatory authority passed upon the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence in the United States.

IPG is organised under the laws of England and Wales and Touchstone is also organised under the laws of England and Wales. Some or all of the officers and directors of IPG and Touchstone, respectively, are residents of countries other than the United States. In addition, most of the assets of IPG and Touchstone are located outside the United States. As a result, it may be difficult for US shareholders of Touchstone to effect service of process within the United States upon IPG or Touchstone or their respective officers or directors or to enforce against them a judgment of a US court predicated upon the federal or state securities laws of the United Kingdom.

Except pursuant to an applicable exemption, this document and the Acceptance Form do not constitute an offer of the New Shares to any person with a registered address, or who is resident or located, in the US or any of the other Restricted Territories. The New Shares have not been, and will not be, registered under the US Securities Act or any state securities laws in the United States or under the relevant laws of any other Restricted Territory or of any state, province or territory of any other Restricted Territory and may not be offered, sold, resold, taken up, transferred, delivered or distributed, directly or indirectly, into, in or within the US or any other Restricted Territory except pursuant to an applicable exemption from, or in a transaction not subject to, applicable registration or qualification requirements. Resales of New Shares may only be made (i) outside the US in offshore transactions to non-US Persons as defined in, and in reliance on Regulation S or (ii) within the US to investors that are both QIBs and Qualified Purchasers. The Company will require the provision of a letter by investors in the US and any transferees in the US containing representations as to status under the US Securities Act and the Investment Company Act. The Company will refuse to issue or transfer Capital Raising Shares to investors that do not meet the foregoing requirements. There will be no public offering of the Capital Raising Shares in the US. The Company is not and does not intend to become an “investment company” under the US Investment Company Act and is not engaged and does not propose to engage in the business of investing, reinvesting, owning, holding or trading in securities. Accordingly, the Company has not been and will not be registered under the US Investment Company Act, and investors will not be entitled to the benefits of that Act.

Before taking any action, any person (including custodians, nominees and trustees) who would, or otherwise intends to, or may have a contractual or legal obligation to forward this document and/or the Form of Acceptance to any jurisdiction outside the United Kingdom, should read paragraph 5 of Part B and paragraph (c) of Part C of Appendix I to this document and paragraph (b) of Part D of Appendix I to this document (if such person holds Touchstone Shares in uncertified form).

Forward Looking Statements

This document and the documents incorporated by reference into it contain statements about IPG and Touchstone that are or may be forward looking statements. All statements other than statements of historical facts included in this document may be forward looking statements. Without limitation, any statements preceded or followed by or that include the words “targets”, “plans” “believes”, “expects”, “aims”, “intends”, “will”, “may”, “anticipates”, “estimates”, “projects” or words or terms of similar substance or the negative thereof, are forward looking statements. Forward looking statements include statements relating to the following: (i) future capital expenditures, expenses, revenues, earnings, synergies, economic performance, indebtedness, financial condition, dividend policy, losses and future prospects; (ii) business and management strategies and the expansion and growth of IPG’s or Touchstone’s operations; and (iii) the effects of government regulation on IPG’s or Touchstone’s business.

Such forward looking statements involve risks and uncertainties that could significantly affect expected results and are based on certain key assumptions. Many factors could cause actual results to differ materially from those projected or implied in any forward looking statements. Due to such uncertainties and risks, readers are cautioned not to place undue reliance on such forward looking statements, which speak only as of the date hereof. IPG disclaims any obligation to update any forward looking or other statements contained herein, except as required by applicable law.

All subsequent written and oral forward looking statements attributable to IPG or persons acting on IPG’s behalf are expressly qualified in their entirety by the cautionary statements above. The forward looking statements included herein are made only as of the date of this document. IPG does not intend, and does not undertake any obligation, to update these forward looking statements.

No profit forecasts or estimates

No statement in this document is intended as a profit forecast or estimate for any period and no statement in this document should be interpreted to mean that earnings or earnings per share for IPG or Touchstone, as appropriate, for the current or future financial years would necessarily match or exceed the historical published earnings or earnings per share for IPG or Touchstone, as appropriate.

TO ACCEPT THE OFFER

If you hold Touchstone Shares in certificated form:

If you hold your Touchstone Shares, or any of them, in certificated form (that is, NOT in CREST), to accept the Offer in respect of those Touchstone Shares, you should complete, sign and return the enclosed Form of Acceptance along with your valid share certificate(s) and/or any other relevant documents of title as soon as possible and, in any event, so as to be received by post or by hand (during normal business hours) by the Receiving Agent at Capita Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, BR3 4TU **by no later than 1.00 p.m. (London time) on 15 September 2017**. Further details on the procedures for acceptance of the Offer if you hold any of your Touchstone Shares in certificated form are set out in paragraph 20(a) of Part I of this document, Part C of Appendix I to this document and in the accompanying Form of Acceptance. A reply paid envelope for use within the UK only is enclosed for your convenience and may be used by holders of Touchstone Shares in certificated form in the UK for returning their Forms of Acceptance.

If you hold Touchstone Shares in uncertificated form:

If you hold your Touchstone Shares, or any of them, in uncertificated form (that is, in CREST), to accept the Offer in respect of those Touchstone Shares, you should follow the procedure for Electronic Acceptance through CREST so that the TTE instruction settles as soon as **possible and, in any event, not later than 1.00 p.m. (London time) on 15 September 2017**. Further details on the procedures for acceptance of the Offer if you hold any of your Touchstone Shares in uncertificated form are set out in paragraph 20(b) of Part I of this document and in Part D of Appendix I to this document. If you hold your Touchstone Shares as a CREST sponsored member, you should refer acceptance of the Offer to your CREST sponsor as only your CREST sponsor will be able to send the necessary TTE instruction to Euroclear.

**ACCEPTANCES OF THE OFFER MUST BE RECEIVED BY 1.00 P.M. (LONDON TIME) ON
15 SEPTEMBER 2017.**

You are advised to read the whole of this document carefully.

**THE FIRST CLOSING DATE OF THE OFFER IS 1.00 P.M. (LONDON TIME) ON
15 SEPTEMBER 2017.**

Helpline

If you have any questions relating to this document or the completion and return of the Form of Acceptance, please telephone the Receiving Agent, Capita Asset Services, on +44 (0)371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9 a.m. – 5.30 p.m., Monday to Friday excluding public holidays in England and Wales. Please note that Capita Asset Services cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

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PART I

LETTER FROM THE CHAIRMAN OF IP GROUP PLC



(incorporated in England and Wales with registered number 04204490)

Mike Humphrey (*Non-Executive Chairman*)
Alan John Aubrey (*Chief Executive Officer*)
Michael Charles Nettleton Townend (*Chief Investment Officer*)
Gregory Simon Smith (*Chief Financial Officer*)
David Graham Baynes (*Chief Operating Officer*)
Douglas Brian Liversidge (*Senior Non-Executive Director*)
Jonathan Brooks (*Non-Executive Director*)
Prof. Lynn Faith Gladden (*Non-Executive Director*)
Dr Elaine Sullivan (*Non-Executive Director*)

all of

Registered Office:

The Walbrook Building
25 Walbrook
London
EC4N 8AF
United Kingdom

18 July 2017

To Touchstone Shareholders and, for information only, to participants in the Touchstone Share Option Schemes and persons with information rights

Dear Touchstone Shareholder,

ALL-SHARE OFFER FOR TOUCHSTONE GROUP PLC (“TOUCHSTONE”)

1. INTRODUCTION

On 20 June 2017, IPG announced a firm offer pursuant to which IPG has offered to acquire the entire issued and to be issued ordinary share capital of Touchstone.

Today, IPG published an announcement setting out the terms of an improved offer to be made by IPG for the whole of the issued and to be issued share capital of Touchstone to be effected by means of a takeover offer under the City Code on Takeovers and mergers and within the meaning of Part 28 of the Companies Act (the “Offer”).

This letter and Appendix I to this document contain the formal terms and conditions of the Offer.

2. SUMMARY OF THE TERMS OF THE OFFER

IPG offers to acquire (on the terms and subject to the Conditions set out in this document and in the Form of Acceptance) the entire issued and to be issued share capital of Touchstone. Under the terms of the Offer, holders of Touchstone Shares shall receive:

2.2178 New Shares in exchange for each Touchstone Share

Based on the Exchange Ratio and the Closing Price of 137 pence per IPG Share on 17 July 2017 (being the Latest Practicable Date), the Offer values each Touchstone Share at 303.8 pence and Touchstone's existing issued ordinary share capital at approximately £489.8 million.

The Exchange Ratio will be adjusted:

2.1.1 following the issue of 16,500,000 IPG Shares which, subject to the satisfaction of certain conditions, are to be issued to Galaxy pursuant to the Galaxy subscription letter. In this case the Exchange Ratio would increase to 2.2187.

As noted in IPG's announcement on 8 June 2017 the issue of these IPG Shares to Galaxy is subject to receipt of foreign exchange and other regulatory approvals in order to allow for settlement and admission no later than 8:00 a.m. on 18 August 2017. This subscription is subject to approvals outside the control of IPG and Galaxy and there is therefore no certainty of these IPG Shares being issued. In the event that the outcome of these regulatory reviews is not known prior to the sooner to occur of Completion or Day 45, the Exchange Ratio will increase to 2.2187 subject to further adjustment below. If the relevant permissions for the Galaxy investment have been declined by Day 45 (and the Offer has not become or been declared unconditional as to acceptances) then no adjustment will be made;

2.1.2 if, as a result of an increase in the price of the IPG Shares, the implied offer value per Touchstone Share were to become worth more than 330 pence. In such event, the number of New Shares to be issued per Touchstone Share will be reduced such that the implied offer value per Touchstone Share remains at 330 pence (the "**Offer Cap**"). Any adjustment to the Exchange Ratio will be finally determined at Completion and the implied offer value per Touchstone Share will be calculated by reference to the average of the daily volume weighted average prices of an IPG Share over the 30 Business Days prior to the Completion Date and will be rounded to four decimal places. The Offer Cap is not a no increase statement and should not be taken to mean that the Exchange Ratio or Offer Cap cannot be increased; and

2.1.3 if any dividend or other distribution is authorised, declared, made or paid in respect of Touchstone Shares on or after the date of the Offer Announcement, the Exchange Ratio shall be reduced by the amount of any such dividend or other distribution.

Assuming acceptance of the Offer in full, Touchstone Shareholders would own approximately 33.9 per cent. and IPG Shareholders would own approximately 66.1 per cent. of the Combined Group.

The Touchstone Shares shall be acquired under the Offer fully paid and free from all liens, charges, equitable interests, encumbrances, rights of pre-emption and any other rights and interests of any nature whatsoever and together with all rights now and hereafter attaching or accruing to them, including, without limitation, voting rights and the right to receive and retain in full all dividends and other distributions (if any) declared, made or paid, or any other return of capital (whether by reduction of share capital or share premium account or otherwise) made, on or after the date of this document.

The Offer is subject to the Conditions and further terms set out or referred to in Appendix I to this document and in the Form of Acceptance.

Should the Offer become unconditional as to acceptances, any Shareholders who have accepted the Offer will be unable to withdraw their acceptance.

3. NEW SHARES

The New Shares will be issued in registered form and will be capable of being held in certificated and uncertificated form.

The New Shares will be issued credited as fully paid and will rank pari passu in all respects with the Existing IPG Shares, including in relation to the right to receive notice of, and to attend and vote at, general meetings of IPG, the right to receive and retain any dividends and to participate in the assets of IPG upon a winding-up of IPG. As with the Existing IPG Shares, the New Shares will not be subject to any redemption provisions.

Application will be made to the FCA and the London Stock Exchange for the New Shares to be admitted to the Official List and to trading on the London Stock Exchange's market for listed securities respectively. It is expected that admission will become effective and that dealings for normal settlement in the New Shares will commence on the London Stock Exchange at 8.00 a.m. on the first Business Day following the date on which the Offer becomes or is declared unconditional in all respects (subject only to the conditions relating to admission contained in paragraphs 1(C) and (D) of Part A of Appendix I).

Touchstone Shareholders are also advised to read the IPG Prospectus which contains information relating to the New Shares. The IPG Prospectus is posted to Touchstone Shareholders that are not resident in a Restricted Jurisdiction and will also be available on the investor relations section of IPG's website at www.ipgroupplc.com.

4. BACKGROUND TO AND REASONS FOR THE OFFER

Background

The IPG Board continues to believe that the combination of Touchstone and IPG will create an international leader in IP commercialisation and a combined business with substantial capabilities that is greater than the sum of the two parts.

Funding for the innovation sector in which Touchstone and IPG operate has historically been supported by a concentrated pool of capital. IPG has successfully introduced new investors to the sector through its recent capital raise and the IPG Board believes that the Combined Group, with its enlarged platform, will be even more attractive to current and new potential investors and broader pools of capital.

In setting the Exchange Ratio, the IPG Board has considered the recent and medium term market valuations of Touchstone and IPG, as well as the relative valuations of their respective portfolios and consolidated assets metrics which, in IPG's view, represent the most reasonable indication of the underlying value of each company and a fair basis on which to combine the two companies.

Through the issue of New Shares to Touchstone Shareholders, the Offer allows Touchstone Shareholders to continue to benefit from exposure to Touchstone's investments and, through IPG, gain access to its portfolio but also allows IPG Shareholders to gain access to Touchstone's portfolio, through Touchstone. The Offer also provides IPG Shareholders and Touchstone Shareholders with an opportunity to hold shares in a Combined Group which the Directors expect to have greater liquidity than is currently the case.

Following the Offer Announcement IPG sought to resume engagement with Touchstone regarding their concerns around value and people, with the hope of achieving a recommendation. However, a recommended position with the Touchstone Board was not reached.

IPG has been in discussions with Imperial and Imperial has provided a letter of intent in favour of the Offer which provides further certainty for the transaction.

IPG has received support for the Offer from holders of Touchstone Shares representing, in aggregate, 89.6827 per cent. of Touchstone's issued share capital.

Rationale for Offer structure

IPG has elected to proceed with a takeover offer which is subject to valid acceptances being received in respect of Touchstone Shares which, taken together with all other Touchstone Shares which IPG acquires or

agrees to acquire (whether pursuant to the Offer or otherwise), carry in aggregate more than 75 per cent. of the voting rights then normally exercisable at a general meeting of Touchstone.

If the Offer becomes or is declared wholly unconditional, and sufficient acceptances under the Offer are received, IPG intends to procure that Touchstone will make an application to the London Stock Exchange for the admission to trading on AIM of the Touchstone Shares to be cancelled without seeking the separate approval of Touchstone Shareholders under Rule 41 of the AIM Rules for Companies published by the London Stock Exchange.

Following the AIM cancellation, Touchstone Shares will not be quoted on any publicly quoted market in the United Kingdom or elsewhere.

Such cancellation shall significantly reduce the liquidity and marketability of any Touchstone Shares not assented to the Offer and their value may be affected as a consequence. Any remaining Touchstone Shareholders would become minority shareholders in a privately controlled limited company and may be unable to sell their Touchstone Shares and there can be no certainty that any dividends or other distributions will be made by Touchstone or that Touchstone Shareholders will again be offered as much for the Touchstone Shares held by them as under the Offer.

It is anticipated that cancellation of admission to AIM will take effect no earlier than 20 Business Days after the date on which IPG has, by virtue of its shareholdings and acceptances of the Offer, acquired or agreed to acquire issued share capital carrying 75 per cent. of the voting rights of Touchstone. Following such cancellation IPG intends that Touchstone will be re-registered as a private limited company.

Under the Companies Act, if a “takeover offer” (as defined in section 974 of the Companies Act) is made for the shares and the offeror were to acquire, or unconditionally contract to acquire, not less than 90% in value of the shares to which the offer relates and not less than 90% of the voting rights carried by the shares to which the offer relates, it could, within three months of the last day on which its takeover offer can be accepted, compulsorily acquire the remaining 10%. The offeror would do so by sending a notice to outstanding shareholders telling them that it will compulsorily acquire their shares and then, six weeks later, it would execute a transfer of the outstanding shares in its favour and pay the consideration for the outstanding shares to IPG, which would hold the consideration on trust for outstanding shareholders. The consideration offered to the shareholders whose shares are compulsorily acquired under this procedure must, in general, be the same as the consideration that was available under the takeover offer.

IPG reserves the right to increase its shareholding after the Offer has closed by buying further Touchstone Shares in the market (to the extent permitted under applicable laws and regulation), which may subsequently allow it to reach the threshold for squeezing out the remaining Touchstone Shareholders.

5. IRREVOCABLE UNDERTAKINGS AND LETTERS OF INTENT SUPPORTING THE OFFER

IPG has received irrevocable undertakings and letters of intent in support of the Offer from Touchstone Shareholders representing, in aggregate, 89.7 per cent. of Touchstone’s issued share capital.

Irrevocable undertakings have been given by Invesco Asset Management Ltd in relation to 16,120,000 Touchstone Shares (representing 9.9997 per cent. of the Touchstone Shares in issue at the Latest Practicable Date), Lansdowne Developed Markets Master Fund Limited in respect of 16,120,000 Touchstone Shares (representing 9.9997 per cent. of the Touchstone Shares in issue at the Latest Practicable Date) and Woodford Investment Management Limited in respect of 16,120,413 Touchstone Shares (representing 10 per cent. of the Touchstone Shares in issue at the Latest Practicable Date). Accordingly, IPG has received irrevocable undertakings to accept the Offer in respect of 48,360,413 Touchstone Shares representing 29.9995 per cent. of the Touchstone Shares in issue.

These irrevocable undertakings will cease to be binding if, among other things: (i) IPG announces (with the consent of the Panel, with respect to Touchstone) that it does not intend to make or proceed with the Offer and no new, revised or replacement Offer (or Scheme) is announced in accordance with Rule 2.7 of the Code;

or (ii) on the date on which the Offer (or Scheme) lapses or is withdrawn no new, revised or replacement Offer (or Scheme) has been announced in accordance with Rule 2.7 of the Code.

In addition the Company has also received non-binding letters of intent in favour of the Company from Invesco Asset Management Limited in respect of 46,750,000 Touchstone Shares (representing 29.0005 per cent of the Touchstone Shares in issue on the Latest Practicable Date), Woodford Investment Management Limited in respect of 20,636,738 Touchstone Shares (representing 12.8016 per cent of the Touchstone Shares in issue on the Latest Practicable Date) and Lansdowne Developed Markets Master Fund Limited in respect of 4,082,542 Touchstone Shares (representing 2.5325 per cent of the Touchstone Shares in issue as at the Latest Practicable Date) and Imperial in respect of 24,742,500 Touchstone Shares (representing 15.3486 per cent. of Touchstone Shares in issue as at the Latest Practicable Date).

Further information relating to the irrevocable undertakings and the letters of intent which have been received by IPG in respect of Touchstone Shares is set out in paragraph 5 of Appendix V of this document.

6. INFORMATION ON THE IP GROUP

IPG was established in 2000 to commercialise scientific innovation developed in the UK's leading research institutions.

IPG's business model is to form, or assist in the formation of, start-up companies based on disruptive scientific and technical innovation created in those institutions, to take a significant minority equity stake in those companies and then to grow the value of that equity over time through active participation in the development of such companies. IPG's strategy has been to build significant minority equity stakes in a diversified portfolio of companies falling within its four main sectors of biotech, cleantech, healthcare and technology designed to achieve strong equity returns over the medium to long term.

An important aspect of IPG's strategy is its ability to access a wide range of leading scientific research. This has been achieved primarily through long-term partnerships with a number of leading research universities in the UK and the US. IPG entered into its first long term partnership with the University of Oxford's Chemistry Department in 2000 and now has direct arrangements covering thirteen of the UK's, nine of Australasia's and five of the US's leading research universities as well as three US DOE Laboratories through FedIMPACT.

IPG has made a strategic investment in Oxford Sciences Innovation plc, which entered into a framework agreement with the University of Oxford in March 2015 under which it is the contractually preferred intellectual property partner of the University of Oxford for the provision of capital to and development of spin-out companies based on research from the University of Oxford's Medical Sciences Division and its Mathematical, Physical and Life Sciences Division. IPG has made a strategic investment in Cambridge Innovation Capital which supports the growth of innovative businesses located in the "Cambridge Cluster". The Company and Cambridge Innovation Capital have also entered into a memorandum of understanding to share information on investment and co-investment opportunities.

IPG was admitted to AIM in October 2003 and moved to the Official List in June 2006. The IPG Shares are listed on the premium listing segment of the Official List of the UK Listing Authority. On and subsequent to its admission to AIM, IPG has raised approximately £570 million of net proceeds from equity investors, predominantly to build its portfolio of spin-out companies. In March 2014, IPG completed the acquisition of Fusion IP plc, an AIM listed company with complementary arrangements with universities and research institutions.

As at 30 June 2017, IPG's portfolio comprised holdings in 96 companies, three multi-sector platforms (OSI, CIC and Frontier IP Group plc) and 18 de minimis holdings in which its combined stake was valued at approximately £663.0 million¹. IPG's net assets excluding goodwill and intangibles ("**Hard NAV**") increased to £890.5 million as at 30 June 2017².

1 Fair value of portfolio is calculated by reference to the values attributed to the IP Group's investments in such portfolio companies in IPG's audited financial statements for the six months ended 30 June 2017 as set out in Part C of Appendix III to this document.

2 Hard NAV is calculated as total equity less goodwill, intangible assets and equity rights and related contract costs. Hard NAV is extracted from the audited financial statements as set out in Part C of Appendix III to this document.

The IPG Directors confirm that the financial statements for IPG for the six months ended 30 June 2017 have been prepared in accordance with IAS 34 Interim Financial Reporting and the accounting policies applied are the same as those applied by IPG in its audited consolidated financial statements for the year ended 31 December 2016.

In the event that the IP Group's holdings in spin-out companies were to be sold at the valuations underlying Hard NAV as at 30 June 2017, any gains realised on such disposal over the book value for tax purposes would be chargeable to UK corporation tax, subject to the Substantial Shareholdings Exemption ("SSE").

Since IPG's activities, including its activities in the US, are substantially trading in nature, the IPG Directors believe that IPG qualifies for SSE which provides that gains arising on the disposal of qualifying holdings are not chargeable to UK corporation tax. As such, the IPG Directors believe that capital gains realised on those equity holdings that meet the qualifying criteria would not be chargeable to UK corporation tax. Gains arising on sales of non-qualifying holdings would ordinarily give rise to taxable profits for IPG, to the extent that these exceed the IPG's operating losses from time to time.

Financial and ratings information on the IP Group is contained in Appendix III to this document.

Current Trading and Prospects

The first half of 2017 has seen a number of significant corporate developments coupled with a solid underlying performance in the portfolio. On the corporate front, IPG announced a £207m (gross) capital raising, expansion into Australasia, an all-share offer for Touchstone and the completion of its acquisition of Parkwalk Advisors Ltd.

At 30 June 2017, the fair value of the IP Group's portfolio was £663.0m (HY16: £525.7m; FY16: £614.0m). This reflects a net fair value increase of £28.5m during the period with significant net fair value increases in three sectors: Technology (£12.7m increase), Cleantech (£19.1m increase) and Biotech (£8.2m increase), more than compensating for a net fair value reduction in the Healthcare sector (£10.9m decrease).

In the first six months of the year, the IP Group provided incubation, seed and further capital totalling £20.1m to its portfolio companies (HY16: £12.8m; FY16: £69.7m). The IP Group's portfolio now comprises holdings in 96 companies in addition to strategic stakes in three multi-sector platform businesses and 18 de minimis holdings (HY16: 83, 3, 16; FY16: 90, 3, 20).

The £207m (gross) capital raise announced during the period saw IP Group welcome new shareholders from Australia, China, Singapore and the UK. The funding will enable the IP Group to accelerate growth by investing in new and existing portfolio companies, build on its pool of valued scientific and commercial talent, and attract further investors and co-investment partners. It also furthers the transformation underway by expanding the IP Group's share register and by further extending its model into Australasia alongside its nine new university partners there. The subscription for shares by one participant, Beijing Galaxy World Group, is subject to certain Chinese foreign exchange and regulatory approvals, which it currently anticipates being received by mid-August. Therefore, net capital raising proceeds during the period were £180.3m and the Group held gross cash and deposits of £263.1m at 30 June 2017 (HY16: £174.7m; FY16: £112.3m).

The IP Group was excited to launch a landmark agreement with Australasia's leading universities, under which it anticipates seeing at least A\$200 million invested in finding and developing companies involved in disruptive innovation. The commercialisation agreements – the first of their type in Australasia – have been signed between the IP Group and nine universities which comprise the University of Adelaide, Australian National University, the University of Melbourne, Monash University, UNSW Sydney, the University of Queensland, the University of Sydney and the University of Western Australia in Australia, and the University of Auckland in New Zealand. IPG has committed to invest at least A\$200m over a 10-year period to fund investments in spin-out companies based on the intellectual property developed by academics at the nine universities, generated from research in areas such as digital medicine, new medical therapies and quantum computing.

One of the central beliefs on which IPG was founded was that modern economies need to support scientific innovation and then seek to commercially leverage such innovation. IPG believes that this remains very

much the case today. The IP Group's portfolio remains well diversified with a broad range of early to mature businesses across its four sectors and, following IPG's recent capital raise, holds in excess of £260m in cash and deposits. The IP Group's operation in the US continues to produce exciting opportunities with two companies now having completed their first 'series A' financings supported by US-based shareholders and IPG looks forward to emulating the IP Group's successful business model in Australasia.

While it remains important to consider the IP Group as a long-term business where results can fluctuate from year to year, IPG remains excited about the prospects for the IP Group and believe the fundamentals of the business are strong and appeal to an increasingly broad set of international investors.

7. INFORMATION ON TOUCHSTONE

Touchstone creates, builds and invests in technology companies and licensing opportunities developed from scientific research from the 'Golden Triangle', the geographical region broadly bounded by London, Cambridge and Oxford.

This area has a cluster of leading academic research and technology businesses, and is home to four of the world's top 10 universities, as well as leading research institutions.

Touchstone supports scientists and entrepreneurs in the commercialisation of their ideas through protecting and licensing out intellectual property (through its technology transfer subsidiary, Imperial Innovations Limited), by leading the formation of new companies, by recruiting high calibre management teams and by providing investment and encouraging co-investment. Touchstone remains an active investor over the life of its portfolio companies, with the majority of Touchstone's investment going into businesses in which it is already a shareholder.

As at 30 June 2017, Touchstone's net assets were valued at £502.2 million and its portfolio at £440.3 million.

Financial and ratings information on Touchstone is contained in Appendix II to this document.

8. IPG'S INTENTIONS AND STRATEGIC PLANS FOR TOUCHSTONE

8.1 *IPG's strategic plans for Touchstone and intentions for its management, employees and locations*

IPG attaches great importance to the skills and experience of Touchstone's existing management and employees. Following Completion, the existing contractual and statutory employment rights and pension rights of all employees will be fully safeguarded and the contractual and other entitlements in relation to pension and employment rights of existing employees will be complied with.

Prior to the Announcement Date, IPG made the following proposal to Touchstone providing:

- Two non-executive directors on the Touchstone Board to become non-executive directors of the Combined Group, one to become senior independent director and the other to be appointed as chair of the remuneration committee, as selected by IPG;
- Russ Cummings to join the board of the Combined Group as CEO of Touchstone and, together with IPG's COO, to lead an integration team to identify, retain and build on the best of both companies;
- The three current executive directors of Touchstone to join the executive committee of the Combined Group during the integration period;
- Confirmation of IPG's intention to continue the ordinary course operation of both companies' investment teams and maintain stable headcount in both investment divisions for a minimum of 12 months; and
- Confirmation that two of Touchstone's focus areas for investment, therapeutics and digital, are consistent with IPG's current four sectors, Biotech, Cleantech, Healthcare and Technology and that we would therefore envisage continuing to support companies in these scientific areas in the Combined Group.

Although this proposal was rejected by Touchstone, IPG remains committed to the principles of all five elements of the proposal listed above, as stated in the Firm Offer Announcement.

It remains IP Group's intention to establish a joint integration planning committee comprising senior managers from both IP Group and Touchstone to develop an integration plan as part of the next phase. At this stage, IP Group expects this process to take place over a period of up to 12 months following Completion. As the two companies are brought together and areas of overlap between the businesses are identified, there will be opportunities to integrate intelligently to preserve the best of both businesses. However, given the lack of access that IPG has had to the Touchstone business and pending the outcome of the integration planning committee's work, IPG has no plans for material changes to the continued employment of, or in the conditions of employment of, Touchstone's employees or management, although it is anticipated that, following Completion, certain functions which have historically been related to Touchstone's status as a listed company may no longer be required or will be reduced in size. Finalisation of any combination plans will be subject to engagement with appropriate stakeholders.

No proposals have been made on the terms of any incentivisation arrangements for relevant employees or management and there have been no discussions regarding the terms of any potential arrangements.

Following Completion, the existing contractual and statutory employment rights and pension rights of all employees will be fully safeguarded and the contractual and other entitlements in relation to pension and employment rights of existing employees will be complied with.

IPG has not sought to create a new strategic plan for Touchstone. Subject to the conclusions of the integration review, IPG intends to support Touchstone and its management and employees in executing their published long-term growth strategy for Touchstone.

Pending the outcome of the integration review, IPG's plans do not involve changes in the location of Touchstone's operations, redeployment of Touchstone's fixed assets or of other material changes to the operations of the business.

8.2 *IPG's intentions for Touchstone's pension schemes*

The current plans of IPG do not involve any material change to any employer contributions made by Touchstone into personal or other pension schemes.

8.3 *Trading Facilities*

Following the Offer becoming unconditional in all respects, application will be made to the London Stock Exchange for the cancellation of the listing of the Touchstone Shares on AIM.

Following the AIM cancellation, Touchstone Shares will not be quoted on any public quoted market in the United Kingdom or elsewhere.

8.4 *IPG's intentions and strategic plans for IPG following the Offer*

IPG have not sought to create a new strategic plan for itself after the Offer and will continue to support its management and employees in executing its current long-term growth strategy.

IPG has no current intention of making any changes to the continued employment of, or the conditions of employment of, IPG's employees or management. IPG's plans do not involve changes to the location of its operations.

9. FINANCIAL EFFECTS OF THE OFFER

- 9.1 Assuming no changes from the latest publicly available information, the Offer will result in an increase in the net assets of IPG of £502.2 million (on 14 July 2017 Touchstone announced that it had net assets of £502.2 million as at 30 June 2017).

- 9.2 Although these historic figures for IPG and Touchstone are not intended to fully reflect the IP Group as enlarged by the Offer, for the 12 month period ended 31 December 2016, IPG reported total administrative expenses of £23.0 million, a net decrease in portfolio fair value of £6.5 million excluding investments and realisations and a loss before tax of £14.8 million; and for the 12 month period ended 31 July 2016 Touchstone reported total administrative expenses of £9.7 million, a net decrease in portfolio fair value of £56.2 million excluding investments and realisations and a loss before tax of £63.1 million.
- 9.3 If the Offer becomes or is declared unconditional in all respects and assuming no adjustment is made, Touchstone Shareholders will receive 2.2037 New Shares for every Touchstone Share held. The following table shows, for illustrative purposes only, and on the bases and assumptions set out in the notes below, the financial effects of the Offer on capital value for a holder of one Touchstone Share assuming the Offer becomes or is declared unconditional in all respects.

Effect on capital value

Market value of 2.2178 New Shares ⁽¹⁾	303.8
Less market value of one Touchstone Share ⁽²⁾	273.6
Illustrative increase in capital value	30.2
This represents an illustrative increase of	11%

Notes:

(1) Based on the Closing Price of 137 pence per IPG Share on the Latest Practicable Date

(2) Based on the Closing Price of 273.625 pence per Touchstone Share on the Latest Practicable Date.

On the basis that neither Touchstone nor IPG have paid any dividends to shareholders, the Offer is not expected to have any financial effect on the gross income for a holder of a Touchstone Share.

10. IPG SHAREHOLDERS APPROVAL AND IPG PROSPECTUS

As a result of the size of the proposed acquisition, the Offer constitutes a Class 1 transaction for IPG for the purposes of the Listing Rules. Accordingly, IPG is required to seek the approval of IPG Shareholders for the Offer.

IPG is today expected to send to IPG Shareholders a circular summarising the background to and reasons for the Offer which includes a notice convening the IPG General Meeting. The Offer is conditional on, amongst other things, the relevant resolutions being passed by the requisite majority of the IPG Shareholders at the IPG General Meeting.

It is expected that the IPG Circular will be posted to IPG Shareholders at the same time as this document is posted to Touchstone Shareholders.

IPG is required to produce a prospectus in connection with the issue of the New Shares. It is expected that the IPG Prospectus will, today, be posted at the same time as this document is posted to Touchstone Shareholders. The IPG Circular and the IPG Prospectus are available on the investor relations sector of IPG's website at www.ipgroupplc.com

11. ARRANGEMENTS BETWEEN IPG AND TOUCHSTONE MANAGEMENT

Given the lack of access that IPG has had to Touchstone management, no proposals have been made on the terms of any incentivisation arrangement for relevant employees or managers. However, pending the outcome of the integration committee's work, IPG intends to put in place incentivisation arrangements for the management and senior employees of Touchstone following Completion.

12. TOUCHSTONE SHARE OPTION SCHEMES

The Offer will extend to any Touchstone Shares unconditionally allotted or issued as a result of the exercise of existing options and vesting of awards under the Touchstone Share Option Schemes while the Offer

remains open for acceptance (or such earlier date as IPG may, subject to the rules of the Code and/or the consent of the Panel, decide).

In accordance with the Code, IPG will make appropriate proposals to option holders and holders of awards under the Touchstone Share Option Schemes in due course.

13. OFFER-RELATED AGREEMENTS/ARRANGEMENTS

IPG and Touchstone entered into a confidentiality agreement on 20 April 2017 (the “**Confidentiality Agreement**”) pursuant to which Touchstone undertook, amongst other things: (i) to keep confidential information relating to the businesses, financial and other affairs of the IPG Group and not to disclose it to third parties (other than to permitted parties) unless required by law or regulation; (ii) to use the confidential information only for the purpose of evaluating, advising or negotiating the potential combination of the businesses and (iii) not to disclose the interest in the potential combination of the businesses or discuss the same with any of IPG’s directors, officers, employees, agents, consultants, contactors, finance providers, professional advisors or shareholders except for those persons nominated by IPG from time to time nor make any approach with any person who has a business relationship with IPG. IPG undertook to Touchstone in similar terms as those referred to in (iii) above.

14. FINANCING OF THE OFFER

The Offer will be implemented by means of a share for share exchange and no cash element is being offered. Therefore no financing of the Offer is required.

15. CONDITIONS TO THE OFFER

The Offer is subject to the Conditions and further terms set out in Appendix I to this document, which include:

- (i) receipt of valid acceptances by 1.00 p.m. on 15 September 2017 (or such later time(s) and/or date(s) as IPG may decide in respect of not less than 75 per cent. (or such lesser percentage as IPG may decide) of the Touchstone Shares to which the Offer relates and of the voting rights attached to those shares as set out in paragraph 1(A) of Part A of Appendix I to this document;
- (ii) the passing of the resolutions to be proposed at the IPG General Meeting as set out in paragraph 1(B) of Part A of Appendix I to this document;
- (iii) the UK Listing Authority having acknowledged to IPG or its agent (and such acknowledgement not having been withdrawn) that the application for the admission of the New Shares to the premium listing segment of the Official List has been approved and (after satisfaction of any conditions to which such approval is expressed to be subject (“listing conditions”)) will become effective as soon as a dealing notice has been issued by the FCA and any listing conditions having been satisfied and the London Stock Exchange having acknowledged to IPG or its agent (and such acknowledgement not having been withdrawn) that the New Shares will be admitted to trading on the main market of the London Stock Exchange as set out in paragraphs 1(C) and 1(D) of Part A of Appendix I to this document;
- (iv) the CMA clearance, as set out in paragraph 1(E) of Part A of Appendix I to this document; and
- (v) the FCA approval, as set out in paragraph 1(G) of Part A of Appendix I to this document.

The remainder of the Conditions are customary for a transaction of this nature.

The Code requires that, except with the consent of the Panel, all conditions to the Offer must either be fulfilled or the Offer must lapse within 21 days of the date on which the Offer becomes, or is declared, unconditional as to acceptances.

Should the Offer become unconditional as to acceptances, any Touchstone Shareholders who have accepted the Offer will be unable to withdraw their acceptance.

16. DIVIDENDS

If any dividend or other distribution is authorised, declared, made or paid in respect of Touchstone Shares on or after the date of the Offer Announcement, the Exchange Ratio shall be adjusted by the amount of any such dividend or other distribution and the Touchstone Shareholders will have the right to retain such dividend.

17. COMPULSORY ACQUISITION, DE-LISTING AND RE-REGISTRATION

If IPG receives acceptances under the Offer in respect of, and/or otherwise acquires, 90 per cent. or more of the Touchstone Shares by nominal value and voting rights attaching to such shares to which the Offer relates and assuming that all of the other Conditions of the Offer have been satisfied or waived (if capable of being waived), IPG intends to exercise its rights pursuant to the provisions of Chapter 3 of Part 28 of the Companies Act to acquire compulsorily the remaining Touchstone Shares in respect of which the Offer has not been accepted on the same terms as the Offer.

If the Offer becomes or is declared wholly unconditional, and sufficient acceptances under the Offer are received, IPG intends to procure that Touchstone will make an application to the London Stock Exchange for the admission to trading on AIM of the Touchstone Shares to be cancelled without seeking the separate approval of Touchstone Shareholders under Rule 41 of the AIM Rules for Companies published by the London Stock Exchange.

Following the AIM cancellation, Touchstone Shares will not be quoted on any publicly quoted market in the United Kingdom or elsewhere.

It is anticipated that cancellation of admission to AIM will take effect no earlier than 20 Business Days after the date on which IPG has, by virtue of its shareholdings and acceptances of the Offer, acquired or agreed to acquire issued share capital carrying 75 per cent. of the voting rights of Touchstone. Following such cancellation IPG intends that Touchstone will be re-registered as a private limited company.

Such cancellation and re-registration shall significantly reduce the liquidity and marketability of any Touchstone Shares not assented to the Offer and their value may be affected as a consequence. Any remaining Touchstone Shareholders would become minority shareholders in a privately controlled limited company and may be unable to sell their Touchstone Shares and there can be no certainty that any dividends or other distributions will be made by Touchstone or that Touchstone Shareholders will again be offered as much for the Touchstone Shares held by them as under the Offer.

IPG reserves the right to increase its shareholding after the Offer has closed by buying further Touchstone Shares in the market (to the extent permitted under applicable laws and regulation), which may subsequently allow it to reach the threshold for de-listing without the need to launch a further offer to all Touchstone Shareholders.

18. TAXATION

Your attention is drawn to Appendix IV to this document, headed "Taxation". If you are in any doubt as to your tax position or are subject to taxation in any jurisdiction other than the United Kingdom, you should consult an appropriate professional adviser immediately.

19. OVERSEAS SHAREHOLDERS

The attention of Touchstone Shareholders who are citizens or residents of jurisdictions outside the United Kingdom or who are holding Touchstone Shares for such citizens or residents and any person (including, without limitation, any nominee, custodian or trustee) who may have an obligation to forward any document in connection with the Offer outside the United Kingdom is drawn to paragraph 5 of Part B, paragraph (c) of Part C and paragraph (b) of Part D of Appendix I to this document and to the relevant provisions of the Form of Acceptance, which they should read before taking any action.

The Offer is not being made, directly or indirectly in, into or from any Restricted Jurisdiction or any other jurisdiction where to do so would violate the laws of that jurisdiction, and it is not currently intended that the Offer shall be capable of acceptance by any such use, means, instrumentality or facility from within any

such jurisdiction. Accordingly, persons who are unable to give the warranties set out in paragraph (c) of Part C and/or paragraph (b) of Part D of Appendix I to this document may be deemed not to have validly accepted the Offer.

The availability of the Offer to Touchstone Shareholders who are not resident in the United Kingdom may be affected by the laws of their relevant jurisdiction. Such persons should inform themselves of, and observe, any applicable legal or regulatory requirements of their jurisdiction. If you remain in any doubt, you should consult your professional adviser in the relevant jurisdiction without delay.

20. PROCEDURE FOR ACCEPTANCE OF THE OFFER

Touchstone Shareholders who hold their Touchstone Shares in certificated form should read section (a) of this paragraph 20 in conjunction with the Form of Acceptance and Parts B and C of Appendix I to this document. The instructions on the Form of Acceptance are deemed to be part of the terms of the Offer for Touchstone Shareholders who hold their Touchstone Shares in certificated form. Touchstone Shareholders who hold their shares in uncertificated form (that is, through CREST), should read section (b) of this paragraph 20 in conjunction with Parts B and D of Appendix I to this document. Touchstone Shareholders who hold some of their Touchstone Shares in certificated form and others in uncertificated form, should read section (a) of this paragraph 20 (in respect of their Touchstone Shares in certificated form) and section (b) (in respect of their Touchstone Shares in uncertificated form) below.

(a) *If you hold Touchstone Shares in certificated form (i.e. not in CREST)*

Completion of the Form of Acceptance

To accept the Offer in respect of Touchstone Shares held in certificated form, you must complete the Form of Acceptance in accordance with the instructions set out below and on the Form of Acceptance. You should complete separate Forms of Acceptance for Touchstone Shares held in certificated form but under different designations. If you have any questions relating to the procedure for acceptance of the Offer, please contact the Receiving Agent, Capita Asset Services, +44 (0) 371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9.00 a.m. – 5.30 p.m., Monday to Friday excluding public holidays in England and Wales. Please note that Capita Asset Services cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes. If you are a CREST sponsored member, you should contact your CREST sponsor before taking any action. Further Forms of Acceptance are available from the Receiving Agent upon request.

- *To accept the Offer in respect of all your Touchstone Shares in certificated form, you must complete Box 3 and sign Box 4 of the enclosed Form of Acceptance.*
- *To accept the Offer in respect of less than all your Touchstone Shares in certificated form, you must complete Box 3 and sign Box 4 of the enclosed Form of Acceptance.*

In all cases, if you are an individual, you must sign Box 4A of the Form of Acceptance in the presence of a witness who should also sign in accordance with the instructions printed on it. Any Touchstone Shareholder which is a company should execute Box 4B of the Form of Acceptance in accordance with the instructions printed on it. If you do not insert a number in Box 3 of the Form of Acceptance, or if you insert in Box 3 a number which is greater than the number of certificated Touchstone Shares that you hold and you have signed Box 4, your acceptance shall be deemed to be in respect of all the certificated Touchstone Shares held by you.

Return of the Form of Acceptance

To accept the Offer in respect of Touchstone Shares held in certificated form, the completed, signed and (where required) witnessed Form of Acceptance should be returned by post or by hand (during normal business hours only) to the Receiving Agent, Capita Asset Services, Corporate Actions, at The Registry, 34 Beckenham Road, Beckenham, BR3 4TU, together (subject to the paragraph below) with the relevant share certificate(s) and/or any other documents of title as soon as possible, and in any

event, so as to be received by the Receiving Agent not later than 1.00 p.m. (London time) on 15 September 2017. A reply-paid envelope is enclosed for your convenience. No acknowledgement of receipt of documents shall be given.

Any Form of Acceptance received in an envelope post-marked in any Restricted Jurisdiction or otherwise appearing to IPG or its agents to have been sent from any Restricted Jurisdiction may be rejected as an invalid acceptance of the Offer. For further information on Touchstone Shareholders resident overseas, see paragraph 19 above.

Share certificates not readily available or lost

If your Touchstone Shares are in certificated form, a completed, signed and (where required) witnessed Form of Acceptance should be accompanied by the relevant share certificate(s) and/or other document(s) of title. If for any reason the relevant share certificate(s) and/or other document(s) of title is/are not readily available or is/are lost, you should nevertheless complete, sign and lodge your completed Form of Acceptance as stated above so as to be received by the Receiving Agent at Capita Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, BR3 4TU by post or by hand (during normal business hours only) not later than 1.00 p.m. on 15 September 2017. You should send with the Form of Acceptance any share certificate(s) and/or other document(s) of title which you may have available, accompanied by a letter stating that the remaining documents shall follow as soon as possible or that you have lost one or more of your share certificate(s) and/or other documents of title. You should then arrange for the relevant share certificate(s) and/or other document(s) of title should be forwarded as soon as possible.

If you have lost your share certificate(s) and/or other document(s) of title, you should telephone Capita Asset Services on +44 (0)371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9 a.m. – 5.30 p.m., Monday to Friday excluding public holidays in England and Wales. Please note that Capita Asset Services cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

Validity of acceptances

Without prejudice to Parts B and C of Appendix I to this document, subject to the provisions of the Code, IPG reserves the right to treat as valid in whole or in part any acceptance of the Offer which is not entirely in order or which is not accompanied by the relevant share certificate(s) and/or other document(s) of title. In that event, no New Shares shall be allotted under the Offer until after the relevant share certificate(s) and/or other document(s) of title or indemnities reasonably satisfactory to IPG have been received.

(b) ***If you hold Touchstone Shares in uncertificated form (i.e. in CREST)***

General

If your Touchstone Shares are in uncertificated form, to accept the Offer you should take (or procure the taking of) the action set out below to transfer Touchstone Shares in respect of which you wish to accept the Offer to the appropriate escrow balance(s), specifying the Receiving Agent (in its capacity as a CREST participant under the Escrow Agent's relevant Participant ID referred to below) as the Escrow Agent, **as soon as possible and in any event so that the TTE instruction settles by not later than 1.00 p.m. (London time) on 15 September 2017. Note that settlement cannot take place on weekends or bank holidays (or other times at which the CREST system is non-operational) and you should therefore ensure that you time the input of any TTE instructions accordingly.**

The input and settlement of a TTE instruction in accordance with this paragraph shall (subject to satisfying the requirements set out in Parts B and D of Appendix I to this document) constitute an acceptance of the Offer in respect of the number of Touchstone Shares so transferred to escrow.

If you are a CREST sponsored member, you should refer to your CREST sponsor before taking any action. Only your CREST sponsor will be able to send the TTE instruction(s) to Euroclear in relation to your Touchstone Shares.

After settlement of a TTE instruction, you will not be able to access the Touchstone Shares concerned in CREST for any transaction or charging purposes. If the Offer becomes or is declared wholly unconditional, the Escrow Agent will transfer the Touchstone Shares concerned in accordance with paragraph (d) of Part D of Appendix I to this document.

You are recommended to refer to the CREST Manual for further information on the CREST procedures outlined below.

You should note that Euroclear does not make available special procedures, in CREST, for any particular corporate action. Normal system timings and limitations shall therefore apply in connection with a TTE instruction and its settlement. You should therefore ensure that all necessary action is taken by you (or by your CREST sponsor) to enable a TTE instruction relating to your Touchstone Shares to settle prior to 1.00 p.m. (London time) on 15 September 2017. In this regard, you are referred in particular to those sections of the CREST Manual concerning the practical limitations of the CREST system and timings.

To accept the Offer in respect of your Touchstone Shares

To accept the Offer in respect of Touchstone Shares held in uncertificated form, you should send (or, if you are a CREST sponsored member, procure that your CREST sponsor sends) to Euroclear a TTE instruction in relation to such shares. A TTE instruction to Euroclear must be properly authenticated in accordance with Euroclear's specifications for transfers to escrow and must contain the following details:

- the ISIN number of the Touchstone Shares. This is GB00B170L953;
- the number of Touchstone Shares in respect of which you wish to accept the Offer (i.e. the number of Touchstone Shares in uncertificated form to be transferred to escrow);
- your participant ID;
- your member account ID;
- the participant ID of the Escrow Agent. This is RA10;
- the member account ID of the Escrow Agent for the Offer. This is IPGTOU01 for the Offer;
- the intended settlement date. This should be as soon as possible and, in any event, not later than 1.00 p.m. (London time) on 15 September 2017;
- the corporate action number of the Offer which is allocated by Euroclear and can be found by viewing the relevant corporate action details in CREST;
- input with a standard delivery instruction priority of 80; and
- your name and contact telephone number in the shared note field.

Validity of Acceptances

Touchstone Shareholders with Touchstone Shares in uncertificated form who wish to accept the Offer should note that a TTE instruction shall only be a valid acceptance of that Offer as at the relevant closing date if it has settled on or before 1.00 p.m. on that date. A Form of Acceptance which is received in respect of Touchstone Shares held in uncertificated form shall be treated as an invalid acceptance and be disregarded.

IPG shall make an appropriate announcement if any of the details contained in this paragraph alter for any reason.

Overseas Shareholders

The attention of Touchstone Shareholders holding Touchstone Shares in uncertificated form and who are citizens or resident of jurisdictions outside the UK is drawn to paragraph 5 of Part B and paragraph (b) of Part D of Appendix I to this document.

General

Normal CREST procedures (including timings) apply in relation to any Touchstone Shares that are, or are to be, converted from uncertificated to certificated form, or from certificated to uncertificated form, during the course of the Offer (whether any such conversion arises as a result of a transfer of Touchstone Shares or otherwise). Holders of Touchstone Shares who are proposing so as to convert any such shares are recommended to ensure that the conversion procedures are implemented in sufficient time to enable the person holding or acquiring the shares as a result of the conversion to take all necessary steps in connection with an acceptance of the Offer (in particular, as regards delivery of share certificate(s) and or other documents of title or transfers to an escrow balance as described above) prior to 1.00 p.m. on 15 September 2017.

If you have any questions relating to the procedure for acceptance of the Offer, please contact the Receiving Agent, Capita Asset Services, on +44 (0) 371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9.00 a.m. – 5.30 p.m., Monday to Friday excluding public holidays in England and Wales. Please note that Capita Asset Services cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes. If you are a CREST sponsored member, you should contact your CREST sponsor before taking any action.

21. SETTLEMENT

Subject to the Offer becoming or being declared wholly unconditional (and except as provided in paragraph 5 of Part B of Appendix I in the case of certain overseas shareholders), the allotment and issue of New Shares to which any Touchstone Shareholder (or the first-named shareholder in the case of joint holders) is entitled under the Offer shall be effected promptly, but in any event within 14 calendar days of such date; and in the case of acceptances received, complete in all respects, after such date but while the Offer remains open for acceptance, promptly but in any event within 14 calendar days of such receipt.

If the Offer does not become or is not declared wholly unconditional:

- in the case of Touchstone Shares held in certificated form, the relevant Form of Acceptance, share certificate(s) and/or other documents of title shall be returned by post (or by such other method as may be approved by the Panel) within 14 calendar days of the Offer lapsing to the person or agent whose name and address (outside a Restricted Jurisdiction) is set out in Box 1 of the Form of Acceptance or, if none is set out, to the first named holder at his or her registered address (provided that no such documents shall be sent to an address in a Restricted Jurisdiction); and
- in the case of Touchstone Shares held in uncertificated form, the Escrow Agent shall, immediately after the lapsing of the Offer, give TTE instructions to Euroclear to transfer all Touchstone Shares held in escrow balances and in relation to which it is the Escrow Agent for the purposes of the Offer to the original available balances of the Touchstone Shareholders concerned.

All remittances, communications, notices, certificates and documents of title sent by, to or from Touchstone Shareholders or their appointed agents shall be sent at their own risk.

22. FURTHER INFORMATION

The terms of and Conditions to the Offer are set out in full in Appendix I to this document. Your attention is drawn to the Conditions to and further terms of the Offer set out in Appendix I to this document and the further information on Touchstone and IPG contained in Appendices II, III and V to this document.

23. ACTION TO BE TAKEN

To accept the Offer:

- if you hold your Touchstone Shares, or any of them, in certificated form (that is, not in CREST), to accept the Offer in respect of those Touchstone Shares you should complete, sign and return the Form of Acceptance (together with your share certificate(s) and/or other document(s) of title) as soon as possible and, in any event, so as to be received by the Receiving Agent not later than 1.00 p.m. (London time) on 15 September 2017. A reply-paid envelope is enclosed for your convenience for use in the UK only; or
- if you hold your Touchstone Shares, or any of them, in uncertificated form (that is, in CREST), to accept the Offer in respect of those Touchstone Shares you should follow the procedure for Electronic Acceptance through CREST so that the TTE instruction settles as soon as possible and, in any event, not later than 1.00 p.m. (London time) on 15 September 2017.

Yours sincerely

Mike Humphrey
Chairman

APPENDIX I

CONDITIONS TO, AND FURTHER TERMS OF, THE OFFER

PART A: CONDITIONS TO THE OFFER

1. Conditions of the Offer

The Offer will be subject to the applicable requirements of the Code, the Panel, the London Stock Exchange and the FCA. The Offer will be governed by English law and will be subject to the exclusive jurisdiction of the English courts. In addition, the Offer will be subject to the terms and conditions set out below and to be set out in the Offer Document and the Form of Acceptance.

Each Condition shall be regarded as a separate Condition (as the case may be) and shall not be limited by reference to any other Condition.

The Offer is subject to the following Conditions:

Acceptance Condition

- (A) The Offer will be conditional upon valid acceptances of the Offer being received (and not, where permitted, withdrawn) by no later than 1.00 p.m. on the First Closing Date (or such later time(s) and/or date(s) as IPG may, in accordance with the Code or with the consent of the Panel, decide) in respect of not less than 75 per cent. (or such lesser percentage as IPG may decide) of the Touchstone Shares to which the Offer relates and of the voting rights attached to those Touchstone Shares, provided that this Condition will not be satisfied unless IPG shall have acquired or agreed to acquire (whether pursuant to the Offer or otherwise), directly or indirectly, Touchstone Shares carrying in aggregate more than 50 per cent. of the voting rights then normally exercisable at a general meeting of Touchstone, including for this purpose (except to the extent otherwise agreed by the Panel) any such voting rights attaching to Touchstone Shares that are unconditionally allotted or issued before the Offer becomes or is declared unconditional as to acceptances whether pursuant to the exercise of any outstanding subscription or conversion rights or otherwise.

For the purposes of this Condition:

- (i) Touchstone Shares which have been unconditionally allotted shall be deemed to carry the voting rights they will carry upon being entered into the register of members of Touchstone;
- (ii) all percentages of voting rights, share capital and relevant securities are to be calculated by reference to the percentage held and in issue outside treasury; and
- (iii) the expression “Touchstone Shares to which the Offer relates” shall be construed in accordance with Chapter 3 of Part 28 of the Companies Act;

IP Group Shareholder approval

- (B) the passing at the IPG General Meeting (or at any adjournment thereof) of such resolution or resolutions as are necessary to approve, implement and effect the Offer and the acquisition of any Touchstone Shares including a resolution or resolutions to authorise the allotment of New Shares pursuant to the Offer and approve the Offer in accordance with the Class 1 requirements under Listing Rule 10.5.1R (2) (as such resolutions are set out in the IPG Circular);

Admission to listing

- (C) the UK Listing Authority having acknowledged to IPG or its agent (and such acknowledgement not having been withdrawn) that the application for the admission of the New Shares to the Official List with a premium listing has been approved and (after satisfaction of any conditions to which such approval is expressed to be subject (“**listing conditions**”)) will become effective as soon as a dealing notice has been issued by the FCA and any listing conditions having been satisfied;

Admission to trading

- (D) the London Stock Exchange having acknowledged to IPG or its agent (and such acknowledgement not having been withdrawn) that the New Shares will be admitted to trading on the main market of the London Stock Exchange;

CMA clearance

- (E) any one of the following conditions having been fulfilled:
- (i) issuance of a decision by the Competition and Markets Authority (the “CMA”) that the Offer does not constitute a relevant merger situation pursuant to section 23 of the Enterprise Act 2002 (the “Enterprise Act”); or
 - (ii) issuance of a decision by the CMA pursuant to sections 22 or 33 of the Enterprise Act that a reference for an in-depth investigation will not be made in respect of the Offer either unconditionally or subject to conditions, obligations, undertakings or modifications in terms satisfactory to IPG pursuant to section 73 of the Enterprise Act; or
 - (iii) if any of the circumstances specified in section 100(1) of the Enterprise Act applies in respect of that merger notice, issuance of a decision by the CMA pursuant to Condition (i) or (ii) above; or
 - (iv) expiry of the period prescribed in section 34ZA of the Enterprise Act in which the CMA may issue a decision that a reference will be made in respect of the Offer, but without such a decision having been issued, by the CMA pursuant to sections 22 or 33 of the Enterprise Act,
- and in each case the CMA not having already made an order pursuant to section 72(2) of the Enterprise Act in terms that would prevent the Offer becoming unconditional;

Offer control clearance in any other jurisdiction

- (F) to the extent that IPG and Touchstone agree (such agreement to take due account of their relative legal obligations, and not to be unreasonably withheld) that any other Offer control consents or approvals are required or desirable prior to Completion according to the law of any other jurisdiction, all relevant notifications or filings having been made, all appropriate waiting periods having expired, lapsed or been terminated and all such clearances or approvals having been granted (or being deemed to have been granted in accordance with the relevant law) and is on terms reasonably satisfactory to IPG and Touchstone;

FCA approval

- (G) in respect of IPG, the appropriate regulator (as defined in section 178(2A) of FSMA) of each UK authorised person (as defined in section 191G of FSMA) within the Wider Touchstone Group in which IPG intends to acquire or increase control:
- (i) having given notice for the purposes of section 189(4)(a) of FSMA that it has determined to approve such acquisition or increase in control on terms reasonably satisfactory to IPG; or
 - (ii) being treated, by virtue of section 189(6) of FSMA, as having approved such acquisition of or increase in control,

where references to FSMA are read, where applicable, with the Financial Services and Markets Act 2000 (Controllers) (Exemptions) Order 2009;

General Third Party clearances

- (H) other than in respect of Conditions (E) to (G) above, no government or governmental, quasi-governmental, supranational, statutory, regulatory, environmental or investigative body, court, trade agency, association, institution or any other body or person whatsoever in any jurisdiction (each a “Third Party”) having decided to take, institute, implement or threaten any action, proceeding, suit,

investigation, enquiry or reference, or enacted, made or proposed any statute, regulation, decision or order, or having taken any other steps which would or might reasonably be expected to:

- (i) require, prevent or delay the divestiture, or materially alter the terms envisaged for any proposed divestiture by any member of the Wider IP Group or any member of the Wider Touchstone Group of all or any portion of their respective businesses, assets or property or impose any limitation on the ability of any of them to conduct their respective businesses (or any of them) or to own any of their respective assets or properties or any part thereof which, in any such case, is material in the context of the Wider IP Group or the Wider Touchstone Group, in either case taken as a whole;
- (ii) require, prevent or delay the divestiture by any member of the Wider IP Group of any shares, securities or other interests in any member of the Wider Touchstone Group;
- (iii) impose any material limitation on, or result in a delay in, the ability of any member of the Wider IP Group directly or indirectly to acquire or to hold or to exercise effectively, directly or indirectly, any rights of ownership in respect of shares or loans or securities convertible into shares or any other securities (or the equivalent) in any member of the Wider Touchstone Group or the Wider IP Group or to exercise management control over any such member;
- (iv) otherwise adversely affect the business, assets, profits or prospects of any member of the Wider IP Group or of any member of the Wider Touchstone Group to an extent which is material in the context of the Wider IP Group or the Wider Touchstone Group, in either case taken as a whole;
- (v) make the Offer or its implementation or the acquisition or proposed acquisition by IPG or any member of the Wider IP Group of any shares or other securities in, or control of Touchstone or any member of the Wider Touchstone Group void, illegal, and/or unenforceable under the laws of any jurisdiction, or otherwise, directly or indirectly, restrain, restrict, prohibit, delay or otherwise interfere with the same, or impose additional conditions or obligations with respect thereto, or otherwise challenge or interfere therewith;
- (vi) require any member of the Wider IP Group or the Wider Touchstone Group to offer to acquire any shares or other securities (or the equivalent) or interest in any member of the Wider Touchstone Group or the Wider IP Group owned by any third party;
- (vii) impose any limitation on, or result in any delay of, the ability of any member of the Wider Touchstone Group or the Wider IP Group to integrate or co-ordinate its business, or any part of it, with the businesses of any other member of the Wider Touchstone Group or the Wider IP Group which is adverse to and material in the context of the Wider Touchstone Group or the Wider IP Group, in each case taken as a whole or in the context of the Offer; or
- (viii) result in any member of the Wider Touchstone Group or the Wider IP Group ceasing to be able to carry on business under any name under which it presently does so, and all applicable waiting and other time periods during which any such Third Party could institute, implement or threaten any action, proceeding, suit, investigation, enquiry or reference or any other step under the laws of any jurisdiction in respect of the Offer or the acquisition or proposed acquisition of any Touchstone Shares having expired, lapsed or been terminated;

Requisite filings, etc.

- (I) other than in relation to the competition law and regulatory approvals referred to in (E) to (G) above, all necessary filings or applications having been made in connection with the Offer and all statutory or regulatory obligations in any jurisdiction having been complied with in connection with the Offer or the acquisition by any member of the Wider IP Group of any shares or other securities in, or control of, Touchstone and the Touchstone Group and all authorisations, orders, recognitions, grants, consents, licences, confirmations, clearances, permissions and approvals reasonably deemed necessary or appropriate by IPG or any member of the Wider IP Group for or in respect of the Offer

or the proposed acquisition of any shares or other securities in, or control of, Touchstone by any member of the Wider IP Group having been obtained in terms and in a form reasonably satisfactory to IPG from all appropriate Third Parties or persons with whom any member of the Wider Touchstone Group has entered into contractual arrangements and all such authorisations, orders, recognitions, grants, consents, licences, confirmations, clearances, permissions and approvals together with all material authorisations, orders, recognitions, grants, licences, confirmations, clearances, permissions and approvals necessary or appropriate to carry on the business of any member of the Wider Touchstone Group which is material in the context of the operations of the IP Group Companies or the Touchstone Group as a whole remaining in full force and effect and all filings necessary for such purpose have been made and there being no notice or intimation of any intention to revoke or not to renew any of the same at the time at which the Offer becomes otherwise unconditional and all necessary statutory or regulatory obligations in any jurisdiction having been complied with;

Certain matters arising as a result of any arrangement, agreement etc.

- (J) save as Disclosed, there being no provision of any agreement, arrangement, licence, permit or other instrument to which any member of the Wider Touchstone Group is a party or by or to which any such member or any of its assets may be bound, entitled or subject, which in consequence of the Offer or the proposed acquisition of any shares or other securities in Touchstone or because of a change in the control or management of Touchstone or otherwise, could or might result in (in each case to an extent which is material and adverse in the context of the Wider Touchstone Group as a whole, or in the context of the Offer):
- (i) any moneys borrowed by or any other indebtedness (actual or contingent) of, or grant available to any such member, being or becoming repayable or capable of being declared repayable immediately or earlier than their or its stated maturity date or repayment date or the ability of any such member to borrow moneys or incur any indebtedness being withdrawn or inhibited or being capable of becoming or being withdrawn or inhibited;
 - (ii) any such agreement, arrangement, licence, permit or instrument or the rights, liabilities, obligations or interests of any such member thereunder being terminated or adversely modified or adversely affected or any obligation or liability arising or any adverse action being taken or arising thereunder;
 - (iii) any assets or interests of any such member being or falling to be disposed of or charged or any right arising under which any such asset or interest could be required to be disposed of or charged;
 - (iv) the creation or enforcement of any mortgage, charge or other security interest over the whole or any part of the business, property or assets of any such member;
 - (v) the rights, liabilities, obligations or interests of any such member in, or the business of any such member with, any person, firm or body (or any arrangement or arrangements relating to any such interest or business) being terminated, adversely modified or adversely affected;
 - (vi) the value of any such member or its financial or trading position or prospects being prejudiced or adversely affected;
 - (vii) any such member ceasing to be able to carry on business under any name under which it presently does so; or
 - (viii) the creation of any liability, actual or contingent, by any such member, and no event having occurred which, under any provision of any agreement, arrangement, licence, permit or other instrument to which any member of the Wider Touchstone Group is a party or by or to which any such member or any of its assets may be bound, entitled or subject, could result in any of the events or;

circumstances as are referred to in sub-paragraphs (i) to (viii) of this Condition (in each case to the extent which is material in the context of the Wider Touchstone Group taken as a whole);

Certain events occurring since 31 March 2017

- (K) save as Disclosed, no member of the Wider Touchstone Group having, since 31 March 2017:
- (i) save as between Touchstone and wholly-owned subsidiaries of Touchstone or for Touchstone Shares issued pursuant to the exercise of options or vesting of awards granted under the Share Schemes, issued, authorised or proposed the issue of additional Touchstone Shares of any class;
 - (ii) save as between Touchstone and wholly-owned subsidiaries of Touchstone, or for the grant of options or awards under the Touchstone Share Schemes, issued or agreed to issue, authorised or proposed the issue of securities convertible into Touchstone Shares of any class or rights, warrants or options to subscribe for, or acquire, any such shares or convertible securities;
 - (iii) other than to another member of the Touchstone Group or as provided for in this document, recommended, declared, paid or made or proposed to recommend, declare, pay or make any bonus, dividend or other distribution whether payable in cash or otherwise;
 - (iv) save for intra-Touchstone Group transactions, merged or demerged with any body corporate or acquired or disposed of or transferred, mortgaged or charged or created any security interest over any assets or any right, title or interest in any asset (including shares and trade investments) or authorised or proposed or announced any intention to propose any Offer, demerger, acquisition or disposal, transfer, mortgage, charge or security interest, in each case, (i) other than in the ordinary course of business and (ii) which is material in the context of the Wider Touchstone Group taken as a whole;
 - (v) save for intra-Touchstone Group transactions, made or authorised or proposed or announced an intention to propose any change in its loan capital in each case, to the extent which is material in the context of the Wider Touchstone Group taken as a whole;
 - (vi) issued, authorised or proposed the issue of any debentures or (save for intra-Touchstone Group transactions), save in the ordinary course of business, incurred or increased any indebtedness or become subject to any guarantee or contingent liability;
 - (vii) purchased, redeemed or repaid or announced any proposal to purchase, redeem or repay any of its own shares or other securities or reduced or, save in respect to the matters mentioned in sub-paragraph (i) above, made any other change to any part of its share capital, in each case, to the extent which is material in the context of the Wider Touchstone Group taken as a whole;
 - (viii) other than pursuant to the Offer (and except for transactions between Touchstone and its wholly-owned subsidiaries or between wholly-owned subsidiaries of Touchstone which are not material in the context of the Wider Touchstone Group) implemented, or authorised, proposed or announced its intention to implement, any reconstruction, amalgamation, scheme, commitment or other transaction or arrangement;
 - (ix) entered into or changed the terms of any contract with any director or senior executive;
 - (x) entered into or varied or authorised, proposed or announced its intention to enter into or vary any contract, transaction or commitment (whether in respect of capital expenditure or otherwise) which is of a long term, onerous or unusual nature or magnitude or which is or could be restrictive on the businesses of any member of the Wider Touchstone Group or the Wider IP Group or which involves or could involve an obligation of such a nature or magnitude other than in the ordinary course of business and which is material or would reasonably likely to be material in the context of the Wider Touchstone Group taken as a whole;
 - (xi) (other than in respect of a member which is dormant and was solvent at the relevant time) taken any corporate action or had any legal proceedings started or threatened against it for its

winding-up, dissolution or reorganisation or for the appointment of a receiver, administrative receiver, administrator, trustee or similar officer of all or any of its assets or revenues or any analogous proceedings in any jurisdiction or had any such person appointed, and in each such case, to the extent which is material in the context of the Wider Touchstone Group taken as a whole;

- (xii) entered into any contract, transaction or arrangement which would be restrictive on the business of any member of the Wider Touchstone Group other than to a nature and extent which is normal in the context of the business concerned, and in each such case which is material or would reasonably likely to be material in the context of the Wider Touchstone Group taken as a whole;
- (xiii) waived or compromised any claim otherwise than in the ordinary course of business and in any case which is material or would reasonably likely to be material in the context of the Wider Touchstone Group taken as a whole;
- (xiv) entered into any contract, commitment, arrangement or agreement or passed any resolution or made any offer (which remains open for acceptance) with respect to or announced any intention to, or to propose to, effect any of the transactions, matters or events referred to in this Condition;
- (xv) having made or agreed or consented to any change to:
 - (1) the terms of the trust deeds constituting the pension scheme(s) established by any member of the Wider Touchstone Group for its directors, employees or their dependents;
 - (2) the contributions payable to any such scheme(s) or to the benefits which accrue or to the pensions which are payable thereunder;
 - (3) the basis on which qualification for, or accrual or entitlement to, such benefits or pensions are calculated or determined; or
 - (4) the basis upon which the liabilities (including pensions) of such pension schemes are funded, valued or made, in each case, to the extent which is material in the context of the Wider Touchstone Group taken as a whole;
- (xvi) proposed, agreed to provide or modified the terms of the Touchstone Share Schemes or any share option scheme, incentive scheme or other benefit constituting a material change relating to the employment or termination of employment of a material category of persons employed by the Wider Touchstone Group or which constitutes a material change to the terms or conditions of employment of any senior employee of the Wider Touchstone Group, save as agreed by the Panel (if required) and by IPG; or
- (xvii) having taken (or agreed or proposed to take) any action which requires, or would require, the consent of the Panel or the approval of Touchstone Shareholders in general meeting in accordance with, or as contemplated by, Rule 21.1 of the City Code;

No adverse change, litigation or regulatory enquiry

(L) save as Disclosed, since 31 March 2017:

- (i) no adverse change or deterioration having occurred in the business, assets, financial or trading position or profits or prospects of any member of the Wider Touchstone Group which, in any such case, is material in the context of the Wider Touchstone Group taken as a whole and no circumstances have arisen which would or might reasonably be expected to result in any such adverse change;
- (ii) no litigation, arbitration proceedings, prosecution or other legal proceedings to which any member of the Wider Touchstone Group is or may become a party (whether as a plaintiff,

defendant or otherwise) and no investigation by any Third Party against or in respect of any member of the Wider Touchstone Group having been instituted announced or threatened by or against or remaining outstanding in respect of any member of the Wider Touchstone Group which in any such case, has had or might reasonably be expected to have an adverse effect that is material in the context of the Wider Touchstone Group; and

- (iii) no contingent or other liability having arisen or become apparent to IPG (other than in the ordinary course of business) which will or might be likely to adversely affect the business, assets, financial or trading position or profits or prospects or operational performance of any member of the Wider Touchstone Group to an extent which is material in the context of the Wider Touchstone Group taken as a whole;

No withdrawal, cancellation, termination or modification of licence

- (M) save as Disclosed, no steps having been taken which are likely to result in the withdrawal, cancellation, termination or modification of any licence held by any member of the Wider Touchstone Group which is necessary for the proper carrying on of its business and the withdrawal, cancellation, termination or modification of which is material and has had, or might reasonably be expected to have, a material adverse effect on the Wider Touchstone Group taken as a whole;

No discovery of certain matters

- (N) save as Disclosed, IPG not having discovered:
 - (i) that any financial, business or other information concerning the Wider Touchstone Group as contained in the information publicly disclosed at any time by or on behalf of any member of the Wider Touchstone Group is materially misleading, contains a material misrepresentation of fact or omits to state a fact necessary to make that information not misleading;
 - (ii) that any member of the Wider Touchstone Group is subject to any liability (contingent or otherwise); or
 - (iii) any information which affects the import of any information disclosed at any time prior to the Announcement Date by or on behalf of any member of the Wider Touchstone Group to any member of the Wider IP Group, in each case, to the extent which is material in the context of the Wider Touchstone Group taken as a whole;

Anti-corruption, sanctions and criminal property

- (O) save as Disclosed, IPG not having discovered that:
 - (i) (a) any past or present member, director, officer or employee of the Wider Touchstone Group is or has at any time engaged in any activity, practice or conduct which would constitute an offence under the Bribery Act 2010, the US Foreign Corrupt Practices Act of 1977 or any other applicable anti-corruption legislation; or (b) any person that performs or has performed services for or on behalf of the Wider Touchstone Group is or has at any time engaged in any activity, practice or conduct in connection with the performance of such services which would constitute an offence under the Bribery Act 2010, the US Foreign Corrupt Practices Act of 1977 or any other applicable anti-corruption legislation; or
 - (ii) any material asset of any member of the Wider Touchstone Group constitutes criminal property as defined by section 340(3) of the Proceeds of Crime Act 2002; or
 - (iii) any past or present member, director, officer or employee of the Touchstone Group has engaged in any business with, made any investments in, made any funds or assets available to or received any funds or assets from: (a) any government, entity or individual in respect of which US or European Union persons, or persons operating in those territories, are prohibited from engaging in activities or doing business, or from receiving or making available funds or economic resources, by US or European Union laws or regulations, including the economic

sanctions administered by the United States Office of Foreign Assets Control, or HM Treasury & Customs; or (b) any government, entity or individual targeted by any of the economic sanctions of the United Nations, the United States, the European Union or any of its member states, in each case to an extent which is material in the context of the Wider Touchstone Group taken as a whole; or

- (iv) no member of the Touchstone Group being engaged in any transaction which would cause IPG to be in breach of any law or regulation upon its acquisition of Touchstone, including the economic sanctions of the United States Office of Foreign Assets Control, or HM Treasury & Customs, or any government, entity or individual targeted by any of the economic sanctions of the United Nations, the United States, the European Union or any of its member states;

Intellectual Property

- (P) no circumstance having arisen or event having occurred in relation to any intellectual property owned or used by any member of the Wider Touchstone Group which would have a material adverse effect on the Wider Touchstone Group taken as a whole or is otherwise material in the context of the Offer, including:
 - (i) any member of the Wider Touchstone Group losing its title to any intellectual property, or any intellectual property owned by the Wider Touchstone Group being revoked, cancelled or declared invalid;
 - (ii) any claim being asserted in writing or threatened in writing by any person challenging the ownership of any member of the Wider Touchstone Group to, or the validity or effectiveness of, any of its intellectual property; or
 - (iii) any agreement regarding the use of any intellectual property licensed to or by any member of the Wider Touchstone Group being terminated or varied.

2. Certain further terms of the Offer

If IPG is required by the Panel to make an offer for Touchstone Shares under the provisions of Rule 9 of the City Code, IPG may make such alterations to any of the above Conditions as are necessary to comply with the provisions of that Rule.

Fractions of New Shares will not be allotted or issued to persons accepting the Offer. Fractional entitlements to New Shares will be aggregated and sold in the market and the net proceeds of sale distributed pro rata to persons entitled thereto. However, individual entitlements to amounts of less than £3 will not be paid to persons accepting the Offer but will be retained for the benefit of IPG.

The New Shares will be issued credited as fully paid and will rank *pari passu* in all respects with the Existing IPG Shares. Applications will be made to the UK Listing Authority for the New Shares to be admitted to the Official List with a premium listing and to the London Stock Exchange for the New Shares to be admitted to trading.

The New Shares to be issued pursuant to the Offer have not been and will not be registered under the United States Securities Act of 1933 (as amended) nor under any of the relevant securities laws of any Restricted Jurisdiction. Accordingly, the New Shares may not be offered, sold or delivered, directly or indirectly, into any Restricted Jurisdiction, except pursuant to exemptions from applicable requirements of any such jurisdiction.

Touchstone Shares which will be acquired under the Offer will be acquired fully paid and free from all liens, equities, charges, encumbrances, options, rights of pre-emption and any other third party rights and interests of any nature and together with all rights now or hereafter attaching or accruing to them, including voting rights and the right to receive and retain in full all dividends and other distributions (if any) declared, made or paid on or after the date of this document.

If any dividend or other distribution is announced, declared, made, paid or becomes payable by Touchstone in respect of the Touchstone Shares on or after the date of this document and before the Completion Date, IPG reserves the right to reduce the offer consideration payable for each Touchstone Share by the amount of such dividend or other distribution by adjusting the Exchange Ratio.

The availability of the Offer to Touchstone Shareholders who are not resident in the UK or who are subject to the laws and/or regulations of another jurisdiction (including the ability of such Touchstone Shareholders to accept the Offer and/or to execute and deliver a Form of Acceptance) may be restricted by the laws and/or regulations of those jurisdictions. Persons who are not resident in the UK or who are subject to the laws and/or regulations of any jurisdiction other than the UK should inform themselves about, and observe, any applicable legal or regulatory requirements. Touchstone Shareholders who are in doubt about such matters should consult an appropriate independent professional adviser in the relevant jurisdiction without delay.

The Offer shall lapse, if before 1.00 p.m. on the First Closing Date, or the date on which the Offer becomes or is declared unconditional as to acceptances, whichever is later, the Offer or any matter arising from or relating to the Offer becomes subject to a CMA Phase 2 Reference.

PART B: FURTHER TERMS OF THE OFFER

The following further terms apply, unless the context requires otherwise, to the Offer.

Unless the context requires otherwise, any reference in this document and in the Form of Acceptance to:

- (a) “**acceptances of the Offer**” includes deemed acceptances of the Offer;
- (b) the “**Offer**” includes any election available under the Offer and any revision, variation, renewal or extension thereof;
- (c) the Offer “**becoming unconditional**” includes the Acceptance Condition being fulfilled, whether or not any other Condition remains to be fulfilled;
- (d) the Offer “**becoming wholly unconditional**” means the Offer being or becoming or being declared wholly unconditional;
- (e) the “**Offer Document**” means this document and any other document containing the Offer;
- (f) “**acting in concert with IPG**” means any such person acting or deemed to be acting in concert with IPG for the purposes of the Code and/or the Offer;
- (g) an “**extension of the Offer**” includes a reference to an extension of the date by which the Acceptance Condition has to be fulfilled;
- (h) “**First Closing Date**” means 15 September 2017;
- (i) “**Day 39 of the Offer**” means 26 August 2017 (or such later date as the Panel may agree);
- (j) “**Day 46 of the Offer**” means 2 September 2017 (or such later date as the Panel may agree);
- (k) “**Day 49 of the Offer**” means 5 September 2017;
- (l) “**Day 60 of the Offer**” means 16 September 2017 (or such later date as the Panel may agree); and
- (m) “**Day 70 of the Offer**” means 26 September 2017.

1. Acceptance Period

- 1.1 The Offer shall be open for acceptance until 1.00 p.m. on the First Closing Date.
- 1.2 IPG reserves the right (but shall not be obliged, other than as may be required by the Code) at any time or from time to time to extend the Offer after such time and, in such event, shall make a public announcement of such extension in the manner described in paragraph 2.1 of this Part B of Appendix I and give oral or written notice of such extension to the Receiving Agent. If the Offer has not become unconditional by 1.00 p.m. on the First Closing Date, IPG will have the option to extend the Offer until such time as the Offer becomes unconditional. There can be no assurance, however, that IPG shall, in such circumstances, extend the Offer and, if no such extension is made, the Offer shall lapse on the First Closing Date and no Touchstone Shares shall be purchased pursuant to the Offer.
- 1.3 Although no revision is contemplated, if the Offer is revised it shall remain open for acceptance for a period of at least 14 calendar days (or such other period as may be permitted by the Panel) after the date on which IPG publishes the revised offer documentation. Except with the consent of the Panel, IPG may not revise the Offer or publish any revised offer documentation after Day 46 of the Offer, or, if later, the date which is 14 calendar days before the last date on which the Offer can become unconditional.
- 1.4 The Offer, whether revised or not, shall not (except with the consent of the Panel) be capable of becoming unconditional after 12.00 midnight (London time) on Day 60 of the Offer (or any other time and/or date beyond which IPG has stated that the Offer shall not be extended and has not, where permitted, withdrawn that statement), nor of being kept open for acceptance after that time and/or date unless the Offer has previously become unconditional. If the Offer has not become unconditional at such time (taking account of any prescribed extension of the Offer), the Offer shall lapse in the

absence of a competing bid and/or unless the Panel agrees otherwise. If the Offer lapses for any reason, the Offer shall cease to be capable of further acceptance and IPG and Touchstone Shareholders shall cease to be bound by prior acceptances. IPG reserves the right, with the permission of the Panel, to extend the time for the Offer to become unconditional to any later time(s) and/or date(s).

- 1.5 Except with the consent of the Panel, for the purpose of determining at any particular time whether the Acceptance Condition is satisfied, IPG may only take into account acceptances received or purchases of Touchstone Shares made in respect of which all relevant documents and/or TTE instructions are received by the Receiving Agent:
 - (a) by 1.00 p.m. (London time) on Day 60 of the Offer (or any other date beyond which IPG has stated that the Offer shall not be extended and has not withdrawn that statement); or
 - (b) if the Offer is extended, with the consent of the Panel, such later time(s) and/or date(s) as the Panel may agree.
 - (c) If the latest time at which the Offer may become unconditional is extended beyond 12.00 midnight (London time) on Day 60 of the Offer, acceptances received and purchases made in respect of which the relevant documents are received by the Receiving Agent after 1.00 p.m. (London time) on that date may (except where the Code permits otherwise) only be taken into account with the agreement of the Panel.
- 1.6 If the Offer becomes unconditional it shall remain open for acceptance for not less than 14 calendar days from the date on which it would otherwise have expired. If the Offer has become unconditional and it is stated by or on behalf of IPG that the Offer shall remain open until further notice or if the Offer shall remain open for acceptance beyond Day 70 of the Offer, then not less than 14 calendar days' written notice shall be given by or on behalf of IPG to Touchstone Shareholders who have not accepted the Offer prior to the closing of the Offer.
- 1.7 If a competitive situation arises (as determined by the Panel) after IPG has made a "no extension" statement and/or "no increase" statement (as referred to in the Code) in relation to the Offer, IPG may, if it specifically reserved the right to do so at the time the statement was made (or otherwise with the consent of the Panel), choose not to be bound by or withdraw such statement and to extend or revise the Offer provided that IPG complies with the requirements of the Code and, in particular, that it:
 - (a) announces the withdrawal and that it is free to extend or revise the Offer (as appropriate) as soon as possible and in any event within four Business Days of the date of the firm announcement of the competing offer or other competitive situation;
 - (b) sends a notice to holders of Touchstone Shares (and persons with information rights) at the earliest opportunity to that effect or, in the case of holders of Touchstone Shares with registered addresses outside the United Kingdom or whom IPG reasonably believes to be nominees, custodians or trustees holding Touchstone Shares for such persons, by announcement in the United Kingdom; and
 - (c) any holder of Touchstone Shares who accepted the Offer after the date of the "no extension" and/or "no increase" statement is given a right of withdrawal in accordance with paragraph 3.4 of this Part B of Appendix I.
- 1.8 IPG may, if it specifically reserved the right to do so at the time the statement was made (or otherwise with the consent of the Panel), choose not to be bound by the terms of a "no extension" or "no increase" statement and may publish an increased or improved offer (either as to the value or form of the consideration or otherwise) if it is recommended for acceptance by the Touchstone Board, or in any circumstance permitted by the Panel.

- 1.9 If Touchstone announces material new information of the kind referred to in Rule 31.9 of the Code after Day 39 of the Offer, IPG may choose not to be bound by a “no extension” statement and/or a “no increase” statement if it specifically reserved the right to do so at the time such statement is made (or otherwise with the consent of the Panel) and to be free to revise and/or extend the Offer, if permitted by the Panel, provided that IPG:
- (a) announces the withdrawal and that it is free to extend or revise the Offer (as appropriate) as soon as possible and in any event within four Business Days after the date of announcement by Touchstone; and
 - (b) sends a notice to holders of Touchstone Shares (and persons with information rights) at the earliest opportunity to that effect or, in the case of holders of Touchstone Shares with registered addresses outside the UK or whom IPG reasonably believes to be nominees, custodians or trustees holding Touchstone Shares for such persons, by announcement in the United Kingdom.
- 1.10 If a competitive situation arises (as determined by the Panel) and is continuing on the Business Day preceding Day 60 of the Offer, IPG shall enable holders of Touchstone Shares in uncertificated form, who have not already validly accepted the Offer but who have previously accepted a competing offer, to accept the Offer by special form of acceptance to take effect on Day 60 of the Offer. The special form of acceptance shall constitute a valid acceptance of the Offer provided that (i) it is received by the Receiving Agent on or before Day 60 of the Offer; (ii) the relevant Touchstone Shareholder shall have applied to withdraw his acceptance of the competing offer but that the Touchstone Shares to which such withdrawal relates shall not have been released from escrow by the escrow agent to the competing offer before Day 60 of the Offer; and (iii) the Touchstone Shares to which the special form of acceptance relates are not transferred to escrow in accordance with the procedure for acceptance set out in this document on or before Day 60 of the Offer, but an undertaking is given that they shall be so transferred as soon as possible thereafter. Touchstone Shareholders wishing to use such special forms of acceptance should apply to the Receiving Agent, Capita Asset Services, on 0371 664 0321 on the Business Day preceding Day 60 of the Offer in order that such forms can be despatched. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9.00 a.m. – 5.30 p.m., Monday to Friday excluding public holidays in England and Wales. Please note that Capita Asset Services cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes. Subject to the right to use such a special form of acceptance in terms of this paragraph 1.10, holders of Touchstone Shares in uncertificated form may not use a Form of Acceptance (or any other purported acceptance form) for the purpose of accepting the Offer in respect of such shares.
- 1.11 For the purposes of determining at any particular time whether the Acceptance Condition is satisfied, IPG is not bound (unless otherwise required by the Panel) to take into account any Touchstone Shares which have been issued or unconditionally allotted or which arise as the result of the exercise of subscription or conversion rights before the determination takes place unless Touchstone or its agent has given written notice containing relevant details of the allotment, issue, subscription or conversion before that time to IPG or the Receiving Agent on behalf of IPG at one of the addresses specified in paragraph 3.2 of this Part B of Appendix I. Notification by e-mail, or facsimile or other electronic transmission or copies shall not be sufficient to constitute written notice for this purpose.

2. Announcements

- 2.1 Without prejudice to paragraph 3 below, by 8.00 a.m. (London time) on the Business Day (the “**relevant day**”) following the day on which the Offer is due to expire, or becomes or is declared unconditional, or is revised or is extended, as the case may be (or such later time or date as the Panel may agree), IPG will make an appropriate announcement and simultaneously inform a Regulatory Information Service of the position. Such announcement will also state (unless otherwise permitted by the Panel):

- 2.1.1 the total number of Touchstone Shares for which acceptances of the Offer have been received (specifying the extent, if any, to which such acceptances have been received from persons acting in concert with IPG or in respect of Touchstone Shares which were subject to an irrevocable commitment or a letter of intent procured by IPG or any person acting in concert with IPG);
- 2.1.2 details of any Touchstone relevant securities in which IPG or any person acting in concert with IPG has an interest or in respect of which any of them has a right to subscribe, in each case specifying the nature of the interests or rights concerned. Similar details of any short positions (whether conditional or absolute and whether in the money or otherwise) over Touchstone relevant securities, including any short position under a derivative, any agreement to sell or any delivery obligation or right to require another person to purchase or take delivery, will also be stated;
- 2.1.3 details of any relevant securities of Touchstone in respect of which IPG or any person acting in concert with IPG has an outstanding irrevocable commitment or letter of intent; and
- 2.1.4 details of any relevant securities of Touchstone which IPG or any person acting in concert with IPG has borrowed or lent, save for any borrowed shares which have been either on-lent or sold, and will in each case specify the percentages of each class of Touchstone relevant securities represented by these figures. Any such announcement shall include a prominent statement of the total number of Touchstone Shares which IPG may count towards the satisfaction of the acceptance condition and the percentage of Touchstone's issued share capital represented by this figure.
- 2.2 Any decision to extend the time and/or date by which the acceptance condition has to be satisfied may be made at any time up to, and will be announced not later than, 8.00 a.m. (London time) on the relevant day (or such later time and/or date as the Panel may agree). The announcement will also state the next expiry time and date unless the Offer is unconditional, in which case it may instead state that the Offer will remain open until further notice.
- 2.3 In computing the number of Touchstone Shares represented by acceptances and/or purchases for announcement purposes, subject to paragraph 5.6 below, acceptances and purchases shall only be counted towards fulfilling the acceptance condition if the requirements of Notes, 4, 5 and 6 (as applicable) on Rule 10 of the Code are satisfied (unless the Panel agrees otherwise). Subject to this IPG may include or exclude, for announcement purposes, acceptances and purchases not in all respects in order or accompanied by the relevant share certificate(s) or other document of title and/or not accompanied by the relevant TTE Instructions or which are subject to verification.
- 2.4 In this Appendix, references to the making of an announcement or the giving of notice by or on behalf of IPG include the release of an announcement by public relations consultants or by Rothschild or Numis on behalf of IPG and the delivery by hand, telephone, telex or facsimile transmission or other electronic transmission of an announcement to a Regulatory Information Service. An announcement made otherwise than to a Regulatory Information Service will be notified simultaneously to a Regulatory Information Service (unless the Panel otherwise agrees) and will be available, subject to certain restrictions relating to persons resident in Restricted Jurisdictions, for inspection on the investor relations section of IPG's website at www.ipgroupplc.com as soon as possible after the making of such an announcement and, in any event, by no later than 12 noon (London time) on the following Business Day and will remain on such website whilst the Offer remains open for acceptances.
- 2.5 Without limiting the manner in which IPG may choose to make any public statement and subject to IPG's obligations under applicable law, including the Code, IPG will have no obligation to publish, advertise or otherwise communicate any such public announcement other than by making a release to a Regulatory Information Service.

3. Rights of withdrawal

- 3.1 Except as provided by this paragraph 3, acceptances of and elections under the Offer shall be irrevocable.
- 3.2 If IPG, having announced the Offer to be unconditional, fails to comply by 3.30 p.m. (London time) on the relevant day (as defined in paragraph 2.1 of this Part B of Appendix I) (or such later time(s) and/or date(s) as the Panel may agree) with any of the other requirements specified in paragraph 2.1 of this Part B of Appendix I, an accepting certificated Touchstone Shareholder may (unless the Panel agrees otherwise) withdraw his acceptance of the Offer by written notice or otherwise signed by the accepting holder of Touchstone Shares (or his agent duly appointed in writing and evidence of whose appointment, in a form reasonably satisfactory to IPG, is produced with the notice) given by post or by hand (during normal business hours only) to the Receiving Agent, Capita Asset Services, Corporate Actions, at The Registry, 34 Beckenham Road, Beckenham, BR3 4TU. Alternatively, in the case of Touchstone Shares held in uncertificated form, withdrawals can also be effected in the manner set out in paragraph 3.6 of this Part B of Appendix I. Subject to paragraph 1.3 of this Part B of Appendix I, this right of withdrawal may be terminated not less than eight calendar days after the relevant day by IPG confirming, if such is the case, that the Offer is still unconditional and complying with the other requirements relating to the Offer specified in paragraph 2.1 of this Part B of Appendix I. If that confirmation is given, the first period of 14 calendar days referred to in paragraph 1.6 of this Part B of Appendix I shall start on the date of that confirmation.
- 3.3 If by 1.00 p.m. (London time) on Day 80 of the Offer (or such later time and/or date as the Panel agree) the Offer has not become unconditional, an accepting Touchstone Shareholder may withdraw his acceptance of the Offer by written notice in the manner referred to in paragraph 3.2 of this Part B of this Appendix I (or, in the case of Touchstone Shares held in uncertificated form, in the manner set out in paragraph 3.6 of this Part B of this Appendix I) at any time before the earlier of:
- (a) the time that the Offer becomes unconditional; and
 - (b) the final time for the lodging of acceptances of the Offer which can be taken into account in accordance with paragraph 1.5 of this Part B of Appendix I.
- 3.4 If a “no extension” and/or “no increase” statement is withdrawn in accordance with paragraph 1.7 of this Part B of Appendix I, a Touchstone Shareholder who accepts the Offer after the date of that statement may withdraw such acceptance by written notice or otherwise in accordance with paragraph 3.2 of this Part B of Appendix I (or, in the case of Touchstone Shares held in uncertificated form, in the manner set out in paragraph 3.6 of this Part B of Appendix I) for a period of eight calendar days after the date on which IPG sends the notice of the withdrawal of that statement to Touchstone Shareholders.
- 3.5 In this paragraph 3, “**written notice**” (including any letter of appointment, direction or authority) means notice in writing signed by the relevant accepting Touchstone Shareholder (or his/their agent(s) duly appointed in writing and evidence of whose appointment satisfactory to IPG is produced with the notice). E-mail, facsimile or other electronic transmission or copies shall not be sufficient to constitute written notice. A notice which is post-marked in, or otherwise appears to IPG or its agents to have been sent from, a Restricted Jurisdiction, may not be treated as valid.
- 3.6 In the case of Touchstone Shares held in uncertificated form, if withdrawals are permitted pursuant to paragraphs 3.2, 3.3 or 3.4 of this Part B of Appendix I, an accepting Touchstone Shareholder may withdraw his acceptance through CREST by sending (or, if a CREST sponsored member, procuring that his CREST sponsor sends) an ESA instruction to settle in CREST in relation to each Electronic Acceptance to be withdrawn. Each ESA instruction must, in order for it to be valid and to settle, include the following details:
- 3.6.1 the ISIN number of the Touchstone Shares. This is GB00B170L953;
 - 3.6.2 the number of Touchstone Shares in uncertificated form to be withdrawn;

- 3.6.3 the member account ID of the accepting holder of Touchstone Shares;
- 3.6.4 the participant ID of the accepting holder of Touchstone Shares;
- 3.6.5 the participant ID of the Escrow Agent. This is RA10;
- 3.6.6 the member account ID of the Escrow Agent. This is IPGTOU01;
- 3.6.7 the CREST transaction ID of the Electronic Acceptance to be withdrawn, to be inserted at the beginning of the shared note field;
- 3.6.8 input with a standard delivery instruction priority of 80;
- 3.6.9 the intended settlement date for the withdrawal;
- 3.6.10 the corporate action number for the Offer, which is allocated by Euroclear and can be found by viewing the relevant corporate action details in CREST; and
- 3.6.11 the name and contact telephone number of the accepting Touchstone Shareholder inserted into the shared note field.

Any such withdrawal shall be conditional upon the Receiving Agent verifying that the withdrawal request is validly made. Accordingly, the Receiving Agent shall, on behalf of IPG, reject or accept the withdrawal by transmitting in CREST a receiving agent reject (“**AEAD**”) or receiving agent accept (“**AEAN**”) message.

- 3.7 If an accepting Touchstone Shareholder withdraws his acceptance, all documents of title and other documents lodged with the Form of Acceptance will be returned by the Receiving Agent promptly as soon as practicable following the receipt of the withdrawal (and in any event within 14 calendar days) by post (or by such other method as may be approved by the Panel). All documents sent to certificated Touchstone Shareholders (or their appointed agents) will be sent at their own risk.
- 3.8 Touchstone Shares in respect of which acceptances have been validly withdrawn in accordance with this paragraph 3 of this Part B of Appendix I may subsequently be re-assented to the Offer by following one of the procedures described in paragraph 20 of the letter from the Chairman of IPG set out in Part I of this document while the Offer remains open for acceptance.
- 3.9 All questions as to the validity (including time of receipt) of any notice of withdrawal shall be determined by IPG whose determination (except as required by the Panel) shall be final and binding. None of IPG, Touchstone, IPG’s financial advisers nor the Receiving Agent nor any other person shall be under any duty to give notification of any defects or irregularities in any notice of withdrawal or incur any liability for failure to give such notification or for any determination under paragraph 3 of this Part B of Appendix I.

4. Revised Offer

- 4.1 Although no such revision is contemplated, if the Offer is revised (in its original or previously revised form(s) and either in its terms or Conditions or in the value or form of the consideration offered or otherwise), the benefit of the revised offer shall, subject to paragraphs 4.3, 4.4 and 5 of this Part B of Appendix I, be made available to a Touchstone Shareholder who has accepted the Offer (in its original or any revised form(s)) and who has not validly withdrawn such acceptance (a “**previous acceptor**”) if any such revised offer(s) represents, on the date on which it is announced (on such basis as one or more of IPG’s financial advisers may consider appropriate), an improvement (or no diminution) in the value of the consideration compared with the consideration or terms previously offered or in the overall value received and/or retained by a Touchstone Shareholder (under or in consequence of the Offer or otherwise). The acceptance by or on behalf of a previous acceptor shall, subject to paragraphs 4.3, 4.4 and 5 of Part B of this Appendix I, be deemed to be an acceptance of the revised offer and shall constitute the separate appointment of each of IPG and any director of, or person authorised by IPG or any of IPG’s financial advisers as his attorney and/or agent with authority:

- (a) to accept the revised offer on behalf of such previous acceptor;
- (b) if the revised offer includes alternative form(s) of consideration, to make elections for and/or accept such alternative form(s) of consideration on his behalf in the proportions the attorney and/or agent in his absolute discretion thinks fit; and
- (c) to execute on his behalf and in his name all such further documents (if any) and to do all things (if any) as may be required to give effect to such acceptances and/or elections.

In making any election and/or acceptance, the attorney and/or agent shall take into account the nature of any previous acceptance(s) or election(s) made by or on behalf of the previous acceptor and other facts or matters he may reasonably consider relevant.

- 4.2 IPG reserves the right (subject to paragraphs 4.3 and 4.4 of this Part B of Appendix I) to treat an executed Form of Acceptance or TTE instruction relating to the Offer (in its original or any previously revised form(s)) which is received (or dated) after the announcement or issue of any revised offer as a valid acceptance of the revised offer (and, where applicable, a valid election for the alternative forms of consideration). The acceptance shall constitute an authority in the terms of paragraph 4.1 of this Part B of Appendix I, *mutatis mutandis*, on behalf of the relevant Touchstone Shareholder.
- 4.3 The deemed acceptance and/or election referred to in paragraph 4.1 of this Part B of Appendix I shall not apply, and the power of attorney and the authorities conferred by that paragraph shall not be exercised if, as a result, the previous acceptor would (on such basis as one or more of IPG's financial advisers may reasonably consider appropriate) receive and/or retain (as appropriate) less in aggregate in consideration under the revised offer or otherwise than he would have received and/or retained (as appropriate) in aggregate in consideration as a result of his acceptance of the Offer in the form originally accepted by such previous acceptor or on his behalf.
- 4.4 The deemed acceptance and/or election referred to in paragraph 4.1 of this Part B of Appendix I shall not apply, and the power of attorney and the authorities conferred by that paragraph shall not be exercised in the case of a previous acceptor who (i) lodges with the Receiving Agent within 14 calendar days of the publication of the document containing the revised offer to Touchstone Shareholders, a Form of Acceptance (or any other form issued on behalf of IPG) in which he validly elects to receive consideration under the revised offer in some other manner, or (ii) sends (or, if a CREST sponsored member, procures that his CREST sponsor sends), in respect of Touchstone Shares in uncertificated form, an ESA instruction to settle in CREST in relation to each Electronic Acceptance in respect of which an election is to be changed. Each ESA instruction must, in order for it to be valid and to settle, include the following details:
 - 4.4.1 the number of Touchstone Shares in respect of which the changed election is made;
 - 4.4.2 the participant ID of the Previous Acceptor;
 - 4.4.3 the member account ID of the Previous Acceptor;
 - 4.4.4 the ISIN number of Touchstone Shares. This is GB00B170L953;
 - 4.4.5 the CREST transaction ID of the Electronic Acceptance in respect of which an election is to be changed to be inserted at the beginning of the shared note field;
 - 4.4.6 the intended settlement date for the changed election;
 - 4.4.7 the participant ID of the Escrow Agent. This is RA10;
 - 4.4.8 the member account ID of the Escrow Agent included in the relevant Electronic Acceptance. This is IPGT0U01;
 - 4.4.9 the corporate action number for the Offer which is allocated by Euroclear and can be found by viewing the relevant corporate action details in CREST,

and in order that the designated change of election can be effected must include:

4.4.10 the member account ID of the Escrow Agent relevant to the new election;

4.4.11 input with a standard delivery instruction priority of 80; and

4.4.12 the name and contact telephone number of the Previous Acceptor inserted into the shared note field.

Any such change of election shall be conditional upon the Receiving Agent verifying that the request is validly made. Accordingly, the Receiving Agent shall on behalf of IPG reject or accept the requested change of election by transmitting in CREST an AEAD or AEAN message.

5. Overseas shareholders

- 5.1 The making of the Offer in, or to persons resident in, or citizens or nationals of, jurisdictions outside the United Kingdom (“**overseas shareholders**”) or to persons who are custodians, nominees of or trustees for such persons may be prohibited or affected by the laws of the relevant jurisdiction. Such overseas shareholders should inform themselves about and observe any applicable legal requirements of such jurisdictions. It is the responsibility of any overseas shareholder wishing to accept the Offer to satisfy himself as to the full observance of the laws and regulatory requirements of the relevant jurisdiction in connection with the Offer, including obtaining any governmental, exchange control or other consents which may be required or the compliance with other necessary formalities needing to be observed and the payment of any issue, transfer or other taxes or duties or other requisite payments due in that jurisdiction. Any such overseas shareholder shall be responsible for any such issue, transfer or other taxes or duties or other payments by whomsoever payable and IPG (and any person acting on behalf of IPG) shall be fully indemnified and held harmless by such overseas shareholders for any such issue, transfer or other taxes or duties or other payments which IPG (and any person acting on behalf of IPG) may be required to pay.
- 5.2 The Offer is not being made, directly or indirectly, in, into or from, or by use of the mails of, or by any means of instrumentality (including, but not limited to, facsimile, e-mail or other electronic transmission, or telephone) of interstate or foreign commerce of, or of any facility of a national, state or other securities exchange of, any jurisdiction where to do so would violate the laws of that jurisdiction and shall not be capable of acceptance by any such use, means, instrumentality or facility or from within such Restricted Jurisdiction (unless otherwise determined by IPG) and the Offer cannot be accepted by any such use, means or instrumentality or otherwise from any Restricted Jurisdiction.
- 5.3 Subject to certain exceptions, copies of this document, the Form of Acceptance and any related documents are not being (unless determined otherwise by IPG in its sole discretion), and must not be, mailed or otherwise distributed or sent in, into or from any Restricted Jurisdiction including to Touchstone Shareholders or participants in Touchstone Share Schemes with registered addresses in a Restricted Jurisdiction or to persons whom IPG knows to be custodians, trustees or nominees holding Touchstone Shares for persons with registered addresses in a Restricted Jurisdiction. Persons receiving those documents (including, without limitation, custodians, nominees and trustees) should not distribute, send or mail them in, into or from a Restricted Jurisdiction or use such mails or any such means, instrumentality or facility for any purpose directly or indirectly in connection with the Offer, and so doing may render any purported acceptance of the Offer invalid.
- 5.4 Persons wishing to accept the Offer must not use the mails of any Restricted Jurisdiction or any such means, instrumentality or facility for any purpose directly or indirectly relating to acceptance of the Offer. All Touchstone Shareholders (including nominees, trustees or custodians) who may have a contractual or legal obligation, or may otherwise intend, to forward this document and/or Form of Acceptance, should read the further details in this regard which are contained in this paragraph 5 of Part B and in Parts C and D of Appendix I before taking any action. Envelopes containing Forms of Acceptance, evidence of title or other documents relating to the Offer should not be post-marked in, or otherwise dispatched from, a Restricted Jurisdiction and all acceptors must provide addresses

outside a Restricted Jurisdiction for the receipt of the consideration to which they are entitled under the Offer or for the return of the Form of Acceptance or documents of title.

- 5.5 Subject to the provisions of this paragraph 5 of this Part B of Appendix I and applicable laws, a Touchstone Shareholder may be deemed NOT to have accepted the Offer if:
- (a) he puts “NO” in Box 5 of the Form of Acceptance and thereby does not give the representations and warranties set out in paragraph (c) of Part C of this Appendix I;
 - (b) he completes Box 1 of the Form of Acceptance with an address in a Restricted Jurisdiction or has a registered address in a Restricted Jurisdiction and in any such case does not insert in Box 1 of the Form of Acceptance the name and address of a person or agent outside a Restricted Jurisdiction to whom he wishes the consideration to which he is entitled under the Offer to be sent;
 - (c) he inserts in Box 1 of the Form of Acceptance the name and address of a person or agent in a Restricted Jurisdiction to whom he wishes the consideration to which he is entitled under the Offer to be sent;
 - (d) in any case, the Form of Acceptance received from him is received in an envelope postmarked in, which otherwise appears to IPG or its agents to have been sent from a Restricted Jurisdiction; or
 - (e) he makes a Restricted Escrow Transfer pursuant to paragraph 5.7 below, unless he also makes a related Restricted ESA Instruction which is accepted by the Receiving Agent.

IPG reserves the right, in its sole discretion, to investigate in relation to any acceptance, whether the representations and warranties set out in paragraph (c) of Part C or (as the case may be) paragraph (b) of Part D of this Appendix I could have been truthfully given by the relevant Touchstone Shareholder and, if such investigation is made and as a result IPG determines (for any reason) that such representations and warranties could not have been so given, such acceptance may be rejected as invalid.

- 5.6 If any person, despite the restrictions described above, and whether pursuant to a contractual or legal obligation or otherwise, forwards this document, the Form of Acceptance or any related document in, into or from a Restricted Jurisdiction or uses the mails or any means or instrumentality (including, without limitation, facsimile, e-mail or other electronic transmission, or telephone) of interstate or foreign commerce of, or any facility of a national, state or other securities exchange of, a Restricted Jurisdiction in connection with that forwarding, that person should:
- (a) inform the recipient of such fact;
 - (b) explain to the recipient that such action may invalidate any purported acceptance by the recipient; and
 - (c) draw the attention of the recipient to this paragraph 5 of Part B of Appendix I.
- 5.7 If a holder of Touchstone Shares in uncertificated form is unable to give the warranty set out in paragraph (b) of Part D of Appendix I, but nevertheless can produce evidence satisfactory to IPG that he is able to accept the Offer in compliance with all relevant legal and regulatory requirements, he may purport to accept the Offer by sending (or if a CREST sponsored member, procuring that his CREST sponsor sends) both:
- (a) a TTE instruction to a designated escrow balance detailed below (a “**Restricted Escrow Transfer**”); and
 - (b) one or more valid ESA instructions (a “**Restricted ESA Instruction**”) which specify the form of consideration which he wishes to receive (consistent with any alternatives which may from time to time be offered under the Offer).

Such purported acceptance shall not be treated as a valid acceptance unless both the Restricted Escrow Transfer and the Restricted ESA Instruction(s) settle in CREST and IPG decides, in its absolute discretion, to exercise its right described in paragraph 5.10 of Part B of Appendix I to waive, vary or modify the terms of the Offer related to overseas shareholders to the extent required to permit such acceptance to be made, in each case during the acceptance period set out in paragraph 1 of this Part B of Appendix I. If IPG accordingly decides to permit such acceptance to be made, the Receiving Agent shall on behalf of IPG accept the purported acceptance as an Electronic Acceptance on the terms of this document (as so waived, varied or modified) by transmitting in CREST an AEAN message. Otherwise, the Receiving Agent shall on behalf of IPG reject the purported acceptance by transmitting in CREST an AEAD message.

Each Restricted Escrow Transfer must, in order for it to be valid and to settle, include the following details:

- the ISIN number of the Touchstone Shares. This is GB00B170L593;
- the number of Touchstone Shares in uncertificated form in respect of which the accepting holder of Touchstone Shares wishes to accept the Offer (i.e. the number of Touchstone Shares in uncertificated form to be transferred to an escrow balance);
- the participant ID of the accepting Touchstone Shareholder;
- the member account ID of the accepting Touchstone Shareholder;
- the participant ID of the Escrow Agent set out in the Restricted Escrow Transfer. This is RA10;
- the member account ID of the Escrow Agent set out in the Restricted Escrow Transfer. This is RESTRICT;
- the intended settlement date. This should be as soon as possible and in any event not later than 1.00 p.m. (London time) on the First Closing Date;
- the corporate action number for the Offer which is allocated by Euroclear and can be found by viewing the relevant corporate action details in CREST;
- input with standard delivery instruction priority of 80; and
- the contact name and telephone number of the accepting Touchstone Shareholder inserted in the shared note field.

Each Restricted ESA Instruction must, in order for it to be valid and to settle, include the following details:

- the ISIN number of Touchstone Shares. This is GB00B170L593;
- the number of Touchstone Shares in uncertificated form relevant to that Restricted ESA Instruction;
- the participant ID of the accepting Touchstone Shareholder;
- the member account ID of the accepting Touchstone Shareholder;
- the participant ID of the Escrow Agent set out in the Restricted Escrow Transfer;
- the member account ID of the Escrow Agent set out in the Restricted Escrow Transfer;
- the member account ID of the Escrow Agent relevant to the form of consideration required in respect of the Offer. This is RESTRICT;

the participant ID and the member account ID of the Escrow Agent relevant to the form of consideration required (details of which are set out in the letter from the Chairman of IPG contained in Part I of this document);

- the CREST transaction ID of the Restricted Escrow Transfer to which the Restricted ESA Instruction relates;
- the intended settlement date. This should be as soon as possible and in any event not later than 1.00 p.m. (London time) on 15 September 2017;
- the corporate action number for the Offer; and
- input with a standard delivery instruction priority of 80.

5.8 The Offer is being made for securities of an English company and is subject to United Kingdom disclosure requirements which are different from certain US disclosure requirements. In addition, US investors should be aware that this document has been prepared in accordance with a United Kingdom format and style, which differs from the US format and style. In addition, the payment and settlement procedure with respect to the Offer shall comply with the relevant United Kingdom rules, which differ from US payment and settlement procedures. The Offer is not subject to the disclosure and other procedural requirements of Regulation 14D under the US Exchange Act. The Offer is being made in the United States in accordance with the requirements of Regulation 14E under the US Exchange Act to the extent applicable. To the extent permitted by applicable law and in accordance with normal United Kingdom market practice, IPG or any person acting on its behalf may from time to time make certain market or private purchases of, or arrangements to purchase, directly or indirectly, Touchstone Shares other than pursuant to the Offer. Any information about such purchases shall be publicly announced as required by law or regulation in the United Kingdom and United States.

5.9 The Company is not and does not intend to become an “investment company” within the meaning of the US Investment Company Act, and is not engaged and does not propose to engage in the business of investing, reinvesting, owning, holding or trading in securities. Accordingly, the Company has not been and will not be registered in the United States as an investment company under the US Investment Company Act. The US Investment Company Act provides certain protections to investors and imposes certain restrictions on companies that are registered as investment companies. As the Company is not so registered and does not plan to be so registered, none of these protections or restrictions is or will be applicable to the Company. As a result, restrictions on the ownership and transfer of the New Shares may materially affect certain US Persons’ ability to transfer the New Shares.

The New Shares have not been and will not be registered under the US Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and, accordingly, may not be offered, sold, resold, taken up, transferred, delivered or distributed, directly or indirectly, into, in or within the United States or to, or for the account or benefit of, US Persons (as defined in Regulation S), except in reliance on an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States. There will be no public offering of the New Shares in the United States.

The New Shares are being offered or sold only: (a) outside the United States to non-US Persons (as defined in Regulation S under the US Securities Act) in offshore transactions within the meaning of, and in accordance with, the safe harbour from the registration requirements provided by Regulation S; and (b) within, into or in the United States to persons reasonably believed to be QIBs or that are Qualified Purchasers, solely in private placement transactions not involving any public offering in reliance on the exemption from the registration requirements of Section 5 of the US Securities Act provided by Section 4(a)(2) under the US Securities Act.

Each recipient of this document acknowledges that the New Shares are “restricted securities” within the meaning of Rule 144(a)(3) of the US Securities Act and it represents that it will not resell the New Shares absent registration or an available exemption or safe harbour from registration under the US Securities Act. Resales of New Shares may only be made (i) outside the US in offshore

transactions to non-US Persons as defined in, and in reliance on, Regulation S or (ii) within the US to investors that are both QIBs and Qualified Purchasers. The Company will require the provision of a letter by investors in the US and any transferees in the US containing representations as to status under the US Securities Act and the Investment Company Act. The Company will refuse to issue or transfer New Shares to investors that do not meet the foregoing requirements.

- 5.10 Notwithstanding any other provision of paragraph 5 of Part B of Appendix I, IPG may in its sole and absolute discretion make the Offer to a resident in a Restricted Jurisdiction if IPG is satisfied, in that particular case, that to do so would not constitute a breach of any securities or other relevant legislation of a Restricted Jurisdiction.
- 5.11 The provisions of this paragraph 5 of Part B of Appendix I and/or any other terms of the Offer relating to overseas shareholders may be waived, varied or modified as regards specific Touchstone Shareholders or on a general basis by IPG in its sole discretion. Subject to this discretion, the provisions of this paragraph 5 supersede any terms of the Offer inconsistent with them. References in this paragraph 5 to a Touchstone Shareholder shall include the person or persons making an Electronic Acceptance and the person or persons executing a Form of Acceptance and, in the event of more than one person executing the Form of Acceptance, the provisions of this paragraph apply to them jointly and severally.
- 5.12 IPG reserves the right to notify any matter, including the making of the Offer, to all or any Touchstone Shareholders:
- (a) with a registered address outside the United Kingdom; or
 - (b) whom IPG knows to be a custodian, trustee or nominee holding Touchstone Shares for persons who are citizens, residents or nationals of jurisdictions outside the United Kingdom,

by announcement in the United Kingdom through a Regulatory Information Service or in any other appropriate manner or by notice in the London Gazette or paid advertisement in one or more newspapers published and circulated in the United Kingdom. Such notice shall be deemed to have been sufficiently given, despite any failure by any such Touchstone Shareholder to receive or see that notice. A reference in this document to a notice or the provision of information in writing by or on behalf of IPG is to be construed accordingly. No such document shall be sent to an address in a Restricted Jurisdiction.

- 5.13 If any written notice from a Touchstone Shareholder withdrawing his acceptance in accordance with paragraph 3 of this Part B of Appendix I is received in an envelope post-marked in, or which otherwise appears to IPG or its agents to have been sent from, a Restricted Jurisdiction, IPG reserves the right, in its absolute discretion to treat that notice as invalid. Reference in this paragraph 5 to a Touchstone Shareholder shall include the person or persons executing a Form of Acceptance and, in the event of more than one person executing the Form of Acceptance, the provisions of this paragraph 5 shall apply to them jointly and severally.

Overseas shareholders should inform themselves about and observe any applicable legal or regulatory requirements. If you are in any doubt about your position, you should consult your appropriate adviser in the relevant jurisdiction.

6. General

- 6.1 The Code requires that, except with the consent of the Panel, all conditions to the Offer must either be fulfilled or the Offer must lapse within 21 days of the date on which the Offer becomes, or is declared, unconditional as to acceptances.
- 6.2 Should the Offer become unconditional as to acceptances, any shareholders who have accepted the Offer will be unable to withdraw their acceptance.

- 6.3 If the Offer lapses for any reason:
- (a) it shall not be capable of further acceptance;
 - (b) accepting Touchstone Shareholders and IPG shall cease to be bound by: (a) in the case of Touchstone Shares held in certificated form, Forms of Acceptance submitted; and (b) in the case of Touchstone Shares held in uncertificated form, Electronic Acceptances inputted and settled, in each case before the time the Offer lapses;
 - (c) in respect of Touchstone Shares held in certificated form, Forms of Acceptance, share certificates and other documents of title shall be returned by post promptly and in any event within 14 calendar days of the Offer lapsing, at the risk of the Touchstone Shareholder in question, to the person or agent whose name and address is set out in the relevant box on the Form of Acceptance or, if none is set out, to the first-named holder at his registered address. No such documents shall be sent to an address in a Restricted Jurisdiction; and
 - (d) in respect of Touchstone Shares held in uncertificated form, the Receiving Agent shall immediately after the Offer lapses give TFE instructions to Euroclear to transfer all Touchstone Shares held in escrow balances and in relation to which it is the Escrow Agent for the purposes of the Offer to the original available balances of the relevant Touchstone Shareholders.
- 6.4 If all Conditions are satisfied, fulfilled or, to the extent permitted, waived and sufficient acceptances are received and/or sufficient Touchstone Shares are otherwise acquired, IPG intends to apply the provisions of Chapter 3 of Part 28 of the Companies Act to acquire compulsorily any outstanding Touchstone Shares. IPG intends, after the Offer becomes wholly unconditional, to procure the making of an application by Touchstone to the appropriate authorities for the cancellation of the listing and the admission to trading of Touchstone Shares, both not less than 20 Business Days after the Offer becomes wholly unconditional.
- 6.5 IPG reserves the right to elect, with the consent of the Panel, to implement the acquisition of IPG by way of a court-approved scheme of arrangement in accordance with Part 26 of the Companies Act. In such event, the acquisition shall be implemented on substantially the same terms, subject to appropriate amendments, as those which would apply to the Offer.
- 6.6 Except with the consent of the Panel:
- (a) settlement of the consideration to which any Touchstone Shareholder is entitled under the Offer shall be implemented in full in accordance with the terms of the Offer, without regard to any lien, right of set-off, counterclaim or other analogous right to which IPG or any financial adviser of IPG may otherwise be, or claim to be, entitled against that Touchstone Shareholder; and
 - (b) settlement of the consideration shall be effected in the manner prescribed in paragraph 20 of the letter from the Chairman of IPG contained in Part I of this document promptly, in any event not later than 14 calendar days after the date on which the Offer becomes or is declared wholly unconditional, or within 14 calendar days of the date of receipt of a valid and complete acceptance, whichever is the later.
- Subject to paragraph 5 of this Part B of Appendix I, no consideration shall be sent to any address in a Restricted Jurisdiction.
- 6.7 Except as otherwise agreed by the Panel:
- (a) an acceptance of the Offer shall only be counted towards fulfilling the Acceptance Condition if the requirements of Note 4 and, if applicable, Note 6 on Rule 10 of the Code are satisfied in respect of it;

- (b) a purchase of Touchstone Shares by IPG or its nominee(s) or (if IPG is required by the Panel to make an offer for Touchstone Shares under Rule 9 of the Code) by a person acting in concert with IPG or its nominee(s), shall only be counted towards fulfilling the Acceptance Condition if the requirements of Note 5 and, if applicable, Note 6 on Rule 10 of the Code are satisfied in respect of it;
 - (c) Touchstone Shares which have been borrowed by IPG may not be counted towards fulfilling the Acceptance Condition; and
 - (d) before the Offer may become or be declared wholly unconditional, the Receiving Agent shall issue a certificate to IPG or be declared or any of IPG's financial advisers (or their respective agents) which states the number of Touchstone Shares in respect of which acceptances have been received and not validly withdrawn, and the number of Touchstone Shares otherwise acquired, whether before or during the Offer Period, which comply with the provisions of paragraph 1 of this Part B of Appendix I. A copy of the certificate shall be sent to the Panel as soon as possible after it is issued.
- 6.8 The terms, provisions, instructions and authorities contained in or deemed to be incorporated in the Form of Acceptance constitute part of the terms of the Offer. Words and expressions defined in this document have the same meanings when used in the Form of Acceptance, unless the context otherwise requires. The provisions of this Appendix I shall be deemed to be incorporated into and form part of the Form of Acceptance.
- 6.9 If the expiry date of the Offer is extended, a reference in this document and in the Form of Acceptance to the First Closing Date shall (except in the definition of Offer Period and in paragraph 1.1 of this Part B or Appendix I and where the context requires otherwise) be deemed to refer to the expiry date of the Offer as so extended.
- 6.10 No acknowledgement of receipt of any Form of Acceptance, transfer by means of CREST, communication, notice, share certificate(s) or other document(s) of title shall be given by or on behalf of IPG. All communications, notices, certificates, documents of title and remittances to be delivered by, to or on behalf of Touchstone Shareholders (or their designated agents) shall be delivered by or sent to or from them (or their designated agent(s)) at their own risk.
- 6.11 Any omission or failure to despatch this document, the Form of Acceptance or any other document relating to the Offer and/or notice required to be despatched under the terms of the Offer to, or any failure to receive the same by any person to whom the Offer is, or should be made, shall not invalidate the Offer in any way or create any implication that the Offer has not been made to any such person. Subject to the provisions of paragraph 5 of this Part B of Appendix I, the Offer is made to any Touchstone Shareholder to whom this document and the Form of Acceptance or any related document may not be despatched or by whom such documents may not be received, and these persons may collect these documents from the Receiving Agent at the address set out in paragraph 3.2 of this Part B of Appendix I.
- 6.12 Subject to paragraph 5 of this Part B of Appendix I, the Offer is made at 1.00 p.m. (London time) on 18 July 2017 and is capable of acceptance from and after that time. Copies of this document, the Form of Acceptance and any related documents are available from the Receiving Agent at the address specified in paragraph 3.2 of this Part B of Appendix I.
- 6.13 All powers of attorney, appointments of agents and authorities on the terms conferred by or referred to in this Appendix I or in the Form of Acceptance are given by way of security for the performance of the obligations of the Touchstone Shareholder and are irrevocable (in respect of powers of attorney in accordance with section 4 of the Powers of Attorney Act 1971), except in the circumstances where the donor of the power of attorney, appointment or authority validly withdraws his acceptance in accordance with paragraph 3 of this Part B of Appendix I.
- 6.14 In relation to any Electronic Acceptance, IPG reserves the right to make such alterations, additions or modifications to the terms of the Offer as may be necessary or desirable to give effect to any purported

acceptance of the Offer, whether in order to comply with the facilities or requirements of CREST, or otherwise, provided any such alterations, additions or modifications are consistent with the requirements of the Code or are otherwise made with the consent of the Panel.

- 6.15 The Offer, the Form of Acceptance, all acceptances of the Offer and all elections in respect of it are governed by and shall be construed in accordance with English law. The courts of England have exclusive jurisdiction to settle any dispute arising from or connected with the Offer, all acceptances of the Offer and all elections in respect of it. The Offer shall be subject to the applicable requirements of the Code, the Panel, the London Stock Exchange and the Financial Conduct Authority.
- 6.16 For the purposes of this document, the time of receipt of a TTE instruction, an ESA instruction or an Electronic Acceptance shall be the time at which the relevant instruction settles in CREST.
- 6.17 Subject to the Code, and notwithstanding any other provision of this Part B of Appendix I, IPG reserves the right to treat as valid in whole or in part any acceptance of the Offer if received by the Receiving Agent or otherwise on behalf of IPG which is not entirely in order or in correct form or which is not accompanied by (as applicable) the relevant share certificate(s) and/or other relevant document(s) or the relevant TTE instruction or is received by it at any place or places or in any form or manner determined by either the Receiving Agent or IPG otherwise than as set out in this document or in the Form of Acceptance. In that event, no payment of cash shall be made until after the acceptance is entirely in order or the relevant share certificate(s) and/or other document(s) of title or indemnities satisfactory to IPG have been received by the Receiving Agent.
- 6.18 The Touchstone Shares acquired under the Offer shall be acquired fully paid and free from all liens, equities, charges, encumbrances, options, rights of pre-emption and any other third party rights and interests of any nature and together with all rights now and hereafter attaching or accruing to them, including, without limitation, voting rights and the right to receive and retain in full all dividends and other distributions (if any) declared, made or paid, or any other return of capital (whether by reduction of share capital or share premium account or otherwise) made, on or after the date of the Offer Announcement.
- 6.19 Other than in respect of Conditions 1A, 1B, 1C, 1D and 1E, IPG may invoke a Condition to cause the Offer not to proceed only if the circumstances giving rise to the Condition not being satisfied are of material significance to IPG in the context of the Offer.
- 6.20 All references in this Appendix I to any statute or statutory provision shall include a statute or statutory provision which amends, consolidates or replaces the same (whether before or after the date hereof).
- 6.21 Any references in this Appendix I to the return or despatch of documents by post shall extend to the return or despatch by such other method as the Panel may approve.
- 6.22 If the Panel requires IPG to make an offer for Touchstone Shares under the provisions of Rule 9 of the Code, IPG may make such alterations to the Conditions of the Offer, including the Acceptance Condition, as are necessary to comply with the provisions of that Rule.

**PART C: FORM OF ACCEPTANCE
(FOR SHARES IN CERTIFICATED FORM)**

This Part C applies to Touchstone Shares in certificated form. If you hold all your Touchstone Shares in uncertificated form you should ignore this Part C and instead read Part D.

For the purposes of this Part C of Appendix I and the Form of Acceptance, the phrase “**Touchstone Shares in certificated form comprised in the acceptance**” shall mean the number of Touchstone Shares inserted in Box 3 of the Form of Acceptance or, if no number is inserted (or a number greater than the relevant Touchstone Shareholder’s holding of Touchstone Shares), the greater of:

- the relevant Touchstone Shareholder’s entire holding of Touchstone Shares in certificated form as disclosed by details of the register of members made available to the Receiving Agent prior to the time the relevant Form of Acceptance is processed by them;
- the relevant Touchstone Shareholder’s entire holding of Touchstone Shares in certificated form, as disclosed by details of the register of members made available to the Receiving Agent prior to the latest time for receipt of Form(s) of Acceptance which can be taking into account in determining whether the Offer is unconditional; and
- the number of Touchstone Shares in certificated form in respect of which certificates or an indemnity in lieu thereof is received.

Without prejudice to the terms of the Form of Acceptance and the provisions of Parts A and B of this Appendix I, each Touchstone Shareholder by whom, or on whose behalf, a Form of Acceptance is executed and lodged with the Receiving Agent (subject to the rights of withdrawal set out in this document), irrevocably undertakes, represents, warrants and agrees to and with IPG and the Receiving Agent (so as to bind him, his personal or legal representatives, heirs, successors and assigns):

- (a) that the execution of a Form of Acceptance, whether or not any Boxes are completed, shall constitute:
 - (i) an acceptance of the Offer in respect of the number of Touchstone Shares in certificated form inserted or deemed to be inserted in Box 3 of the Form of Acceptance;
 - (ii) an undertaking to execute any further documents, take any further action and give any further assurances which may be required to enable IPG to obtain the full benefit of this Part C of Appendix I and/or to perfect any of the authorities expressed to be given hereunder and otherwise in connection with his acceptance of the Offer,

in each case on and subject to the terms and Conditions set out or referred to in this document and the Form of Acceptance and that, subject only to the rights of withdrawal set out in paragraph 3 of Part B of this Appendix I, each such acceptance and undertaking shall be irrevocable provided that if (A) no boxes are completed; or (B) the total number of Touchstone Shares inserted in Box 3 is greater than the number of Touchstone Shares in certificated form comprised in the acceptance; or (C) the acceptance is otherwise completed incorrectly, but the Form of Acceptance is signed, it shall be deemed to be an acceptance of the Offer in respect of all Touchstone Shares in certificated form comprised in the acceptance.

- (b) that he is irrevocably and unconditionally entitled to sell and transfer the beneficial ownership of the Touchstone Shares comprised or deemed to be comprised in such acceptance and that such shares are sold fully paid and free from all liens, charges, equities, encumbrances, rights of pre-emption and other interests of any nature whatsoever and together with all rights attaching to them on or after the date of the Offer Announcement, including, without limitation, voting rights and the right to receive and retain in full all dividends and other distributions (if any) declared, paid or made, or any other return of capital (whether by reduction of share capital or share premium account or otherwise) made, on or after that date,

- (c) that, unless “NO” is inserted in Box 5 of the Form of Acceptance, such Touchstone Shareholder:
- (i) has not received or sent copies or originals of this document, the Form of Acceptance or any related documents in, into, or from a Restricted Jurisdiction;
 - (ii) has not, in connection with the Offer or the execution or delivery of the Form of Acceptance utilised, directly or indirectly, the mails of, or any means or instrumentality (including, without limitation, facsimile transmission, e-mail, telephone, internet or other forms of electronic communication) of interstate or foreign commerce of, or of any facilities of a national securities exchange of, any Restricted Jurisdiction;
 - (iii) is accepting the Offer from outside a Restricted Jurisdiction and was outside such jurisdictions when the Form of Acceptance was delivered;
 - (iv) is not an agent or fiduciary acting on a non-discretionary basis for a principal, unless such agent or fiduciary is an authorised employee of such principal or such principal has given any instructions with respect to the Offer from outside a Restricted Jurisdiction;
 - (v) if he is a US person, or is acting on behalf of a US person, such US person is a QIB that is also a Qualified Purchaser within the meaning of the Securities Act; and

if such Touchstone Shareholder is a citizen, resident or national of a jurisdiction outside the United Kingdom, he has observed the laws and regulatory requirements of the relevant jurisdiction in connection with the Offer, obtained all requisite governmental, exchange control or other consents, complied with all other necessary formalities and paid any issue, transfer or other taxes or duties or other requisite payments due in any such jurisdiction in connection with such acceptance and that he has not taken or omitted to take any action that shall or may result in IPG or any other person acting in breach of the legal or regulatory requirements of any such jurisdiction in connection with the Offer or his acceptance of the Offer;

- (d) that, in relation to Touchstone Shares in certificated form, the execution of the Form of Acceptance and its delivery constitutes (subject to the Offer becoming wholly unconditional and to such Touchstone Shareholder not having validly withdrawn his acceptance) the separate irrevocable appointment of IPG and any directors of, or any person authorised by IPG as his agent and/or attorney with an irrevocable instruction and authorisation to such attorney to:
- (i) complete and execute all or any form(s) of transfer, renunciation and/or other documents at the discretion of such attorney in relation to the Touchstone Shares comprised in the acceptance in favour of IPG or such other persons as IPG or its agents may direct;
 - (ii) deliver any form(s) of transfer, renunciation and/or other document(s) at the discretion of such attorney together with any share certificate or other document(s) of title for registration relating to such Touchstone Shares for registration within six months of the Offer becoming wholly unconditional; and
 - (iii) take any other action as may in the opinion of such attorney be necessary or expedient for the purposes of, or in connection with the acceptance of the Offer and to vest in IPG (or its nominees) the full legal and beneficial ownership of Touchstone Shares in certificated form comprised in the acceptance;
- (e) that, in relation to Touchstone Shares in certificated form, the execution of the Form of Acceptance and its delivery constitutes (subject to the Offer becoming wholly unconditional in accordance with its terms and to such Touchstone Shareholder not having validly withdrawn his acceptance) an irrevocable instruction and authorisation:
- (i) to Touchstone or its agents to procure the registration of the transfer of the Touchstone Shares in certificated form comprised in the acceptance and the delivery of the share certificate(s) and other document(s) of title in respect of the Touchstone Shares to IPG or as it may direct;

- (ii) subject to the provisions of paragraph 5 of Part B of this Appendix I, to IPG, IPG's financial advisers or their respective agents, to procure the issue and despatch by post (or such other method as may be approved by the Panel) of a cheque in respect of any cash consideration to which such Touchstone Shareholder is entitled under the Offer at such Touchstone Shareholder's risk, to the person or agent whose name and address (outside the Restricted Jurisdictions unless otherwise permitted by IPG) is set out in Box 1 of the Form of Acceptance or, if none is set out, to the first-named holder at his registered address (outside the Restricted Jurisdictions unless otherwise permitted by IPG); and
- (iii) to IPG, Touchstone or their respective agents, to record, act and rely on any mandates, instructions, consents or instruments in force relating to payments, notices or distributions which have been entered in the records of Touchstone in respect of his holding of Touchstone Shares (until such are revoked or varied);
- (f) that the execution of the Form of Acceptance constitutes the giving of authority to each of IPG and its director(s), partners and agents within the terms set out in Part B and this Part C of this Appendix I;
- (g) that, subject to the Offer becoming wholly unconditional (or if the Offer would become wholly unconditional or lapse on the outcome of the resolution in question) or if the Panel otherwise gives its consent in respect of Touchstone Shares in respect of which the Offer has been accepted or deemed to be accepted, which acceptance has not been validly withdrawn and pending registration in the name of IPG, or as it may direct:
 - (i) IPG or its agents shall be authorised to direct the exercise of any votes and any or all other rights and privileges (including the right to call a general or separate class meeting of Touchstone) attaching to the Touchstone Shares in certificated form comprised or deemed to be comprised in such acceptance; and
 - (ii) the execution of a Form of Acceptance by a Touchstone Shareholder shall constitute with regard to such Touchstone Shares in certificated form comprised in the acceptance and in respect of which such acceptance has not been validly withdrawn:
 - (A) an irrevocable authority to Touchstone or its agents to send any notice, circular, warrant or other document or communication which may be required to be sent to him as a member of Touchstone to IPG at its registered office;
 - (B) an irrevocable authority to any directors of, or person authorised by IPG or any director of IPG to sign any document and do such things as may, in the opinion of that agent and/or attorney, seem necessary or desirable in connection with the exercise of any votes or other rights or privileges attaching to the Touchstone Shares held by him in certificated form (including, without limitation, signing any consent to short notice of a general or separate class meeting as his agent and/or attorney and on his behalf and executing a form of proxy appointing any person nominated by IPG to attend general and separate class meetings of Touchstone and attending any such meeting and exercising the votes attaching to the Touchstone Shares comprised or deemed to be comprised in such acceptance on his behalf, such votes (where relevant) to be cast so far as possible to satisfy any outstanding Condition); and
 - (C) the agreement of such Touchstone Shareholder not to exercise any such rights without the consent of IPG and the irrevocable undertaking of such Touchstone Shareholder not to appoint a proxy for or to attend any such general or separate class meeting of Touchstone;
- (h) that he shall deliver to, or procure the delivery to the Receiving Agent of, his certificate(s) or other document(s) of title in respect of those Touchstone Shares in certificated form comprised in the acceptance and not validly withdrawn by him or an indemnity acceptable to IPG, as soon as possible, and in any event within six months of the Offer becoming wholly unconditional;

- (i) that the terms and Conditions of the Offer are deemed to be incorporated in, and form part of, the Form of Acceptance, which shall be read and construed accordingly;
- (j) that he shall ratify each and every act or thing which may be done or effected by IPG or the Receiving Agent or any of their respective directors or agents, as the case may be, in the exercise of any of the powers and/or authorities under this Part C of Appendix I;
- (k) that, if any provision of Part B or this Part C of Appendix I shall be unenforceable or invalid or shall not operate so as to afford IPG or the Receiving Agent or any of their respective directors, agents or persons authorised by them, the benefit of the authority expressed to be given therein, he shall, with all practicable speed, do all such acts and things and execute all such documents that may be required or desirable to enable IPG and/or the Receiving Agent and any of their respective directors, agents or persons authorised by them to secure the full benefit of Part B or this Part C of Appendix I;
- (l) that the execution of the Form of Acceptance constitutes the Touchstone Shareholder's submission to the exclusive jurisdiction of the courts of England in relation to all matters arising in connection with the Offer and the Form of Acceptance;
- (m) that the Form of Acceptance shall be deemed to be delivered on the date of its execution and shall effect as a deed on such date; and
- (n) that he is not a client (as defined in the FCA Handbook) of IPG's financial advisers in connection with the Offer.

A reference in this Part C of Appendix I to a Touchstone Shareholder includes a reference to the person or persons executing the Form of Acceptance and, in the event of more than one person executing a Form of Acceptance, the provisions of this Part C shall apply to them jointly and to each of them.

PART D: ELECTRONIC ACCEPTANCE

This Part D only applies to Touchstone Shares in uncertificated form. If you hold all your Touchstone Shares in certificated form you should ignore this Part D and instead read Part C.

For the purposes of this Part D of Appendix I, the phrase “**Touchstone Shares in uncertificated form comprised in the acceptance**” shall mean the number of Touchstone Shares which are transferred by the relevant Touchstone Shareholder by Electronic Acceptance to an escrow account by means of a TTE instruction.

Without prejudice to the provisions of Parts A and B of this Appendix I, each Touchstone Shareholder by whom, or on whose behalf, an Electronic Acceptance is made (subject to the rights of withdrawal set out in this document), irrevocably undertakes, represents, warrants and agrees to and with IPG and the Receiving Agent so as to bind him, his personal and legal representatives, heirs, successors and assigns:

- (a) that the Electronic Acceptance shall constitute:
 - (I) an acceptance of the Offer in respect of the number of Touchstone Shares in uncertificated form to which the TTE instruction relates; and
 - (II) an undertaking to execute any documents, take any further action and give any further assurances which may be required to enable IPG to obtain the full benefit of this Part D of Appendix I and/or to perfect any of the authorities expressed to be given hereunder and otherwise in connection with his acceptance of the Offer;

in each case on and subject to the terms and Conditions set out or referred to in this document, and that, subject only to the rights of withdrawal set out in paragraph 3 of Part B of this Appendix I, each such acceptance shall be irrevocable;

- (b) that such Touchstone Shareholder:
 - (i) has not received or sent copies or originals of this document, the Form of Acceptance or any related documents in, into or from a Restricted Jurisdiction;
 - (ii) has not otherwise utilised in connection with the Offer, directly or indirectly, the mails of, or any means or instrumentality (including, without limitation, facsimile transmission, e-mail, telephone, internet or other forms of electronic communication) of interstate or foreign commerce of, or of any facilities of a national securities exchange of, any Restricted Jurisdiction;
 - (iii) is not acting on a non-discretionary basis (as agent, nominee, custodian, trustee or otherwise) for or on behalf of a principal, unless such principal has given any instructions with respect to the Offer from outside a Restricted Jurisdiction;
 - (iv) if such Touchstone Shareholder is a citizen, resident or national of a jurisdiction outside the UK, he has observed the laws and regulatory requirements of the relevant jurisdiction in connection with the Offer, obtained all requisite governmental, exchange control or other consents, complied with all other necessary formalities and paid any issue, transfer or other taxes or duties or other requisite payments due in any such jurisdiction in connection with such acceptance and that he has not taken or omitted to take any action that shall or may result in IPG, IPG’s financial advisers or any other person acting in breach of any legal or regulatory requirements of any such jurisdiction in connection with the Offer or his acceptance of the Offer;
 - (v) is accepting the Offer from outside a Restricted Jurisdiction and was outside those jurisdictions at the time of the input and settlement of the relevant TTE instruction(s); and
 - (vi) if he is a US person, or is acting on behalf of a US person, such US person is a QIB that is also a Qualified Purchaser within the meaning of the Securities Act.

- (c) that the Electronic Acceptance constitutes, subject to the Offer becoming wholly unconditional in accordance with its terms and to such Touchstone Shareholder not having validly withdrawn his acceptance, the irrevocable appointment of IPG as such Touchstone Shareholder's attorney and an irrevocable instruction and authorisation to the attorney to do all such acts and things as may in the opinion of such attorney be necessary or expedient for the purpose of, or in connection with, the acceptance of the Offer and to vest in IPG (or its nominees) the full legal and beneficial ownership of Touchstone Shares in uncertificated form comprised in the acceptance;
- (d) that the Electronic Acceptance constitutes the irrevocable appointment of the Receiving Agent as the accepting Touchstone Shareholder's attorney with an irrevocable instruction and authorisation:
 - (i) subject to the Offer becoming wholly unconditional in accordance with its terms and the Touchstone Shareholder not having validly withdrawn his acceptance, to transfer to IPG (or to such other person or persons as IPG or its agents may direct) by means of CREST all or any of the Touchstone Shares in uncertificated form which are the subject of a TTE instruction in respect of that Electronic Acceptance; and
 - (ii) if the Offer does not become wholly unconditional, to give instructions to Euroclear immediately after the Offer lapses to transfer all such Touchstone Shares to the original balance of the accepting Touchstone Shareholder;
- (e) that the Electronic Acceptance constitutes (subject to the Offer becoming wholly unconditional in accordance with its terms and to the Touchstone Shareholder not having validly withdrawn his acceptance) an irrevocable instruction and authorisation:
 - (i) subject to the provisions of paragraph 5 of Part B of this Appendix I, to IPG or its agents to procure the making of a CREST payment obligation in favour of such Touchstone Shareholder's payment bank in accordance with the CREST payment arrangements in respect of any cash consideration to which such Touchstone Shareholder is entitled under the Offer, provided that IPG may (if, for any reason, it wishes to do so) determine that all or any part of such cash consideration shall be paid by cheque, despatched by post (or by such other method as may be approved by the Panel); and
 - (ii) to IPG, Touchstone or their respective agents, to record, act and rely on any mandates, instructions, consents or instruments in force relating to payments, notices or distributions which have been entered in the records of Touchstone in respect of his holding of Touchstone Shares (until such are revoked or varied);
- (f) that the Electronic Acceptance constitutes the giving of authority to each of IPG and its director(s), partners and agents within the terms set out in Part B and this Part D of Appendix I;
- (g) that, subject to the Offer becoming wholly unconditional (or if the Offer would become wholly unconditional or lapse on the outcome of the resolution in question) or if the Panel otherwise gives its consent in respect of Touchstone Shares in respect of which the Offer has been accepted or deemed to be accepted, which acceptance has not been validly withdrawn and pending registration in the name of IPG or as it may direct:
 - (i) IPG or its agents shall be authorised to direct the exercise of any votes and any or all other rights and privileges (including the right to call a general or separate class meeting of Touchstone attaching to the Touchstone) Shares in uncertificated form comprised or deemed to be comprised in the acceptance; and
 - (ii) an Electronic Acceptance by a Touchstone Shareholder shall constitute with regard to such Touchstone Shares in uncertificated form comprised in the acceptance:
 - (A) an irrevocable authority to Touchstone or its agents to send any notice, circular, warrant or other document or communication which may be required to be sent to him as a member of Touchstone (including any share certificate(s) or other document(s) of title

issued as a result of a conversion of such Touchstone Shares into certificated form) to IPG at its registered office;

- (B) an irrevocable authority to any directors of, or person authorised by IPG to sign any document and do such things as may, in the opinion of that agent and/or attorney, seem necessary or desirable in connection with the exercise of any votes or other rights or privileges attaching to the Touchstone Shares held by him (including, without limitation, signing any consent to short notice of a general or separate class meeting as his attorney and on his behalf and executing a form of proxy appointing any person nominated by IPG to attend general and separate class meetings of Touchstone and attending any such meeting (and any adjournment thereof) and exercise on his behalf the votes attaching to the Touchstone Shares in uncertificated form comprised or deemed to be comprised in the acceptance such votes to be cast so far as possible to satisfy any outstanding Condition of the Offer); and
- (C) the agreement of such Touchstone Shareholder not to exercise any such rights without the consent of IPG and the irrevocable undertaking not to appoint a proxy for or to attend such general or separate class meeting of Touchstone;

The authorities referred to in this paragraph (g) of Part D of this Appendix I shall cease to be valid if the acceptance is withdrawn in accordance with paragraph 3 of Part B of this Appendix I;

- (h) that if, for any reason, any Touchstone Shares in respect of which a TTE instruction has been effected in accordance with paragraph 20 of the letter from the Chairman of IPG contained in Part I of this document are converted to certificated form, he shall (without prejudice to paragraph (g) of this Part D of Appendix I) immediately deliver, or procure the immediate delivery of the share certificate(s) or other document(s) of title in respect of all such Touchstone Shares that are so converted to the Receiving Agent at the address referred to in paragraph 3.2 of Part B of this Appendix I or to IPG at its registered address or as IPG or its agent may direct; and he shall be deemed upon conversion to undertake, represent, warrant and agree in the terms set out in Part C of this Appendix I in relation to such Touchstone Shares, without prejudice to the application of this Part D of Appendix I so far as IPG deems appropriate;
- (i) that the creation of a CREST payment obligation in favour of his payment bank in accordance with CREST payment arrangements referred to in paragraph (e) of this Part D of Appendix I shall, to the extent of the obligation so created, discharge in full any obligation of IPG to pay him the cash consideration to which he is entitled under to the Offer;
- (j) that he shall do all such acts and things as shall, in the opinion of IPG, be necessary or expedient to vest in IPG or its nominee(s) the Touchstone Shares in uncertificated form comprised or deemed to be comprised in the acceptance and to enable the Receiving Agent to perform its functions as Escrow Agent for the purposes of the Offer;
- (k) that he shall ratify each and every act or thing which may be done or effected by IPG or the Receiving Agent or any of their respective directors or agents, as the case may be, in the exercise of any of the powers and/or authorities under this Part D of Appendix I;
- (l) that, if any provision of Part B or this Part D of Appendix I shall be unenforceable or invalid or shall not operate so as to afford IPG or the Receiving Agent or any of their respective directors, agents or persons authorised by them, the benefit of the authorities and powers of attorney expressed to be given therein he shall, with all practicable speed, do all such acts and things and execute all such documents that may be required or desirable to enable IPG and/or the Receiving Agent and any of their respective directors, agents or persons authorised by them to secure the full benefit of Part B or this Part D of Appendix I;
- (m) that the making of an Electronic Acceptance constitutes such Touchstone Shareholder's submission to the exclusive jurisdiction of the courts of England in relation to all matters arising in connection with the Offer;

- (n) that, by virtue of Regulation 43 of the Regulations, the making of an Electronic Acceptance constitutes an irrevocable power of attorney by the CREST member accepting the Offer in the terms of all the powers and authorities expressed to be given in Part B (where applicable by virtue of paragraph (e) of this Part D of Appendix I), Part C and this Part D of Appendix I to IPG, the Receiving Agent or any of their respective directors or agents set out in this Appendix I;
- (o) that he is irrevocably and unconditionally entitled to sell and transfer the beneficial ownership of the Touchstone Shares comprised or deemed to be comprised in such acceptance and that such shares are sold fully paid and free from all liens, charges, equities, encumbrances, rights of pre-emption and other interests of any nature whatsoever and together with all rights attaching to them on or after the date of the Offer Announcement, including, without limitation, voting rights and the right to receive and retain in full all dividends and other distributions (if any) declared, paid or made, or any other return of capital (whether by reduction of share capital or share premium or otherwise) made, on or after that date; and
- (p) that he is not a client (as defined in the FCA Handbook) of IPG's financial advisers in connection with the Offer.

A reference in this Part D of this Appendix I to a Touchstone Shareholder includes a reference to the person or persons making an Electronic Acceptance and, in the event of more than one person making an Electronic Acceptance, the provisions of this Part D shall apply to them jointly and to each of them.

APPENDIX II

FINANCIAL AND RATINGS INFORMATION RELATING TO TOUCHSTONE

Part A: Financial information relating to Touchstone

The following table sets out financial information in respect of Touchstone as required by Rule 24.3(e) of the Code. The documents referred to in the table, the contents of which have previously been announced through a Regulatory Information Service, are incorporated into this document by reference pursuant to Rule 24.15 of the Code. If you are reading this document in hard copy, please enter the web address(es) below in your web browser to be brought to the relevant document. If you are reading this document in soft copy please click on the web addresses below to be brought to the relevant document.

<i>No.</i>	<i>Information</i>	<i>Source of Information</i>	<i>Web Address</i>
1.	Touchstone 2016 Annual Report	Document downloaded from Touchstone's website	https://www.touchstoneinnovations.com/investor-relations/annual-report-2016/
2.	Touchstone 2015 Annual Report	Document downloaded from Touchstone's website	https://www.touchstoneinnovations.com/investor-relations/documents/annual-report-2015/

The information is available in "read-only" format and can be printed from the web address detailed above.

Please see paragraph 9 of Appendix V below for details of obtaining hard copies of documents incorporated by reference into this document.

No incorporation of website information

Neither the content of Touchstone's website, nor the content of any website accessible from hyperlinks on Touchstone's website, is incorporated into, or forms part of, this document.

Part B: Touchstone ratings and outlook information

There are no ratings or outlooks publicly accorded to Touchstone.

Part C: Touchstone Interim Results 2017

The following is the text of Touchstone's interim results announcement dated 31 March 2017, taken from Touchstone's website at <https://www.touchstoneinnovations.com/investor-relations/documents/interim-results-2017/>:

Part D: Touchstone Trading Update

The following is the text of Touchstone's trading announcement dated 14 July 2017 taken from Touchstone's website at:

https://otp.tools.investis.com/clients/uk/imperial_innovations/rns1/regulatory-story.aspx?cid=859&newesid=891709



31 March 2017

Touchstone Innovations plc

Increased partnership activity drives value growth as unlisted portfolio companies mature

Touchstone Innovations plc (AIM: IVO, "Innovations" or "the Group"), a leading technology commercialisation and investment group, has published its results for the six months ended 31 January 2017.

Portfolio

- Strong dealflow and notable pick-up in activity in maturing accelerated growth portfolio:
 - PsiOxus Therapeutics signed licence agreement with Bristol-Myers Squibb for up to US \$936.0 million
 - Crescendo Biologics signed collaboration and licence agreement with Takeda Pharmaceutical for up to US \$790.0 million
 - Circassia signed \$230.0 million collaboration with AstraZeneca (March 2017)
 - Cell Medica completed £60.0 million funding round (March 2017)
- Number of maturing unlisted portfolio companies approaching inflexion points and potential realisations
- Profitable cash realisations: disposal of Oxford Immunotec Global plc and Permasense raised £11.3 million and £3.7 million respectively

Financial highlights

- Net portfolio value up by £47.7 million to £382.8 million (FY 2016: £335.1 million)
 - Unquoted portfolio value up 16% to £340.3 million (FY 2016: £292.2 million)
- Pre-tax profit of £16.0 million (H1 2016: loss of £5.9 million) including £26.5 million in net fair value gains:
 - Unquoted portfolio - net fair value gain of £23.1 million
 - Quoted portfolio - marked to market net fair value gain of £3.4 million
- £29.0 million invested in 18 companies (H1 2016: £27.5 million in 17 companies)
 - Continuing to back portfolio: £23.0 million invested into 14 existing portfolio companies
 - Investing for the future: £6.0 million invested in four new unquoted companies
 - Further £11.6 million invested since half year end - total invested in financial year £40.6 million
- Net assets increased to £472.4 million (FY 2016: £455.9 million), NAV per share £2.93
- £163.3 million available for investment and operations, including £50.0 million loan facility from European Investment Bank, which was drawn down post period end

Russ Cummings, Chief Executive of Touchstone Innovations, said:

"Our patient and focussed approach to investing for the long-term is now showing real results with a number of substantial transactions endorsing our model – notably the recent PsiOxus Therapeutics' and Crescendo Biologics' collaborations worth potentially \$936.0 million and \$790.0 million respectively. More recently Cell Medica and Pulmocide completed material funding rounds and Circassia agreed a \$230.0 million collaboration with AstraZeneca.

"We have a dozen companies of material scale and considerable potential. Most of our larger and maturing unlisted companies made significant progress and are approaching key inflexion points. We have great depth to our portfolio, with another 20 portfolio companies or so making significant progress and showing rapid development.

"This not only reflects the fruits of ten years of investment, but also the more recent acceleration of capital deployment, with 63% of all funds invested by Innovations being made within the last three and a half years. The vast majority of this capital has gone into existing portfolio companies that we know well.

"We are actively involved in discussions about partnerships, licensing and other corporate developments across a number of our larger unlisted portfolio companies. Despite the macro-economic backdrop, we have the people, platform and skills to continue to build on our successful investments for the long-term. Furthermore, our participation in the UCL Technology

Fund and Apollo Therapeutics, means we are in a great position to access and invest in some of the best IP coming out of the Golden Triangle.”

A pdf copy of the results is available at <http://www.touchstoneinnovations.com/interim2017>

For further information contact:

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About Touchstone Innovations – www.touchstoneinnovations.com

Touchstone Innovations plc (formerly Imperial Innovations Group plc or just “Innovations”) creates, builds and invests in pioneering technology companies and licensing opportunities developed from outstanding scientific research from the 'Golden Triangle', the geographical region broadly bounded by London, Cambridge and Oxford.

This area has an unrivalled cluster of outstanding academic research and technology businesses, and is home to four of the world’s top 10 universities, as well as leading research institutions, the cream of the UK’s science and technology businesses and many of its leading investors.

Innovations supports scientists and entrepreneurs in the commercialisation of their ideas through protecting and licensing out intellectual property (through its Technology Transfer subsidiary, Imperial Innovations Limited), by leading the formation of new companies, by recruiting high calibre management teams and by providing investment and encouraging co-investment. Innovations remains an active investor over the life of its portfolio companies, with the majority of Innovations’ investment going into businesses in which it is already a shareholder.

Since becoming a public company in 2006, Innovations has raised more than £440 million of equity from investors, which has enabled it to invest in some of the most exciting spin-outs to come out of UK academic research. In addition, post period end the Group has drawn down the outstanding £50.0 million from the European Investment Bank (EIB) taking the total loan to £80.0 million.

Between Innovations’ admission to AIM (August 2006) and 31 January 2017, Innovations has invested a total of £335.7 million across its portfolio companies, which have collectively raised investment of £1.5 billion.

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Chief Executive's Report

Overview

The fundamentals of the Group's business remain very strong. Innovations has a strong and diverse portfolio of 47 accelerated growth companies with the Group's top 10 assets accounting for 61% of net portfolio value. Many of these portfolio companies made significant technical, clinical and commercial progress during the period.

Significantly, the keen interest in the portfolio has continued to build; and a number of portfolio companies announced high value partnership and licensing agreements, with further discussions ongoing.

The two most notable of these were signed by PsiOxus Therapeutics and Crescendo Biologics, with potential deal values up to US\$936.0 million and US\$790.0 million respectively. These values are subject to achievement of preclinical and clinical milestones, but the size of these transactions is a clear indication of the value that global pharma companies have placed on the underlying technology developing.

The strategic partnerships signed this time last year to broaden the Group's visibility of intellectual property from the elite universities within the 'Golden Triangle' are beginning to bear fruit, with both Apollo Therapeutics and UCL Technology Fund now fully established and actively reviewing and funding their first projects.

Innovations continues to back its portfolio companies both financially and also with the insights and skills of its people. In the period, nearly 80% of investments were made into existing portfolio companies. The Group expects to continue to allocate a broadly similar proportion of its investments into existing companies in the future, as it continues to back selected companies within its accelerated growth portfolio from inception to maturity. Five years ago this portfolio comprised three companies in which the Group had invested more than £5.0 million, now there are 19 companies with this level of investment illustrating both the acceleration in the Group's investment activity and increasing maturity of its portfolio.

Visibility of new investment opportunities from the academic, research and entrepreneurial community within the 'Golden Triangle' remains high. The quality and experience of the Group's team means its ability to identify potential stars is continually improving. Innovations is excited by the quality of investments made and the opportunities that it continues to see. As the Group is only looking to add 6-8 new companies to the portfolio per annum, it takes a rigorous and measured approach to growing the portfolio, with a resolute focus on quality over quantity.

The Group added four new companies to its accelerated growth portfolio and generated net proceeds to Innovations of £3.7 million from the disposal of Permasense. Innovations' equity stake was largely derived from early commercial support provided to the founders by Innovations' Technology Transfer Office and was acquired at nil cost.

Other notable developments included the opening of a new corporate office in Air Street, London and the change of name from Imperial Innovations Group plc to Touchstone Innovations plc, both of which were completed in early January 2017. The Group also secured a new five-year contract to run the incubator at the I-HUB, a new building at Imperial College London's new White City Campus.

The Group's overall net portfolio value increased by £47.7 million to £382.8 million (FY 2016: £335.1 million) driven by a combination of increased investment and net fair value gains in its portfolio.

The increase comprises investments of £29.0 million across 18 companies and fair value gains of £36.5 million, offset by fair value losses of £10.0 million and disposals of £7.8 million. The net fair value gain of £26.5 million represents a 7.9% increase on opening net portfolio value.

As at 31 January 2017, the Group's portfolio consisted of holdings in 112 companies.

The Group's quoted portfolio comprised four companies (Circassia Pharmaceuticals plc, Abzena plc, Oxford Immunotec Global plc and IXICO plc) and was marked to market at close of trading on 31 January 2017 and valued at £42.5 million. Fair value gains of £5.0 million, were mostly attributable to Oxford Immunotec, as the Group took advantage of the strong share price to crystallise value in its holding. Post period end the Group sold the balance of its holding in Oxford Immunotec, generating total proceeds of £11.3 million. This

represents a 1.5 times return on its original investment and generated a fair value gain of £5.0 million in this financial year.

The Group's unquoted portfolio increased in value by £48.1 million (16%) to £340.3 million (31 July 2016: £292.2 million). The increase includes investments of £29.0 million and fair value gains of £31.5 million. Most of the net fair value gain (£21.9 million) was attributable to an increase in the value of PsiOxus Therapeutics following its worldwide licencing agreement with Bristol-Myers Squibb (BMS). Other notable fair value gains included Crescendo Biologics (£3.7 million) and Autifony Therapeutics (£4.3 million). The gain was offset by fair value losses of £8.4 million, largely resulting from a full write down in the value of Kesios Therapeutics of £6.2 million, as the underlying technology failed to live up to expectations. In addition, the portfolio value decreased by £4.0 million as a result of disposals, most notably from the sale of Permasense, which accounted for £3.4 million.

As of 31 January 2017, the Group had £163.3 million (FY 2016: £198.3 million) available for investment and operations, including the £50.0 million second loan facility from European Investment Bank (EIB) which was drawn down post period end.

Operational review

Partnerships, collaborations and exits

As reported in the last set of results, there is growing evidence of keen partnership interest in Innovations' portfolio, both from corporate venture investors and industry, with collaboration an increasing feature of the business.

In October 2016, Crescendo signed a multi-target collaboration and licence agreement with Takeda Pharmaceutical worth up to US \$790.0 million, subject to successful completion of milestones. Crescendo will use its proprietary transgenic platform and engineering expertise to discover and optimally configure Humabody[®] candidates (drug conjugates and immuno-oncology therapeutics) against multiple targets selected by Takeda.

Under the terms of the agreement, Crescendo is eligible to receive up to \$36 million, in a combination of an upfront payment, investment, research funding and preclinical milestones. Takeda will have the right to develop and commercialise any Humabody[®]-based therapeutics resulting from the collaboration. Crescendo is also eligible to receive further clinical development, regulatory and sales-based milestone payments of up to \$754 million over the years post preclinical development, and in addition, will be eligible to receive royalties on Humabody[®]-based product sales by Takeda. In the light of this significant agreement Innovations is reporting a net fair value gain of £3.7 million in its investment in Crescendo.

In December 2016, PsiOxus signed an exclusive worldwide licence agreement with BMS for the rights to a single pre-clinical product, NG-348, PsiOxus' first "armed" oncolytic virus. The agreement comprises an upfront payment of US\$50.0 million to PsiOxus, but is potentially worth up to US \$886.0 million in development, regulatory and sales-based milestones, subject to successful completion of milestones. BMS will also be responsible for providing PsiOxus funding to support activities related to the preclinical development of NG-348.

Albeit that there is a high degree of risk associated with clinical trials, the size of this transaction, and the fact that it is for a single preclinical product, demonstrates the potential value of PsiOxus' platform technology. This is the second collaboration that PsiOxus has signed with BMS and follows on from the first clinical collaboration of PsiOxus' oncolytic adenovirus therapeutic enadenotucirev, in combination with BMS's Immuno-Oncology (I-O) agent *Opdivo*[®] (nivolumab) to treat a range of tumour types in late-stage cancer patients (announced in June 2016).

The combination of the initial upfront payment of US\$50 million and the potential value of the licensing agreement for NG-348 has resulted in the Group reporting a net fair value gain of £21.9 million in its investment in PsiOxus.

Abzena plc is continuing to see interest in its novel site-specific ThioBridge^(TM) antibody drug conjugate (ADC) linker technology, which links antibodies and other proteins to drugs. In January 2017, the company announced a licensing agreement with a San Diego-based biopharmaceutical company covering the use of ThioBridge^(TM) in up to 10 Antibody Drug Conjugates (ADCs) across a wide range of indications. The

agreement has the potential to reach over US \$300 million to Abzena, comprising licence fees and milestone payments.

This is Abzena's biggest ever technology deal and is the second major partnership for its ThioBridge[™] antibody drug conjugate (ADC) linker technology, following a similar licensing agreement worth up to US\$150.0 million announced in January 2016.

Post period-end on 17 March 2017, Circassia announced that it had entered an agreement with AstraZeneca to secure certain U.S. commercial rights to two chronic obstructive pulmonary disease products, Tudorza[®] and Duaklir[®], for a maximum total consideration of US\$230 million. These products represent a clear strategic fit with Circassia's focus on respiratory medicines and provide the company with an opportunity to transform its product portfolio and expand its commercial infrastructure in the USA. The transaction thus allows Circassia to accrue the benefits of a broader product portfolio as well as significant infrastructure expansion. The collaboration is anticipated to be earnings enhancing for Circassia after one year and broadly cash neutral for three years, then cash generative.

Significantly, the deal is structured such that there is with no funding requirement from Circassia shareholders. Instead, Circassia will issue AstraZeneca US\$50.0 million in Ordinary Shares on completion of the transaction, followed by a deferred non-contingent consideration of U.S.\$100 million and a second payment of up to a further \$80.0 million should Circassia decide to exercise an option to sub-license the commercial rights to Tudorza[®] in the US.

In October, Permasense Limited was acquired by Emerson Electric, a Fortune 500 company, for an initial consideration of £30.6 million, with further amounts of up to £7.7 million subject to the Permasense business achieving certain performance targets over the subsequent 13 months.

Permasense is the world leader in the field of continuous integrity monitoring for the oil & gas production, refining and power industries and provides a great example of Innovations' added value when working with Imperial College to commercialise IP over and above the Group's venture investment activity. The company was co-founded by Innovations in 2008 to develop and commercialise technology originally developed at the College and Innovations' 23.0% equity stake was largely derived from early commercial support provided to the founders by Innovations' Technology Transfer Office, as well as from licensing the founding intellectual property.

Permasense generated revenues, rapidly becoming self-financing, and hence did not require funding as part of the Group's investment portfolio. Innovations' 'IP Equity' stake was therefore acquired at nil cost. In the sale to Emerson Electric, the initial consideration generated net proceeds to Innovations of £3.7 million and in addition, an equal payment of £3.7 million for Imperial College as part of the revenue share agreement.

Putting Innovations' capital to work

Innovations continued to deploy its substantial capital resources into its investment portfolio, investing £29.0 million in 18 companies (H1 2016: £27.5 million in 17 companies). Of this, 79.3% (£23.0 million) was invested into existing portfolio companies, with the balance being invested in four new unquoted accelerated growth companies. These four new companies comprise two additions to the therapeutics portfolio (Artios Pharma and Apcintex Ltd) and two new ICT & digital companies (ThisWay Global and Resolving Limited).

Of the £29.0 million invested in the period, 72.4% (£21.0 million) was made into the healthcare portfolio reflecting the higher capital demands of these companies. This included £3.9 million invested in MISSION Therapeutics as part of the company's £60.0 million funding round (announced on 2 February 2016); £3.3 million invested in Inivata, £2.8 million invested in Veryan Medical and £2.5 million invested in Ieso Digital Health.

The Group is continuing to develop its investment portfolio by scaling its activities in non-therapeutics sectors and invested in seven technology companies during the period, including significant investments in Cortexica (£2.6 million), Import.IO (£1.7 million), Plaxica (£1.0 million), Yoyo Wallet (£0.9 million) and ThisWay Global (£0.9m).

As at 31 January 2017, the Group's accelerated growth portfolio comprised 47 companies (FY2016: 45 companies) which collectively account for 99% of the portfolio by value. Post period end the Group completed the sale of its holding in Oxford Immunotec, so that the accelerated growth portfolio now comprises 46 companies.

Post period-end, the Group invested a further £11.6 million to funding rounds in Garrison Technology (£3.9 million), Resolving (£0.6 million), Concirrus (£0.6 million), Pulmocide (£1.5 million), Wave Optics (£0.5 million) and Cell Medica (£4.6 million) taking the total invested in this financial year to £40.6 million.

Building the pipeline for future value creation

Whilst the vast majority of Innovations investment capital is deployed in existing portfolio companies that have been substantially de-risked and validated over time, the Group continues to selectively add a small number of new portfolio companies per annum. Four new companies were added during the period:

- **Artios Pharma Limited:** a new Cambridge-based private biotech company, focused on the development of novel DNA Damage Response (DDR) cancer therapies formed from assets from Cancer Research Technology Ltd. In September 2016, Innovations committed £5.1 million to the £25.0 million Series A funding round alongside an impressive syndicate of leading European and US life science investors including SV Life Sciences, Merck Ventures, Arix Bioscience PLC, CRT Pioneer Fund (managed by Sixth Element Capital) and AbbVie Ventures.
- **ApcinteX:** a University of Cambridge spin-out company that is developing a new therapy for haemophilia. Innovations and Medicxi co-led a £14.0 million Series A funding round alongside Cambridge Enterprise, who helped in ApcinteX's formation, licensing key intellectual property to the company. Innovations committed £7.0 million to the round, investing £2.7 million during the period.
- **ThisWay Global Limited:** a Cambridge-based technology company that is developing an innovative software platform for the recruitment industry that uses machine learning to streamline the recruitment process by matching high-quality candidates to the most appropriate job opportunities. In September 2016, Innovations led a £1.6 million funding round alongside US-based Jetstream Ventures and Grupa Pracuj, a global recruitment technology company with a dedicated investment arm for emerging HR tech companies.
- **Resolving Limited:** this is the parent company of Resolver.co.uk a website dedicated to making it easier for consumers to make complaints or raise issues with brands, companies and organisations. During the period Innovations committed £0.5 million as the first part of a £1.1 million commitment to a £2.9 million funding round announced on 14 March 2017. Innovations invested alongside Draper Esprit.

UCL Technology Fund and Apollo Therapeutics

In January 2016, the Group completed two new initiatives aimed at expanding its licence portfolio and broadening its visibility of, and access to, intellectual property from the elite universities within the 'Golden Triangle'. Both of these initiatives are now up and running and productive.

The first of these was participation in the new £50.0 million UCL Technology Fund LP. This is the first investment fund that University College London (UCL) has created to commercialise its multidisciplinary research. Participation in this fund has significantly increased Innovations' access to deal-flow from one of the world's leading universities, and is already beginning to bear fruit.

In the first year of its formation, this fund has now completed a detailed review of 54 projects which fitted funding criteria and approved 13 investment projects at a cost of £7.0 million. These included seven Proof of Concept (PoC) projects, four spin-out opportunities and two licensing projects.

The second initiative was Innovations' contribution of £3.3 million to Apollo Therapeutics, a new £40.0 million joint venture between Innovations, Cambridge Enterprise (the technology transfer office of the University of Cambridge), UCLB (the technology commercialisation company of UCL) and three of the world's leading pharma companies, AstraZeneca, GlaxoSmithKline and Johnson & Johnson.

This new venture was created to foster the translation of outstanding academic therapeutic science into innovative new medicines by combining the skills of the university academics with industry expertise at an early stage. The ultimate aim of the fund being to speed up the development of new medicines, as well as reducing the cost and improving the attrition rate of potential opportunities, whilst sharing the risk of early development.

After evaluating initial opportunities across all three universities, Apollo has now approved funding for and launched its first four drug discovery projects. This included two projects from the University of Cambridge

and one each from Imperial College London and UCL. These initial projects represent novel and compelling drug discovery projects, emerging from academic research in areas of high medical need for which Apollo's Drug Discovery Team saw a clear route to value creation. A total of £8.5 million has been committed in milestone project plans. Two further projects are currently being finalised, with multiple others in the evaluation process across all three academic institutions.

These two key strategic partnerships are delivering in line with expectations, and in time, the Group expects that they will deliver incremental opportunities for it to deploy its investment capital.

Continuing momentum in the portfolio

Since IPO in 2006 the Group has co-founded and invested in 106 portfolio companies. Of these, 23 companies have completed successful exits, generating an average return of 2.7x cash invested. A further 37 companies have been sold or written down to recover value. The balance of 46 companies comprises the accelerated growth portfolio which provide the investment opportunity and value potential, and collectively account for 99% of the portfolio by value.

The Group's Top 10 investee companies all have net investment carrying values between £10.0 million and £45.0 million spread across the Group's four specialist sectors. None of these companies have a disproportional weighting, with the largest, PsiOxus, representing 11.6% of net portfolio value. Nine of the Top 10 are private companies with an average age of 10.3 years. These are well-managed and well-capitalised businesses which have been de-risked and validated to varying degrees through the due diligence of our co-investors. They have raised an average of £39.3 million each.

Portfolio highlights include:

- **Abingdon Health:** Abingdon has developed and commercialised its own range of rapid tests for haematology oncology specifically in the area of B-cell dyscrasias which are diseases caused by disorders of plasma cells. The Seralite® Free Light Chain product range is used as an aid in the diagnosis and management of multiple myeloma. On 10 October 2016, Abingdon announced that the latest addition to the range, Seralite®-FLC ELISA had secured a CE mark. In June 2016, Abingdon announced a global distribution agreement with Sebia, a world leader in electrophoresis products, for Seralite®- FLC Serum. This partnership is progressing well, as is its collaboration agreement with Sumitomo Chemical Co. Ltd ("Sumitomo Chemical") to develop a next generation multiplexed point of care biosensor device.
- **Abzena:** As previously mentioned Abzena plc is continuing to see interest in its novel site-specific ThioBridgTM antibody drug conjugate (ADC) linker technology and in January 2017, announced a substantial licensing agreement with a San Diego-based biopharmaceutical company with the potential to reach over \$300 million in licence fees and milestone payments. In addition, the company is seeing good progress both within its services business and across its 'Abzena inside' portfolio with a further Composite Human AntibodyTM product being taken into clinical development by a US biotech company. This takes the number of 'Abzena inside' products at a clinical stage to 12. The most advanced of these is GS-5745 in gastric cancer. Interim data for this Phase III trial is expected in late 2017.
- **Autifony:** In August 2016, Autofony announced the successful completion of a Phase I study of AUT00206, its first-in-class Kv3 modulator for schizophrenia. This was followed in January 2017 with news of a Phase 1a study providing further encouraging confirmation of human target engagement, and support for the progression of AUT00206 in schizophrenia. At the same time the company announced the start of two Phase Ib studies with the molecule. Meanwhile, the Quick+fire study in adult cochlear implant users, which started in July 2016 and will test AUT00063 in a population of patients with different hearing difficulties is continuing. On 15 March 2017, Autofony announced that it had secured £1.3 million in funding from Innovate UK and the Dementia Discovery Fund to explore novel approach to treatment of dementia based on its expertise in ion channel drug discovery.
- **Cell Medica:** continues to strike new partnerships to expand its capabilities in cellular immunotherapy and on 24 August 2016, announced a research collaboration with UCL which will see the company utilise UCL's novel T cell receptor (TCR) technology to generate leading-edge modified TCR products for the treatment of cancer. The collaboration also provides Cell Medica with an exclusive worldwide option and licence agreement for these technologies, as well as TCR gene sequences for the development and commercialisation of specific products. On 10 November 2016, Cell Medica announced that it had expanded its partnership with Baylor College of Medicine ('Baylor') to develop an off-the-shelf allogeneic cell therapy, taking advantage of the unique aspects of invariant natural

killer T (NKT) cells which mean that they are not prone to serious side effect called graft versus host disease (GvHD) that is common in other allogenic treatments. Post period-end, on 16 March 2017, Cell Medica completed a £60.0 million funding round, with Innovations committing £13.7 million to the round alongside co-investors Invesco Asset Management and Woodford Investment Management.

- **Circassia Pharmaceuticals:** Notwithstanding the disappointing results of its Phase III cat allergy trial, on 27 September 2016, Circassia reported its interim results for the six months to 30 June 2016, noting substantially increased revenues from its asthma management products, robust growth in its respiratory portfolio and an expansion of its commercial footprint. The company also reported encouraging results from its Phase II birch allergy study but will wait for the results of its large-scale (700 patients enrolled) house dust mite field study which are due in spring 2017, before reassessing the wider strategy for its allergy immunotherapy portfolio. Post period-end on 17 March 2017, Circassia announced that it had entered into an agreement with AstraZeneca to secure certain U.S. commercial rights to two chronic obstructive pulmonary disease products, Tudorza® and Duaklir®, for a maximum total consideration of US\$230 million. These products represent a clear strategic fit with Circassia's focus on respiratory medicines and provide the company with an opportunity to transform its product portfolio and expand its commercial infrastructure in the USA. – see Partnerships, collaborations and exits for further details.
- **Cortexica Visual Systems:** Cortexica is continuing to make commercial progress with its proprietary findSimilar™ technology being used by a growing list of global retailers including Macy's, Zalando and John Lewis. Cortexica is also working with Hammerson, the shopping centre group, to integrate findSimilar™ into the retailer's location-based mobile application, which is in use in 22 shopping centres across Europe. Cortexica is also diversifying its operations with the development of new applications for its visual search technology in other applications such as Health and Safety, and Clean Room environments.
- **Crescendo Biologics:** Crescendo is discovering and developing potent, highly differentiated mono- and multi-specific Humabody® therapeutics in oncology based on its unique, patent protected, transgenic mouse platform. This platform, combined with the company's engineering expertise, could lead to the development of multiple drug candidates making it very attractive to pharma companies. In October 2016 Crescendo signed a multi-target collaboration and licence agreement with Takeda Pharmaceutical worth up to US \$790 million (subject to successful completion of milestones) – see Partnerships, collaborations and exits for further details.
- **Featurespace:** is continuing to make good progress in the USA, following the announcement in May 2016 of its partnership with TSYS Inc, one of the world's largest payment solutions and services companies. As a result of this partnership Featurespace's adaptive behavioural analytics platform will be used to reduce fraud and false positives for TSYS' clients. Featurespace's solution is being implemented at the first two TSYS customers with very positive results, with the technology proving to be significantly better than existing systems. TSYS plans to roll out Featurespace's solution to many more of its customers, starting in Q2 this year.
- **MISSION Therapeutics:** Having raised £60.0 million from investors in February 2016, MISSION is well placed to continue to develop its world-leading platform for the discovery and development of first-in-class, small molecule drugs that selectively target deubiquitinating enzymes ('DUBs') – an emerging, and hitherto intractable drug class that is attracting significant commercial interest. On 5 December 2016, MISSION appointed Dr Colin Goddard as non-executive Chairman, with former Chairman Michael Moore moving to the position of Deputy Chairman. Prior to joining Mission Therapeutics, Dr Goddard was Chief Executive Officer of OSI Pharmaceuticals, which he led from being a technology platform services company into a profitable fully integrated biopharmaceutical organisation.
- **Nexeon:** With the benefit of the additional £30.0 million equity funding round completed in May 2016, Nexeon is continuing to optimise its silicon materials for the blended carbon/silicon anode applications currently being demanded by the battery industry. Nexeon is increasingly being recognised as the "go to" company for silicon materials in the battery space, which is presenting exciting commercial opportunities. The company recently signed a joint development agreement with an automotive company and is actively sampling kilogram quantities of its products to several tier 1 battery companies. On 11 October 2016, Nexeon announced the opening of a new office and development laboratory in Yokohama, close to many of the company's development partners and prospective customers in the electronics and automotive sectors. This allows Nexeon to directly support customers in a territory where more than 90% batteries are currently made and has enabled the company to attract local talent, which will accelerate commercialisation.

- PsiOxus Therapeutics: PsiOxus' first generation oncolytic virus Enadenotucirev and the company's proprietary Tumor-Specific Immuno-Gene Therapy (T-SiGn) platform technology continues to garner significant interest from pharma companies. As a combination therapy Enadenotucirev could potentially expand the market for blockbuster checkpoint inhibitor drugs by increasing the range of cancer types for which they are effective, whereas the T-SiGn platform could potentially outperform new immuno-oncology platforms such as CAR-T by providing an off-the-shelf product that does not require the selection of a specific tumour antigen. In December 2016, PsiOxus announced an exclusive worldwide licence agreement with BMS for NG-348, its first "armed" oncolytic virus, in a transaction worth up to US \$936 million (subject to successful completion of milestones) – see Partnerships, collaborations and exits for further details.
- TopiVert: is continuing to see good progress with the development of narrow spectrum kinase inhibitors (NSKIs) as novel, locally-acting medicines for the local treatment of chronic inflammatory diseases of the gastrointestinal tract and eye. TopiVert's most advanced drug candidate, TOP1288 for the treatment of ulcerative colitis (UC), has successfully completed Phase I development and on 6 October 2016, the company announced that the first patients had been dosed in its Phase IIa proof-of-concept study. In November 2016, the company announced that its Investigational New Drug (IND) application for the evaluation of TOP1630 ophthalmic solution as a treatment of patients with dry eye syndrome (DES) has been approved by the US Food and Drug Administration (FDA). Post period end on the 22 February 2017, TopiVert announced the successful dosing of the first patients in this trial. This was followed on the 28 February with the news of the successful dosing of the first subjects in a Phase 1 study of its oral formulation of TOP1288 for the treatment of UC. Results from both oral and rectal studies of TOP1288 are expected in the second half of 2017.
- Veryan Medical: In October 2016, Veryan completed enrolment into the MIMICS2 clinical study of its BioMimics 3D® Self-Expanding Stent System (BioMimics 3D). This has been designed to evaluate the safety and effectiveness of BioMimics 3D in the treatment of patients with symptomatic femoropopliteal disease with a view to provide safety and effectiveness data that are intended to support future marketing applications for BioMimics 3D in both the USA and Japan. Enrolment concluded with a total of 271 patients who were enrolled across 47 investigational sites in Germany, the USA and Japan. In February 2017, Veryan secured a further £13.5 million of funding in the form of new equity funding secured from existing investors (including Innovations) supported with a €5.0 million loan from Silicon Valley Bank. The new investment will allow the company to continue its progress towards US and Japanese regulatory approvals for its patented a three-dimensional stent, BioMimics 3D™ which secured European approval in late 2012.
- Yoyo Wallet: is continuing to see firm traction for its mobile payments and loyalty application. The 'app' was launched in early 2014 across 32 food and drink outlets at Imperial College London and at 31 January 2017, the company had signed more than 40 universities as customers and deployed the solution at 110 head office corporate catering locations. Yoyo is now targeting high-street retail chains and in November 2016 the company announced it had been selected by Caffè Nero as the coffee chain's mobile payment and loyalty strategy partner. The roll-out to the retailer's network of more than 600 stores will begin spring 2017.

Not all companies performed to expectations and the Group reported £8.3 million of impairments from its unquoted portfolio.

More than 75% of this impairment is attributable to a £6.2 million write down in the value of Kesios Therapeutics. Disappointingly the underlying technology failed to live up to expectations and the decision was made with Kesios' management team to wind the company down. The £6.2 million loss on Kesios represents 1.9% of opening net portfolio value.

Outlook

The healthy balance sheet combined with the Group's policy of building strong investor syndicates, means that Innovations remains well positioned to create value for shareholders. In particular, the Group has the ability to scale up its investment in the significant opportunities within the maturing portfolio, whilst maximising the new opportunities expected from the new alliances with UCL Technology Fund and Apollo. Overall, the Group expects to maintain its current rate of investment for the full year. Meanwhile, cash realisations are expected to be higher than the prior year, which may reduce net cash outflow. This is a further demonstration of how the portfolio is maturing.

The majority of the investment capital will continue to be deployed in companies that Innovations has co-founded and knows intimately. Additionally, the Group will maintain its new business creation activity to build longevity in the portfolio, by selectively adding 6-8 new companies per annum.

Innovations plans to continue to balance its portfolio by proactively growing its investment in non-therapeutics businesses, whilst building further capacity in its tech ventures team. Over the last 2.5 years the ICT & Digital portfolio has grown from £18.3 million (7.3% of net portfolio value) to £41.5 million (11.7% of net portfolio value), whilst over the same period generating an additional £5.3 million of realisations.

The quality of new opportunities that the Group is seeing from the academic, research and entrepreneurial community within the 'Golden Triangle' remains high, with a healthy stream of new investment opportunities.

The UCL Technology Fund and Apollo Therapeutics Fund are both now fully operational and productive and will provide additional opportunities for the Group to invest, in addition to strengthening our relationships with the participating universities and pharma companies.

The Board remains confident that Innovations' business model and key principles of attracting world class management, building stakes in selected portfolio companies alongside appropriate co-investors, and having the patience and capital resources to hold for the long-term, will generate attractive shareholder returns.

Russell Cummings
Chief Executive Officer

Financial review

Summary

The Group generated a profit during the period of £16.0 million (H1 2016: £5.9 million loss, FY 2016: £63.1 million loss). This was primarily driven by fair value gains in the quoted and unquoted portfolio. The cash balance remains healthy.

Net assets at the period end of £472.4 million (H1 2016: £415.9 million, FY 2016: £455.9 million) increased by £16.5 million from 31 July 2016, primarily as a result of the net fair value gain.

Cash and short-term liquidity investments

At 31 January 2017, the Group's cash and short term liquidity investments moved to £113.3 million (H1 2016: £91.6 million, FY 2016: £148.3 million). The key driver of this movement was the Group's investment activity.

The movement in cash and short term liquidity investments of £35.0 million from the opening balance as at 31 July 2016 is summarised below:

	Six months to 31 Jan 2017 £m	Six months to 31 Jan 2016 £m	12 months to 31 July 2016 £m
Net cash used in operating activities	(5.4)	(5.3)	(10.8)
Purchase of trade investments	(29.0)	(27.5)	(69.9)
Investments in funds	(1.1)	-	(1.2)
Net proceeds from sale of trade investments	3.4	0.1	5.0
Funds in transit intended for trade investments	-	(5.2)	-
Net cash from other investing activities	(0.8)	0.3	1.1
Financing activities	(2.1)	1.1	96.0
Movement in net cash reserves during period	(35.0)	(36.5)	20.2

The Group invests cash surplus to working capital requirements in short-term deposits, classified as short term liquidity investments, across a number of banks with a focus on capital preservation rather than interest earned.

Post period end, on 2 February 2017 the Group drew down the £50.0 million second loan facility secured from the EIB in July 2015. Following this, the Group has £163.3 million available for investment and operations.

Revenues, cost of sales and operating costs

Total trading revenue of £2.4 million (H1 2016: £2.2 million; FY 2016: £4.3 million) was higher than the prior half year as a result of an increase in the licence and royalty income stream to £1.9 million (H1 2016: £1.3 million, FY 2016: £2.2 million). Corporate finance fees were £0.03 million (H1 2016: £0.04 million; FY 2016: £0.4 million) and were primarily generated by the Group-led funding rounds. Other income includes revenue from services of £0.5 million (H1 2016: £0.8 million, FY 2016: £1.6 million) and dividends received of £0.02 million (H1 2016: £0.02 million; FY 2016: £0.4 million).

Cost of sales, which mainly arises from the revenue sharing arrangements with Imperial College London, were £1.0 million (H1 2016: £0.8 million; FY 2016: £1.4 million) reflecting the increased licence and royalty activity.

Other administrative expenses were £7.7 million (H1 2016: £6.9 million; FY 2016: £12.6 million). The expenses are up on H1 2016 primarily due to costs associated with our office move to the new premises. Other administrative expenses include costs of £0.8 million (H1 2016: £0.9 million; FY 2016: £1.5 million) incurred filing patents and protecting the as yet unexploited intellectual property from Imperial College London.

The Group's carried interest plan, which is a significant portion of its long term incentive arrangements, recognised a charge of £4.0 million (H1 2016: charge of £0.9 million, FY 2016: a release of £3.0 million) as a result of an increase in the value of the unquoted portfolio. There is no cash payment due to members of the scheme until the Group has made substantial cash realisations.

Finance income was lower than the prior period, at £0.3 million (H1 2016: £0.5 million, FY 2016: £1.1 million), reflecting the lower cash balance. During the period ended 31 January 2017, the Group made quarterly payments of interest of £0.5 million (H1 2016: £0.6 million, FY 2016: £1.1 million) on the EIB loan.

The Group reported a profit before tax of £16.0 million (H1 2016: £5.9 million loss, FY 2016: £63.1 million loss). The Group's basic profit per share was 10.0p (H1 2016: basic loss per share 4.3p, FY 2016: basic loss per share 43.2p). The Group did not pay a dividend (H1 2016: nil, FY 2016: nil).

Investment portfolio performance

The Group reported a net fair value gain arising from the portfolio of £26.5 million (H1 2016: £0.5 million gain, FY 2016: £56.2 million loss). An analysis of the change in fair value is set out in note 2 to the interim report and accounts and is summarised below:

Portfolio movements excluding cash invested/divestments	Six months to 31 January 2017	Six months to 31 January 2016	12 months to 31 July 2016
	£m	£m	£m
Gains on revaluation of investments	36.5	12.7	22.1
Losses on the revaluation of investments	(10.0)	(12.2)	(78.3)
Net fair value gains / (losses)	26.5	0.5	(56.2)

As at 31 January 2017, the value of the Group's portfolio, net of £6.3 million due to revenue share agreements, increased to £382.8 million (FY 2016: £335.1 million). The increase represents £29.0 million (FY 2016: £69.9 million) of investments to fund 18 (FY 2016: 33) companies in its portfolio, net disposals of £7.8 million (FY 2016: £5.8 million) and fair value gains of £26.5 million (FY 2016: £56.2 million loss).

Investment and divestment

The Group's rate of investment in its portfolio companies was £29.0 million across 18 portfolio companies (H1 2016: £27.5 million, FY 2016: £69.9 million). At the end of the period the Group had outstanding investment commitments of £28.2 million in certain technology businesses under milestone provisions contained in investment agreements.

This takes the total invested since Innovations' IPO in July 2006 to £335.7 million and the total raised by the Group's portfolio companies to over £1.5 billion.

Divestments in the period amounted to £7.8 million and include proceeds on the sale of Permasense and the partial sale of stock in Oxford Immunotec, a quoted portfolio company.

Total net investment after net cash disposals in the period was £21.2 million (H1 2016: £27.4 million, FY 2016: £64.1 million).

UCL and Apollo

In addition to investments into its core portfolio, the Group committed £24.8 million towards the UCL Technology Fund LP and £3.3 million towards the partnership, Apollo Therapeutics LLP during the year ended 31 July 2016. The actual cash will be invested over a number of years. During the current period the Group invested £1.1 million into the fund and LLP, taking the total invested in these activities to £2.3 million.

Portfolio company creation

At 31 January 2017, the Group held equity stakes in 112 companies (H1 2016: 105 companies, FY 2016: 107 companies). The movement reflects formations during the period.

Portfolio company overview

The net value of the Group's investment portfolio grew to £382.8 million (FY 2016: £335.1 million spread across 107 companies) and portfolio companies raised £95.3 million in cash (FY 2016: £76.0 million) from all sources of investment. Since 31 January 2017 the portfolio companies have secured further commitments of £98.6 million from all sources of investments, with the Group committing £21.5 million.

The Group has a total of £299.1 million invested capital at work in the portfolio of currently active technology companies; £161.8 million invested in the top 10 companies and £137.3 million in the remaining companies.

The table on the next page sets out the top 10 companies in the portfolio by value to illustrate the spread of the investments held and their relative carrying value. All of the carrying values listed reflect the net fair value of the investment, being the gross value of the holding less the attributable revenue-sharing obligations associated with each investment. The percentage of issued share capital represents the absolute percentage of the shares held, without reflecting any revenue-sharing obligations.

The portfolio of companies is grouped into four sectors (as noted in the Chief Executive's Report) for the purpose of external reporting. The Directors are of the opinion that under IFRS 8 the Group has only one operating segment, which commercialises academic research and uses it to build businesses. The Board of Directors assess the performance of the operating segment using financial information which is measured and presented in a manner consistent with that in the financial statements.

Table of the net fair value movement

Name of company	Net carrying value as at 31 July 2016	Investments 6 months to 31 Jan 2017	Cash divested 6 months to 31 Jan 2017	Fair value movement 6 months to 31 Jan 2017	Net carrying value as at 31 Jan 2017	Cumulative cash invested ^{1,3} as at 31 Jan 2017	% Issued share capital held as at 31 Jan 2017
	£'000	£'000	£'000	£'000	£'000	£'000	%
PsiOxus Therapeutics Limited	22,623	-	-	21,858	44,481	13,676	26.5
Nexeon Limited	41,890	-	-	-	41,890	27,373	33.7
Veryan Holdings Limited	26,499	2,782	-	-	29,281	22,099	46.1
Cell Medica Limited	28,537	-	-	-	28,537	19,810	25.5
Circassia Pharmaceuticals PLC ²	24,932	-	-	(1,352)	23,580	25,500	9.3
MISSION Therapeutics Limited	14,060	3,937	-	-	17,997	13,708	21.6
TopiVert Pharma Limited	12,647	-	-	743	13,390	8,500	29.5
Crescendo Biologics Limited	8,175	-	-	3,673	11,848	8,175	22.7
Cortexica Vision Systems Ltd	9,028	2,600	-	-	11,628	11,753	30.0
Abingdon Health Limited	10,442	175	-	-	10,617	11,189	33.7
Top 10 investee companies	198,833	9,494	-	24,922	233,249	161,783	
Other companies	136,253	19,537	(7,780)	1,565	149,575	137,304	
Net Total	335,086	29,031	(7,780)	26,487	382,824	299,087	

¹ Currently active companies.

² Quoted company.

³ The average carrying value multiple on invested capital is 1.4x for the top 10 investee companies, 1.1x for the other companies and 1.3x for the total portfolio.

Anjum Ahmad
Treasury and Finance Director

Consolidated interim statement of comprehensive income for the six month period to 31 January 2017

	Note	Unaudited Six months to 31 January 2017 £'000	Unaudited Six months to 31 January 2016 £'000	Audited 12 months to 31 July 2016 £'000
Revenue		2,424	2,181	4,257
Cost of sales		(1,017)	(783)	(1,395)
Gross profit		1,407	1,398	2,862
Change in fair value of investments	2	26,487	499	(56,249)
Administrative expenses:				
- Carried interest plan (charge)/ release		(3,972)	(888)	2,972
- Other administrative expenses		(7,678)	(6,880)	(12,634)
Total administrative expenses		(11,650)	(7,768)	(9,662)
Operating profit/ (loss)		16,244	(5,871)	(63,049)
Finance costs		(540)	(573)	(1,141)
Finance income		326	530	1,077
Profit/ (loss) before taxation		16,030	(5,914)	(63,113)
Taxation		-	-	-
Profit/ (loss) for the financial period and total comprehensive income		16,030	(5,914)	(63,113)
Basic earnings/(loss) per ordinary share (pence)	3	10.0	(4.3)	(43.2)
Diluted earnings/(loss) per ordinary share (pence)	3	10.0	(4.3)	(43.2)

The accompanying notes are an integral part of these consolidated interim financial statements.

Consolidated interim balance sheet as at 31 January 2017

	Note	Unaudited As at 31 January 2017 £'000	Unaudited As at 31 January 2016 £'000	Audited As at 31 July 2016 £'000
Assets				
Non-current assets				
Property, plant and equipment		1,038	23	18
Trade investments	2	389,138	362,387	343,973
University Challenge Seed Fund (UCSF) investments		104	174	163
Higher Education Innovation Fund (HEIF)		327	179	288
Apollo Therapeutics and UCL Technology Fund		2,318	-	1,173
Total non-current assets		392,925	362,763	345,615
Current assets				
Trade and other receivables	7	8,404	7,692	4,486
Short term liquidity investments		-	20,000	15,000
Cash and cash equivalents		113,326	71,578	133,306
Total current assets		121,730	99,270	152,792
Total assets		514,655	462,033	498,407
Equity and liabilities				
Equity attributable to equity holders				
Issued share capital	4	4,885	4,172	4,885
Share premium		304,938	208,687	304,938
Capital redemption reserve	4	128,344	128,344	128,344
Retained earnings/(loss)		6,796	47,965	(9,234)
Share based payments		9,297	8,682	8,861
Other reserves		18,096	18,096	18,096
Total equity		472,356	415,946	455,890
Liabilities				
Non-current liabilities				
Borrowings	6	22,522	27,239	24,089
Higher Education Innovation Fund (HEIF) and University Challenge Seed Fund (UCSF) investments		458	380	477
Provisions for liabilities and charges	2	6,314	7,238	8,887
Carried interest plan liability		5,703	5,591	1,731
Total non-current liabilities		34,997	40,448	35,184
Current liabilities				
Borrowings	6	3,167	1,500	3,167
Trade and other payables		4,135	4,139	4,166
Total liabilities		42,299	46,087	42,517
Total equity and liabilities		514,655	462,033	498,407

The accompanying notes are an integral part of these consolidated interim financial statements.

The consolidated interim financial statements on pages 15 to 36 were approved by the Board of Directors on 30 March 2017 and were signed on its behalf by R. Cummings.

R. Cummings
Chief Executive Officer

Consolidated interim cash flow statement for the six month period to 31 January 2017

	Note	Unaudited Six months to 31 January 2017 £'000	Unaudited Six months to 31 January 2016 £'000	Audited 12 months to 31 July 2016 £'000
Cash flows from operating activities:				
Operating profit/ (loss)		16,244	(5,871)	(63,049)
Adjustments to reconcile operating profit/ (loss) to net cash flows used in operating activities:				
Depreciation of property, plant and equipment		57	5	11
Fair value movement in investments		(26,487)	(499)	56,249
Share based payment charge		436	154	333
Carried interest plan charge/(release)		3,972	888	(2,972)
Working capital adjustments:				
Decrease/(increase) in trade and other receivables		40	111	(273)
Increase/ (decrease) in trade and other payables		333	(98)	(1,098)
Net cash used in operating activities		(5,405)	(5,310)	(10,799)
Cash flows from investing activities:				
Purchase of trade investments	5	(29,031)	(27,541)	(69,873)
Investments in funds		(1,145)	-	(1,173)
Proceeds from sale of trade investments	5	7,169	111	4,979
Funds in transit intended for trade investments	7	-	(5,187)	-
Revenue share paid on realisations of trade investments	5	(3,745)	-	-
Net cash flows used in investments in trade investments		(26,752)	(32,617)	(66,067)
Purchase of property, plant and equipment		(1,077)	-	-
Interest received		360	324	1,079
Decrease in short term liquidity investments		15,000	-	5,000
Net cash flows generated from other investing activities		14,283	324	6,079
Net cash used in investing activities		(12,469)	(32,293)	(59,988)
Cash flows from financing activities:				
Proceeds from issuance of ordinary shares		-	1,635	101,636
Transaction costs relating to issuance of ordinary shares		-	-	(3,037)
Repayment of EIB loan		(1,583)	-	(1,500)
Interest paid		(523)	(551)	(1,103)
Net cash (used in)/ generated from financing activities		(2,106)	1,084	95,996
Net (decrease)/increase in cash and cash equivalents		(19,980)	(36,519)	25,209
Cash and cash equivalents at beginning of the period		133,306	108,097	108,097
Cash and cash equivalents at end of the period	5	113,326	71,578	133,306

The accompanying notes are an integral part of these consolidated interim financial statements.

Consolidated interim statement of changes in equity attributable to equity holders of the Group

For the six months to 31 January 2016:

	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
	Share	Share	Capital	Retained	Share Based	Other	Total
	Capital	Premium	Redemption	Earnings	Payments	Reserves	
	£'000	£'000	Reserve	£'000	£'000	£'000	£'000
At 1 August 2015	132,500	207,068	-	53,879	8,528	18,096	420,071
Comprehensive income							
Loss for the period to 31 January 2016	-	-	-	(5,914)	-	-	(5,914)
Total comprehensive income	-	-	-	(5,914)	-	-	(5,914)
Transactions with owners							
Value of employee services	-	-	-	-	154	-	154
Share capital issued	16	1,619	-	-	-	-	1,635
Cancellation of deferred shares	(128,344)	-	128,344	-	-	-	-
Transactions with owners	(128,328)	1,619	128,344	-	154	-	1,789
At 31 January 2016	4,172	208,687	128,344	47,965	8,682	18,096	415,946

For the year ended 31 July 2016:

	Audited	Audited	Audited	Audited	Audited	Audited	Audited
	Share	Share	Capital	Retained	Share	Other	Total
	Capital	Premium	Redemption	Earnings/	Based	Reserves	
	£'000	£'000	Reserve	(accumulated	Payments	£'000	£'000
			£'000	loss)	£'000	£'000	£'000
At 1 August 2015	132,500	207,068	-	53,879	8,528	18,096	420,071
Comprehensive income							
Loss for the period to 31 July 2016	-	-	-	(63,113)	-	-	(63,113)
Total comprehensive income	-	-	-	(63,113)	-	-	(63,113)
Transactions with owners							
Value of employee services	-	-	-	-	333	-	333
Share capital issued	729	100,907	-	-	-	-	101,636
Cost of share capital issued	-	(3,037)	-	-	-	-	(3,037)
Cancellation of deferred shares	(128,344)	-	128,344	-	-	-	-
Transactions with owners	(127,615)	97,870	128,344	-	333	-	98,932
At 31 July 2016	4,885	304,938	128,344	(9,234)	8,861	18,096	455,890

For the six months to 31 January 2017:

	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
	Share	Share	Capital	Retained	Share	Other	Total
	Capital	Premium	Redemption	Earnings/	Based	Reserves	
	£'000	£'000	Reserve	(accumulated	Payments	£'000	£'000
			£'000	loss)	£'000	£'000	£'000
At 1 August 2016	4,885	304,938	128,344	(9,234)	8,861	18,096	455,890
Comprehensive income							
Profit for the period to 31 January 2017	-	-	-	16,030	-	-	16,030
Total comprehensive income	-	-	-	16,030	-	-	16,030
Transactions with owners							
Value of employee services	-	-	-	-	436	-	436
Transactions with owners	-	-	-	-	436	-	436
At 31 January 2017	4,885	304,938	128,344	6,796	9,297	18,096	472,356

The accompanying notes are an integral part of these consolidated interim financial statements.

Notes to the consolidated interim financial statements

1. Basis of preparation

These unaudited consolidated interim financial statements have been prepared in accordance with the AIM Rules and European Union endorsed International Financial Reporting Standards and International Financial Reporting Interpretation Committee Interpretations. These comprise the consolidated interim statement of comprehensive income, the consolidated interim balance sheet, the consolidated interim cash flow statement, the consolidated interim statement of changes in equity and the related notes (“the consolidated interim financial statements”). The Group adopted IAS 34, “Interim Financial Reporting”, in the preparation of these consolidated interim financial statements.

These consolidated interim financial statements have been prepared on a going concern basis under the historical cost convention, as modified by the revaluation of certain financial assets at fair value, as required by IAS 39, “Financial instruments: Recognition and Measurement”. The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 July 2016, as described in those financial statements, with the exception of the following new standards which have been applied for the first time during the year commencing 1 August 2016:

(a) New Standards, amendments and interpretations adopted by the Group

There are no new standards and interpretations adopted by the EU in the period which would have a material financial impact on or disclosure requirement for the Group’s interim report.

(b) New standards, amendments and interpretations not yet adopted

- IFRS 9 – Financial Instruments (effective for reporting periods commencing on or after 1 January 2018).
- IFRS 15 – Revenue (effective for reporting periods commencing on or after 1 January 2018).
- IFRS 16 – Leases (effective for reporting periods commencing on or after 1 January 2019).
- Amendments to IFRS 10 and IAS 28 on investment entities applying the consolidation exemption – effective for annual periods beginning on or after 1 January 2016.
- Amendment to IAS 1 ‘Presentation of Financial Statements’ on the disclosure initiative – effective for annual periods beginning on or after 1 January 2016.
- Amendments to IAS 16 ‘Property, Plant and Equipment’ and IAS 38 ‘Intangible Assets’ on depreciation and amortisation – effective for annual periods beginning on or after 1 January 2016.
- Amendments to IAS 27 ‘Separate Financial Statements’ on the equity method – effective for annual periods beginning on or after 1 January 2016.
- Annual Improvements to IFRS 2014 cycle – effective for annual periods beginning on or after 1 January 2016.
- IAS Amendments to IAS 7, Statement of cash flows on disclosure initiative – effective for annual periods beginning on or after 1 January 2017.
- Amendments to IAS 12, ‘Income taxes’ on Recognition of deferred tax assets for unrealised losses (effective 1 January 2017) – effective for annual periods beginning on or after 1 January 2016.
- Amendments to IFRS 11 ‘Joint Arrangements’ on acquisition of an interest in a joint operation – effective for annual periods beginning on or after 1 January 2016.

The Directors do not anticipate that the adoption of these standards, amendments and interpretations, where relevant, in future periods will have a material impact on the Group’s financial statements, however the Group continue to assess the impact of IFRS 16.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

These consolidated interim financial statements do not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 July 2016 were approved by the Board of Directors on 12 October 2016 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under Section 498 of the Companies Act 2006.

Notes to the consolidated interim financial statements (continued)

2. Net change in fair value of trade investments held at fair value through profit or loss

Net change in fair value for the period represents the change in fair value less the revenue share charge on these fair value movements.

Included within the net fair value movement recognised in the Consolidated Statement of Comprehensive Income are provisions for liabilities and charges. These are made up of the revenue sharing provision which represents a fair value estimate of monies due to Imperial College London and other third parties such as co-founders of research work and the Appointee Directors' Pool. The provision will be payable upon the eventual realisation of investments held by the Group under the revenue sharing arrangements of the Technology Pipeline Agreement (TPA) and in recognition of Imperial College London's right to call for a transfer of its share of the Group's holding in investments. The timing and amount of the realisation of the provision is dependent on the timing of the disposal of investments, which is uncertain as this is determined by the investment strategy.

HEIF funded investment and University Challenge Seed Fund

The University Challenge Seed Fund (UCSF) reflects an award made by the UK government and third parties and must be deployed according to the conditions of that award. The purpose of the fund covers seed investment and funds for proof of concept awards. These terms include a restriction on distribution of monies from UCSF investments until the fund size has reached a multiple of three times the original investment of £4.15 million, excluding donations from industry parties. The corresponding creditor balance is reflected on the balance sheet under 'non-current liabilities'.

The Higher Education Innovations Fund (HEIF) reflects an award made by the UK government and must be deployed according to the conditions of that award. The purpose of the fund covers seed investment and funds for proof of concept awards. These terms include a restriction on distribution of monies. Realisation must be paid back to the fund for re-deployment. The corresponding creditor balance is reflected on the balance sheet under 'non-current liabilities'.

Non-current investments

All equity investments held by the Group are defined as financial assets under International Accounting Standard (IAS) 32 'Financial Instruments: Disclosure and Presentation' and are classified as financial assets held at fair value under IAS 39, 'Financial Instruments: Recognition and Measurement'. This includes all UCSF equity investments.

Under IAS 39 the carrying value of all investments is measured at fair value with changes in fair value between accounting periods being charged or credited to the Consolidated Statement of Comprehensive Income.

The following tables in this note set out how the net fair value gains recognised in the Consolidated Statement of Comprehensive Income for each of the periods is generated. The tables exclude any UCSF or HEIF related investments as returns are repayable to the respective funds based on the above terms.

Notes to the consolidated interim financial statements (continued)

2. Net change in fair value of trade investments held at fair value through profit or loss (continued)

The table below sets out the movement in the balance sheet value of the investments from the start to the end of the period, setting out the fair value gains and losses together with any investments and disposals.

Gross investments – designated at fair value through profit or loss for the six months to 31 January 2017	Unaudited	Unaudited	Unaudited
	Quoted ¹ Companies Total	Unquoted Companies Total	Total
	£'000	£'000	£'000
	At 1 August 2016	43,134	300,839
Gains on the revaluation of investments	4,983	32,643	37,626
Losses on the revaluation of investments	(1,621)	(8,710)	(10,331)
Fair value gains	3,362	23,933	27,295
Investments during the period	-	29,031	29,031
Disposal of investments	(3,794)	(7,367)	(11,161)
Net investment	(3,794)	21,664	17,870
At 31 January 2017	42,702	346,436	389,138

The table below sets out the movement in the balance sheet value of the provision for liabilities and charges arising on revenue sharing obligations from the start to the end of the period, setting out any fair value gains and losses together with the impact arising as a result of disposals.

Provisions for liabilities and charges ² for the six months to 31 January 2016	Unaudited	Unaudited	Unaudited
	Quoted ¹ Companies Total	Unquoted Companies Total	Total
	£'000	£'000	£'000
	At 1 August 2016	211	8,676
Increase in liability arising from changes in fair value of investments	9	1,168	1,177
Decrease in liability arising from changes in fair value of investments	(3)	(366)	(369)
Net change in fair value of liability during the period	6	802	808
Disposal of investments	-	(3,381)	(3,381)
At 31 January 2017	217	6,097	6,314

The table below sets out the movement in the net carrying value of investments from the start to the end of the period, setting out the net fair value gains and losses together with any investments and disposals.

Investments – designated at fair value through profit or loss (net of revenue share) for the six months to 31 January 2017	Unaudited	Unaudited	Unaudited
	Quoted ¹ Companies Total	Unquoted Companies Total	Total
	£'000	£'000	£'000
	At 1 August 2016	42,923	292,163
Gains on the revaluation of investments	4,974	31,475	36,449
Losses on the revaluation of investments	(1,618)	(8,344)	(9,962)
Fair value (losses)/ gains	3,356	23,131	26,487
Investments during the period	-	29,031	29,031
Disposal of investments	(3,794)	(3,986)	(7,780)
Net investments	(3,794)	25,045	21,251
At 31 January 2017	42,485	340,339	382,824

Notes to the consolidated interim financial statements (continued)

2. Net change in fair value of trade investments held at fair value through profit or loss (continued)

¹ Quoted companies are registered on AIM, NASDAQ and the Main Market of the London Stock Exchange.

² The provision for liabilities and charges represents monies due to Imperial College London upon the eventual realisation of investments held by the Group under the revenue sharing arrangements of the Technology Pipeline Agreement (TPA) and in recognition of Imperial College London's right to call for a transfer of its share of the Group's holding in these particular investments.

Additionally, monies are due to parties in the Appointee Directors' Pool in respect of the Imperial Innovations LLP assets acquired as part of the stepped acquisition in 2005 and to other third parties. These are included in 'Revenue Sharing Other' in the table below. The timing and amount of the realisation of the provision is dependent on the timing of the disposal of investments, which is uncertain as this is determined by the investment strategy.

The following table analyses the provision by obligation:

	Revenue Sharing Imperial College £000	Revenue Sharing Other £000	Total £000
At 1 August 2016	8,437	450	8,887
Settlements and provisions utilised	(3,381)	-	(3,381)
Changes in fair value attributable to revenue share	789	19	808
At 31 January 2017	5,845	469	6,314

Notes to the consolidated interim financial statements (continued)

2. Net change in fair value of trade investments held at fair value through profit or loss (continued)

The table below sets out the movement in the balance sheet value of the investments from the start to the end of the prior year, setting out the fair value gains and losses together with any investments and disposals.

Gross investments – designated at fair value through profit or loss for the year ended 31 July 2016	Audited	Audited	Audited
	Quoted ¹ Companies Total	Unquoted Companies Total	Total
	£'000	£'000	£'000
At 1 August 2015	107,113	226,155	333,268
Gains on the revaluation of investments	-	26,404	26,404
Losses on the revaluation of investments	(67,060)	(11,727)	(78,787)
Fair value gains	(67,060)	14,677	(52,383)
Investments during the year	3,081	66,793	69,874
Disposal of investments	-	(6,786)	(6,786)
Net investment	3,081	60,007	63,088
At 31 July 2016	43,134	300,839	343,973

The table below sets out the movement in the balance sheet value of the provision for liabilities and charges arising on revenue sharing obligations from the start to the end of the prior year, setting out any fair value gains and losses together with the impact arising as a result of disposals.

Provisions for liabilities and charges for the year ended 31 July 2016	Audited	Audited	Audited
	Quoted ¹ Companies Total	Unquoted Companies Total	Total
	£'000	£'000	£'000
At 1 August 2015	345	5,703	6,048
Increase in liability arising from changes in fair value of investments	-	4,321	4,321
Decrease in liability arising from changes in fair value of investments	(134)	(321)	(455)
Net (reduction)/ increase in fair value of liability during the year	(134)	4,000	3,866
Disposals during the year	-	(1,027)	(1,027)
At 31 July 2016	211	8,676	8,887

The table below sets out the movement in the net carrying value of investments from the start to the end of the prior year, setting out the net fair value gains and losses together with any investments and disposals.

Investments – designated at fair value through profit or loss (net of revenue share) for the year ended 31 July 2016	Audited	Audited	Audited
	Quoted ¹ Companies Total	Unquoted Companies Total	Total
	£'000	£'000	£'000
At 1 August 2015	106,768	220,452	327,220
Gains on the revaluation of investments	-	22,083	22,083
Losses on the revaluation of investments	(66,926)	(11,406)	(78,332)
Fair value gains	(66,926)	10,677	(56,249)
Investments during the year	3,081	66,793	69,874
Disposal of investments	-	(5,759)	(5,759)
Net investments	3,081	61,034	64,115
At 31 July 2016	42,923	292,163	335,086

¹ Quoted companies are registered on AIM, NASDAQ and the Main Market of the London Stock Exchange.

Notes to the consolidated interim financial statements (continued)

2. Net change in fair value of trade investments held at fair value through profit or loss (continued)

The table below sets out the movement in the balance sheet value of the investments from the start to the end of the period, setting out the fair value gains and losses together with any investments and disposals.

Gross investments – designated at fair value through profit or loss for the six months to 31 January 2016	Unaudited	Unaudited	Unaudited
	Quoted ¹	Unquoted	Total
	Companies	Companies	
	Total	Total	£'000
At 1 August 2015	107,113	226,155	333,268
Gains on the revaluation of investments	-	14,220	14,220
Losses on the revaluation of investments	(9,911)	(2,620)	(12,531)
Fair value (losses) / gains	(9,911)	11,600	1,689
Investments during the period	3,081	24,460	27,541
Disposal of investments	-	(111)	(111)
Net investment	3,081	24,349	27,430
At 31 January 2016	100,283	262,104	362,387

The table below sets out the movement in the balance sheet value of the provision for liabilities and charges arising on revenue sharing obligations from the start to the end of the period, setting out any fair value gains and losses together with the impact arising as a result of disposals.

Provisions for liabilities and charges for the six months to 31 January 2016	Unaudited	Unaudited	Unaudited
	Quoted ¹	Unquoted	Total
	Companies	Companies	
	Total	Total	£'000
At 1 August 2015	345	5,703	6,048
Increase in liability arising from changes in fair value of investments	-	1,529	1,529
Decrease in liability arising from changes in fair value of investments	(104)	(235)	(339)
Net change in fair value of liability during the period	(104)	1,294	1,190
At 31 January 2016	241	6,997	7,238

The table below sets out the movement in the net carrying value of investments from the start to the end of the period, setting out the net fair value gains and losses together with any investments and disposals.

Investments – designated at fair value through profit or loss (net of revenue share) for the six months to 31 January 2016	Unaudited	Unaudited	Unaudited
	Quoted ¹	Unquoted	Total
	Companies	Companies	
	Total	Total	£'000
At 1 August 2015	106,768	220,452	327,220
Gains on the revaluation of investments	-	12,691	12,691
Losses on the revaluation of investments	(9,807)	(2,385)	(12,192)
Fair value (losses)/ gains	(9,807)	10,306	499
Investments during the period	3,081	24,460	27,541
Disposal of investments	-	(111)	(111)
Net investments	3,081	24,349	27,430
At 31 January 2016	100,042	255,107	355,149

¹ Quoted companies are registered on AIM, NASDAQ and the Main Market of the London Stock Exchange.

Notes to the consolidated interim financial statements (continued)

3. Earnings per share

Basic earnings per share is calculated by dividing the result for the financial period by the weighted average number of Ordinary Shares in issue during the period. Diluted earnings per share is computed by dividing the result for the financial period, by the weighted-average number of Ordinary Shares outstanding and, when dilutive, adjusted for the effect of all potentially dilutive shares, including share options on an as-if-converted basis and excluding treasury shares. The potential dilutive shares are included in diluted earnings per share computations on a weighted average basis for the period. The results and weighted average number of shares used in the calculations are set out below:

	Unaudited Six months to 31 January 2017	Unaudited Six months to 31 January 2016	Audited 12 months to 31 July 2016
Earnings/ (loss) per Ordinary Share			
Profit/ (loss) for the financial period (£'000)	16,030	(5,914)	(63,113)
Weighted average number of Ordinary Shares (basic) (thousands)	160,234	136,418	146,063
Effect of dilutive potential Ordinary Shares	777	-	-
Weighted average number of Ordinary Shares for the purposes of diluted earnings per share (thousands)	161,010	136,418	146,063
Earnings per ordinary share basic (pence)	10.0	(4.3)	(43.2)
Earnings per ordinary share diluted (pence)	10.0	(4.3)	(43.2)

Notes to the consolidated interim financial statements (continued)

4. Share capital and equity raised and EBT

	Unaudited As at 31 Jan 2017 £000	Unaudited As at 31 Jan 2016 £000	Audited As at 31 July 2016 £000
Ordinary Shares			
Allotted and fully paid:			
Balance at beginning of period of 161,204,124 Ordinary Shares of £0.0303 each (H1 2016 & FY 2016: 137,151,035 Ordinary Shares of £0.0303 each)	4,885	4,156	4,156
Issue of share capital during the period	-	16	729
Balance at end of period of 161,204,124 Ordinary Shares of £0.0303 each (H1 2016: 137,674,712 Ordinary Shares of £0.0303 each)	4,885	4,172	4,885
Deferred Shares			
Allotted and fully paid:			
Balance at beginning of period (36,990,086 Deferred shares of £3.4697 each)	-	128,344	128,344
Cancellation of shares and transfer to capital redemption reserve	-	(128,344)	(128,344)
Balance at end of period of nil	-	-	-
Total balance as at end of period	4,885	4,172	4,885

Share capital and equity

Deferred shares are not transferable and do not entitle the holder to the payment of any dividend or otherwise participate in the profits of the Company or to receive notice of or attend or vote at any general meeting of the Company and on any reduction of capital in accordance with the Companies Act 2006, may be cancelled without payment of consideration. The Deferred Shares are not listed on any stock exchange. The Company may purchase the Deferred Shares for not more than the sum of £0.01 in aggregate for all the Deferred Shares and cancel the Deferred Shares so purchased, without any requirement to obtain the consent or sanction of the holders of the Deferred Shares. Pursuant to this right, on 24 September 2015 the Company purchased all the Deferred Shares for the total sum of £0.01 in aggregate and the shares were then cancelled.

On 17 August 2015, the Company's total issued voting capital increased through the issue of 523,677 Ordinary Shares of 3 and 1/33 pence each at an average price of approximately 312 pence per Ordinary Share pursuant to the exercise of share options held by two former Directors.

On 4 February 2016 the Company announced a placing to raise £100,000,000 before issue costs, through the issue of 23,529,412 Ordinary Shares of 3 and 1/33 pence each (total nominal value of £713,000) at 425 pence each.

The total issued voting share capital as at 31 January 2017 was 161,204,124 voting shares (FY 2016: 161,204,124 voting shares).

Employee Benefit Trust

As at 31 January 2017, the Employee Benefit Trust (EBT) held 970,349 (FY 2016: 971,080) of the Group's Ordinary Shares, which have a cost of £2,562,079 (FY 2016: £2,564,009). These represent shares which are considered to be under the de-facto control of the Group and have therefore been netted against the retained earnings in the financial statements.

It is the intention of the Group to use these shares to settle the option liabilities at the point of exercise and they represent a partial hedge on the cost of the exercise. During October 2016, 731 shares have been issued from the EBT under the terms of our SAYE scheme (FY 2016: nil).

Notes to the consolidated interim financial statements (continued)

5. Short term liquidity investments and cash and cash equivalents

	Unaudited As at 31 Jan 2017 £000	Unaudited As at 31 Jan 2016 £000	Audited As at 31 July 2016 £000
Cash at bank and in hand	113,326	71,578	133,306
Total cash and cash equivalents	113,326	71,578	133,306
Total short term liquidity investments	-	20,000	15,000

Total cash and cash equivalents include restricted balances of £2.1 million (FY 2016: £2.1 million). Pursuant to the amended and restated EIB facility agreement the Group is required to maintain a debt service reserve account pledged in favour of the lender. The account is available solely to pay any outstanding interest and principal payments owed under the EIB agreement for the following six months (see note 6).

Reconciliation of amounts invested to trade investments:

	Unaudited 6 months to 31 Jan 2017 £000	Unaudited 6 months to 31 Jan 2016 £000	Audited 12 months to 31 July 2016 £000
Investments in period	29,031	27,541	69,874
Investments unpaid at period end	-	-	(1)
Net cash invested in trade investments in the period	29,031	27,541	69,873

Reconciliation of cash flows arising from sale of trade investments:

	Unaudited 6 months to 31 Jan 2017 £000	Unaudited 6 months to 31 Jan 2016 £000	Audited 12 months to 31 July 2016 £000
Disposals of trade investments	11,161	111	6,786
Deferred consideration received	177	-	430
Deferred consideration accrued	(4,169)	-	(2,237)
Cash flow arising on the proceeds from sale of investment in trade investments	7,169	111	4,979

Reconciliation of cash flows arising on revenue share paid on asset realisations of trade investments:

	Unaudited 6 months to 31 Jan 2017 £000	Unaudited 6 months to 31 Jan 2016 £000	Audited 12 months to 31 July 2016 £000
Movement in revenue sharing liability arising from disposal of trade investments	3,381	-	1,027
Movement in revenue share outstanding (included within accruals)	364	-	(1,027)
Cash flow arising on the settlement of revenue sharing liabilities on sale of trade investments	3,745	-	-

Notes to the consolidated interim financial statements (continued)

6. Borrowings

	Unaudited As at 31 Jan 2017 £000	Unaudited As at 31 Jan 2016 £000	Audited As at 31 July 2016 £000
EIB Loan – non-current	22,522	27,239	24,089
EIB Loan - current	3,167	1,500	3,167
EIB Loan	25,689	28,739	27,256

On 1 July 2013 the Group entered into a £30.0 million loan agreement with the European Investment Bank (EIB) available to draw down in two tranches of £15.0 million. The purpose of the loan is to provide funding towards Biotech and Therapeutics investments.

The first tranche of £15.0 million was drawn down on 30 July 2013. Transaction costs in the year ended 31 July 2013 of £186,000 were incurred to obtain the loan and were set against the loan amount. These costs are subsequently amortised over the life time of the loan. During the half year ended 31 January 2017, £8,000 (H1 2016: £8,000; FY2016: £15,000) was charged to the statement of comprehensive income. The loan is based on a floating interest rate related to LIBOR and is repayable in 10 equal annual instalments over a twelve year period with the first payment due on 25 July 2016. There was an uncapped cash sweep of 25% of all investment realisations used to prepay the loan. This cash sweep was removed with the signing of the new loan during the year ended 31 July 2015. During the current period capital of £750,000 (H1 2016: £nil; FY2016: £1,500,000) was repaid.

The second tranche of £15.0 million was drawn down on 30 June 2015. Transaction costs of £181,000 were incurred to obtain the loan and were set against the loan amount. These costs are subsequently amortised over the life time of the loan. During the half year ended 31 January 2017, £9,000 (FY2016: £18,000) was charged to the statement of comprehensive income. The loan is based on a fixed interest rate of 4.199% and is repayable over a ten year period. The first repayment of £833,333 was made on 25 January 2017.

On 13 July 2015, the Group entered into a second loan agreement of £50.0 million with the European Investment Bank (EIB) available to draw down in up to four tranches with a minimum tranche value of £10.0 million. The purpose of the loan is to provide funding towards Biotech and Therapeutics investments. This loan has not been drawn down as at 31 January 2017. There is a non-utilisation fee calculated on the daily undrawn, uncancelled balance of the loan from the date falling six months after the date of the agreement at a rate of 0.10% per annum. Following the period end, on 2 February 2017, the second loan facility was fully drawn down.

The loans contain a debt covenant requiring that the ratio of the total fair value of investments plus cash and qualifying liquidity to debt should at no time fall below 4:1. The loan also stipulates that on any date, the aggregate of all amounts scheduled for payment to the EIB in the following six months should be kept in a separate bank account.

The Group closely monitors that the covenants are adhered to on an ongoing basis and has complied with these covenants throughout the period. The Group will continue to monitor the covenant's position against forecasts and budgets to ensure that it operates within the prescribed limits.

The maturity profile of the borrowings was as follows:

	Unaudited As at 31 Jan 2017 £000	Unaudited As at 31 Jan 2016 £000	Audited As at 31 July 2016 £000
Due under 6 months	1,583	1,500	1,583
Due 6 to 12 months	1,583	1,583	1,584
Due 1 to 5 years	15,833	15,833	15,833
Due after 5 years	6,973	10,139	8,556
Total ¹	25,972	29,055	27,556

¹ These are gross amounts repayable and exclude costs of £283,000 (H1 2016: £316,000; FY2016: £300,000) incurred on obtaining the loans and amortised over the life of the loans.

Notes to the consolidated interim financial statements (continued)

7. Financial risk management

Financial risk factors

In the normal course of business, the Group uses certain financial instruments including cash, trade and other receivables, equity rights, equity investments and loans to investee companies. The Group's financial liabilities include loans from the European Investment Bank and trade and other payables.

Monies provided by way of UCSF grants are loaned to individual technology businesses. These loans are repayable in cash or convertible to equity, at a rate mutually agreed by the Group and technology business, at the earliest opportunity after the technology business' formation. Loans are treated on the same basis as equity for valuation purposes.

Risk management objectives

The Group is exposed to a number of risks through the performance of its normal operations. The most significant are liquidity and market price risk. Income from surplus funds is dependent on market interest rates and expose the Group to interest rate risk.

The Group's main objective in using financial instruments is to promote the commercialisation of intellectual property held by technology businesses through the raising and investing of funds for this purpose. The Group's policies in calculating the nature, amount and timing of investments' equity fundraisings are determined by planned future investment activity.

Due to the nature of the Group's activities, the Directors may consider it necessary to use derivative financial instruments to hedge the Group's exposure to fluctuations in exchange rates, where these exposures have been significant.

(a) Financial Risk Factors

The Group is exposed to price risk in respect of equity rights, equity investments and loans to the technology businesses held by the Group and classified on the balance sheet as at fair value through profit or loss. The Group seeks to manage this risk by routinely monitoring the performance of these investments. The Group employs stringent investment appraisal processes prior to deciding on investment. Regular reports are made to the Board on the status and valuation of investments and significant disposals require Board approval. The value of the investment portfolio can be affected by the performance of the international equity markets and the carrying value is likely to be adversely affected by material declines in these markets. Furthermore, the ability to liquidate market positions will be affected by weak equity markets.

The consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the group's annual financial statements as at 31 July 2016. There have been no changes in the risk management department or in any risk management policies since the year end.

(b) Liquidity risk

The Group seeks to manage financial risk, and in particular liquidity risk, ensuring that sufficient liquidity is available to meet foreseeable requirements and to invest surplus cash in low risk instruments with reputable institutions.

Compared to year end, there was no material change in the contractual undiscounted cash out flows for financial liabilities.

On 2 February 2017 the Group drew down the £50.0 million second loan facility secured from the EIB in July 2015. Following this, the Group has £163.3 million available for investment and operations.

(c) Credit risk

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents and short-term liquidity investments as well as credit exposures to trade and other receivables.

There have been no changes in the Credit risk profile or any credit risk management since year end.

(d) Capital risk management

The Group is funded by equity finance and a long term loan. Total capital is calculated as 'total equity' as shown in the consolidated interim balance sheet.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group maintains a maturity analysis profile for short-term liquidity investments.

There have been no changes in the capital risk management since year end.

Notes to the consolidated interim financial statements (continued)

7. Financial risk management (continued)

(e) Fair values

The fair values of the Group's financial assets and liabilities are considered a reasonable approximation to the carrying values shown in the balance sheet. The basis for determining fair values is disclosed in note 8.

(f) Fair value estimation

The following table presents the Group's assets that are measured at fair value at 31 January 2017:

	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets at fair value through profit or loss	42,702	-	349,185	391,887
Total	42,702	-	349,185	391,887

The following table presents the Group's assets that are measured at fair value at 31 July 2016:

	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets at fair value through profit or loss	43,134	-	302,463	345,597
Total	43,134	-	302,463	345,597

The following table presents the Group's assets that are measured at fair value at 31 January 2016:

	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets at fair value through profit or loss	100,283	-	262,457	362,740
Total	100,283	-	262,457	362,740

Financial instruments in Level 1

The fair value of financial instruments traded in active markets is based upon quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, price service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market prices used for financial assets held by the Group is the current bid price. These instruments are included in Level 1. Instruments included in Level 1 comprise AIM, NASDAQ and the Main Market of the London Stock Exchange registered equity investments.

Financial instruments in Level 2

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. For the Group, this category includes derivatives used for hedging and quoted securities that are not actively traded in an active market.

Financial instruments in Level 3

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. For the Group, this includes all unquoted companies, UCSF investments and loans, HEIF investments and loans, Apollo Therapeutics LLP and UCL Technology Fund. For a detailed understanding of the valuation techniques for Level 3 financial instruments, see 'Valuation of investments' in note 1 of the group's annual financial statements as at 31 July 2016.

The following table presents the changes in Level 3 instruments for the period ended 31 January 2017 and 31 January 2016 and year ended 31 July 2016:

	Unaudited As at 31 Jan 2017 £000	Unaudited As at 31 Jan 2016 £000	Audited As at 31 July 2016 £000
Opening balance	302,463	226,794	226,794
Investments into Level 3	30,176	24,460	68,075
Realisations from Level 3	(7,367)	(111)	(6,786)
Fair value movements on UCSF	(59)	(286)	(297)
Fair value movements on HEIF	39	-	-
Gains and losses on investments recognised in profit or loss gross of revenue share	23,933	11,600	14,677
Closing balance	349,185	262,457	302,463

Notes to the consolidated interim financial statements (continued)

7. Financial risk management (continued)

Information about fair value measurements using significant unobservable inputs (Level 3)

The Group's finance department, in consultation with the investment team, performs valuations of investments held for financial reporting purposes, including Level 3 fair values. Discussions of valuation processes and results are held at least twice a year, in line with the Group's reporting dates. The valuation techniques, unobservable inputs and the relationship of unobservable inputs to fair value are discussed in note 8.

Information about fair value measurements for the interim period ended 31 January 2017

Valuation technique	Level	Net fair value at 31 January 2017 £'000	Inputs	Unobservable inputs	Weighted average input	Reasonable possible shift +/-	Change in valuation £'000	Relationship of inputs to value
Listed investments	1	42,485	Publically available share price at balance sheet date	-	-	-	-	-
Price of latest funding round adjusted for recent milestones or impairments	3	99,298	Performance against milestones	Unobservable inputs include management's assessment of performance against milestones, and considerations and calculation of any impairment. For further information on valuation methodology, see note 8. The main unobservable input relates to the assessment of impairment.				
				Assessment of impairment				
Price of latest funding round (investment made within the last two years)	3	236,205	Price of the latest funding round	The price of latest funding round provides observable input into the valuation of any individual investment. However, subsequent to the funding round, management are required to re-assess the carrying value of investments at each period end, including assessment of any impairment indicators, which result in unobservable inputs into the valuation methodology. For further information on valuation methodology, see note 8. The main unobservable input relates to the assessment of impairment.				
				Assessment of impairment				
Price of latest funding round (investment made more than two years ago)	3	250	Price of the latest funding round	Unobservable inputs include management's assessment of the performance of the investment company and considerations and calculation of any impairment. For further information on valuation methodology, see note 8. The main unobservable input relates to the assessment of impairment.				
				Assessment of impairment				
Earnings multiple	3	4,586	Earnings of comparable companies and discount for lack of marketability	Discount for lack of marketability	40%	20%	1,249/ (1,249)	The greater the discount factor, the lower the fair value.
		382,824						

Notes to the consolidated interim financial statements (continued)

7. Financial risk management (continued)

Information about fair value measurements for the year ended 31 July 2016

Valuation technique	Level	Net fair value at 31 July 2016 £'000	Inputs	Unobservable inputs	Weighted average input	Reasonable possible shift +/-	Change in valuation £'000	Relationship of inputs to value
Listed investments	1	42,923	Publically available share price at balance sheet date	-	-	-	-	-
Price of latest funding round adjusted for recent milestones or impairments	3	41,405	Performance against milestones	Unobservable inputs include management's assessment of performance against milestones, and considerations and calculation of any impairment. For further information on valuation methodology, see note 8. The main unobservable input relates to the assessment of impairment.				
				Assessment of impairment				
Price of latest funding round (investment made within the last two years)	3	246,150	Price of the latest funding round	The price of latest funding round provides observable input into the valuation of any individual investment. However, subsequent to the funding round, management are required to re-assess the carrying value of investments at each period end, including assessment of any impairment indicators, which result in unobservable inputs into the valuation methodology. For further information on valuation methodology, see note 8. The main unobservable input relates to the assessment of impairment.				
				Assessment of impairment				
Price of latest funding round (investment made more than two years ago)	3	250	Price of the latest funding round	Unobservable inputs include management's assessment of the performance of the investment company and considerations and calculation of any impairment. For further information on valuation methodology, see note 8. The main unobservable input relates to the assessment of impairment.				
				Assessment of impairment				
Earnings multiple	3	4,358	Earnings of comparable companies and discount for lack of marketability	Discount for lack of marketability	40%	20%	1,249/ (1,249)	The greater the discount factor, the lower the fair value.
		335,086						

Notes to the consolidated interim financial statements (continued)

7. Financial risk management (continued)

Information about fair value measurements for the interim period ended 31 January 2016

Valuation technique	Level	Net fair value at 31 January 2016 £'000	Inputs	Unobservable inputs	Weighted average input	Reasonable possible shift +/-	Change in valuation £'000	Relationship of inputs to value
Listed investments	1	100,042	Publically available share price at balance sheet date	-	-	-	-	-
Price of latest funding round adjusted for recent milestones or impairments	3	38,510	Performance against milestones	Unobservable inputs include management's assessment of performance against milestones, and considerations and calculation of any impairment. For further information on valuation methodology, see note 8. The main unobservable input relates to the assessment of impairment.				
				Assessment of impairment				
Price of latest funding round (investment made within the last two years)	3	176,682	Price of the latest funding round	The price of latest funding round provides observable input into the valuation of any individual investment. However, subsequent to the funding round, management are required to re-assess the carrying value of investments at each period end, including assessment of any impairment indicators, which result in unobservable inputs into the valuation methodology. For further information on valuation methodology, see note 8. The main unobservable input relates to the assessment of impairment.				
				Assessment of impairment				
Price of latest funding round (investment made more than two years ago)	3	34,087	Price of the latest funding round	Unobservable inputs include management's assessment of the performance of the investment company and considerations and calculation of any impairment. For further information on valuation methodology, see note 8. The main unobservable input relates to the assessment of impairment.				
				Assessment of impairment				
Earnings multiple	3	5,828	Earnings of comparable companies and discount for lack of marketability	Discount for lack of marketability	40%	20%	1,249/ (1,249)	The greater the discount factor, the lower the fair value.
		355,149						

Notes to the consolidated interim financial statements (continued)

8. Critical accounting estimates and judgements

The Directors have made the following judgements and estimates that have had the most significant effect on the carrying amounts of the assets and liabilities in the financial statements.

The Group has concluded that it is not an investment company as identified by IFRS10.

Valuation of unquoted equity investments

The judgements required to determine the appropriate valuation methodology of unquoted equity investments means there is a risk of material adjustment to the carrying amounts of assets and liabilities. These judgements include a decision whether or not to increase or decrease investment valuations.

The fair value of unlisted securities is established using International Private Equity and Venture Capital Valuation Guidelines (IPEVCVG). The valuation methodology used most commonly by the Group is the 'price of recent investment' or a 'milestone analysis' approach. Given the nature of the Group's investments in seed, start-up and early-stage companies, where there are often no current and no short-term future earnings or positive cash flows, it can be difficult to gauge the probability and financial impact of the success or failure of development or research activities and to make reliable cash flow forecasts.

Consequently, the most appropriate approach to determine fair value is a methodology that is based on market data, that being the price of a 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.

Where the Group considers that the price of recent investment, unadjusted, is no longer relevant and there are limited or comparable companies or transactions from which to infer value, the Group carries out an enhanced assessment based on milestone analysis and/or industry and sector analysis. In applying the milestone analysis approach to investments in companies in early or development stages the Group seeks to determine whether there is an indication of change in fair value based on a consideration of performance against any milestones that were set at the time of the original investment decision, as well as taking into consideration the key market drivers of the investee company and the overall economic environment. When considered appropriate, the Group may use external valuers to assess the reasonableness of any change in fair value estimated by management.

The following considerations are used when calculating the fair value:

- 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;
- where there has been any recent investment by third parties, the price of that investment will provide a basis of the valuation;
- if there is no readily ascertainable value from following the 'price of recent investment' methodology, the Group considers alternative methodologies in the IPEVCVG guidelines, being principally discounted cash flows and price-earnings multiples requiring management to make assumptions over the timing and nature of future earnings and cash flows when calculating fair value;
- where a fair value cannot be estimated reliably, the investment is reported at the carrying value at the previous reporting date unless there is evidence that the investment has since been impaired;
- all recorded values of investments are regularly reviewed for any indication of impairment and adjusted accordingly;
- the length of period for which it remains appropriate to use the price of recent investment depends on the specific circumstances of the investment and the stability of the external environment. During this period the Group considers whether any changes or events subsequent to the transaction would imply a change in the fair value of the investment may be required; where the Group considers that there is an indication that the fair value has changed, an estimation is made of the required amount of any adjustment from the last price of recent investment. Wherever possible, this adjustment is based on objective data from the investee company and the experience and judgement of the Group. However any adjustment is, by its very nature, subjective. Where deterioration in value has occurred, the Group reduces the carrying value of the investment to reflect the estimated decrease. If there is evidence of value creation, the Group may consider increasing the carrying value of the investment. However, in the absence of additional financing rounds or profit generation it can be difficult to determine the value that a purchaser may place on positive developments given the potential outcome and the costs and risks to achieving that outcome;
- factors which the Group considers include, inter alia, technical measures such as product development phases and patent approvals, financial measures such as cash burn rate and profitability expectations, and market and sales measures such as testing phases, product launches and market introduction; and
- where the equity structure of a portfolio company involves different class rights in a sale or liquidity event, the Group takes these different rights into account when forming a view of the value of its investment.

Notes to the consolidated interim financial statements (continued)

8. Critical accounting estimates and judgements (continued)

Valuation of Carried Interest Plan liability

For several years, the Group has maintained a long term incentive arrangement known as the Carried Interest Plan. It is the intention of the Group to continue to use the Carried Interest Plan as part of the Group's long term incentive arrangements, alongside the introduction of share options.

The provision is measured by reference to the fair value of the relevant investments. The judgements required to determine the appropriate valuation methodology of unquoted equity investments means there is a corresponding risk of material adjustment to the carrying amounts of the Carried Interest Plan liability. The additional considerations used when calculating the Carried Interest Plan liability include estimates for an appropriate discount rate, leaver provisions and year of realisation.

9. Related party disclosures

The Group does not have an ultimate parent company.

The Group's ultimate parent company was Imperial College London (Imperial College of Science, Technology and Medicine, South Kensington Campus, London, SW7 2AZ, United Kingdom) by virtue of its shareholding in the Group, until the equity raise in 2011. The Group has a Technology Pipeline Agreement (TPA) with Imperial College London which stipulates the terms for sharing revenue generated from the commercialisation of Imperial College London intellectual property which is assigned to Imperial Innovations Limited. The Group has agreements with Imperial College London across a range of services, including an operating lease for office premises (from June 2010 at 52 Princes Gate, Exhibition Road) as disclosed in note 23 of the group's annual financial statements as at 31 July 2016 and an agreement covering information technology and intellectual property advice (services agreement). In addition, following the June 2014 placing, Imperial College London has the right to nominate one member to sit on the Board of Touchstone Innovations plc (down from two members prior to the placing). On this basis, the Directors have considered that Imperial College London continues to be a related party.

Transactions with Appointee Directors are excluded as these are not considered to exert influence on the Group, with the exception of Dr Martin Knight (in the prior year) where disclosures have been made on page 143 of the group's annual financial statements as at 31 July 2016.

The Group has considered whether Invesco Limited, Woodford Investment Management, and Lansdowne with their significant shareholdings in the Group (albeit in a number of different funds), are related parties under IAS 24, 'Related party disclosures'. As these shareholders cannot take part in financial or operating policy decisions, have no right to appoint a Board member, and do not exert significant influence over the Group, the Group has taken the view that they are not Related Parties under IAS 24, 'Related party disclosures'.

Under the AIM rules, shareholders with a shareholding of more than 10% are considered to be related parties and therefore investments with the above shareholders are disclosed below. Given the substantial shareholdings, the Board of Directors manages the relationship with the relevant shareholders carefully to ensure that any co-investments are conducted on an arm's length basis.

Although the Group may have significant influence over an investee company, ultimately the investee company makes the final decision regarding the investors as part of a fundraising. Where the Group leads a fundraising all co-investors are responsible for their own evaluation and due diligence with no preferential treatment afforded to any particular investor.

During the period Invesco invested £2.1 million in total in Veryan (FY2016: £20.6 million in Cell Medica, Nexeon and Veryan).

During the year the Lansdowne partners invested nil (FY2016: nil).

During the year the Woodford Investment Management LLP invested £9.6 million in Mission and Inivata (FY2016: £39.1 million in Cell Medica, Inivata, Mission, Nexeon and Econic).

Notes to the consolidated interim financial statements (continued)

9. Related party disclosures (continued)

Transactions with related parties are laid out in the tables below.

Sale of goods and services (including recovery of costs)	As at 31 Jan 2017 £000	As at 31 Jan 2016 £000	As at 31 July 2016 £000
Trading with Imperial College London	165	121	512
Government grants received via Imperial College London	61	319	867
Trading with portfolio companies	1,097	557	925
	1,323	997	2,304

Purchases of goods and services	As at 31 Jan 2017 £000	As at 31 Jan 2016 £000	As at 31 July 2016 £000
Rent paid to Imperial College London	193	120	314
Revenue share and other expenditure with Imperial College London	5,205	671	1,783
	5,398	791	2,097

Year end balances arising from sales/purchases of goods / services	As at 31 Jan 2017 £000	As at 31 Jan 2016 £000	As at 31 July 2016 £000
Receivables from portfolio companies	167	52	73
Receivables from Imperial College London	681	282	896
Payables to Imperial College London	(1,031)	(935)	(1,609)
	(183)	(601)	(640)

The receivables from related parties arise mainly from sale transactions and are due one month after the date of sale. The receivables are unsecured in nature and bear no interest. The payables to related parties arise mainly from purchase transactions and are due one month after the date of purchase. The payables bear no interest.

Convertible loans to portfolio companies are expected to convert to equity and are of a long term investment nature. As a result, they are included within non-current investments (see note 2). Where the Group has a representative on the board of a portfolio company, this is considered a related party and the aggregate balance is shown below.

Loans to portfolio companies	As at 31 Jan 2017 £000	As at 31 Jan 2016 £000	As at 31 July 2016 £000
Beginning of the year	22,185	18,219	18,219
Loans advanced	11,288	862	7,876
Loans disposed	(4,629)	-	(296)
Loans converted or exchanged from debt to equity	(1,675)	(2,046)	(3,746)
Revaluation/(impairment) of loans	-	132	132
	27,169	17,167	22,185

Transactions with Directors

The Group considers all members of the Board to be key management and their remuneration is disclosed in note 21 of the group's annual financial statements as at 31 July 2016. Directors' shareholdings in the Group are disclosed in the Directors' Remuneration Report of the group's annual financial statements as at 31 July 2016.

Independent review report to Touchstone Innovations plc

Report on the consolidated interim financial statements

Our conclusion

We have reviewed Touchstone Innovations plc's consolidated interim financial statements (the "interim financial statements") in the Interim Report and Accounts of Touchstone Innovations plc for the 6 month period ended 31 January 2017. Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the AIM Rules for Companies.

What we have reviewed

The interim financial statements comprise:

- the consolidated interim balance sheet as at 31 January 2017;
- the consolidated interim statement of comprehensive income for the period then ended;
- the consolidated interim cash flow statement for the period then ended;
- the consolidated interim statement of changes in equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the Interim Report and Accounts have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the AIM Rules for Companies.

As disclosed in note 1 to the interim financial statements, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the Group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

The Interim Report and Accounts, including the interim financial statements, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the Interim Report and Accounts in accordance with the AIM Rules for Companies which require that the financial information must be presented and prepared in a form consistent with that which will be adopted in the company's annual financial statements.

Our responsibility is to express a conclusion on the interim financial statements in the Interim Report and Accounts based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the AIM Rules for Companies and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What a review of interim financial statements involves

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the Interim Report and Accounts and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants
Cambridge
30 March 2017

- (a) The maintenance and integrity of the Touchstone Innovations plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the interim financial statements since they were initially presented on the website.
- (b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Company Information

Directors

David Newlands	(Chairman)
Russ Cummings	(Chief Executive Officer)
Dr Nigel Pitchford	(Chief Investment Officer)
Tony Hickson	(Managing Director – Technology Transfer)
Professor David Begg	(Non-Executive Director)
Dr Linda Wilding	(Non-Executive Director)
Dr Robert Easton	(Non-Executive Director)

Company Secretary

William Rayner

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PART D: TOUCHSTONE TRADING UPDATE

The following is the text of Touchstone's trading update announcement dated 14 July 2017 taken from Touchstone's website at:

https://otp.tools.investis.com/clients/uk/imperial_innovations/rns1/regulatory-story.aspx?cid=859&newsid=891709

14 July 2017

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This announcement contains inside information for the purposes of Article 7 of Regulation (EU) No 596/2014

Touchstone Innovations plc

Trading update - NAV increased to £502 million

Touchstone Innovations plc (AIM: IVO, "the Group", "Touchstone") is today publishing a trading update in order to provide shareholders with an updated net asset value as at 30 June 2017.

As at 30 June 2017, the Group's Net Assets were £502.2 million or £3.12 per share, up 10.2% (£46.3 million) since the start of the financial year (2016: £455.9 million and £2.83p respectively), primarily as a result of fair value gains in the unquoted portfolio. The Group's balance sheet remains strong with £142.9 million available for investment (2016: £198.3m).

The Group's portfolio now consists of holdings in 113 companies and as at 30 June the value of the Group's quoted and unquoted portfolios (the "Net Portfolio Value") was approximately £440.3 million (2016: £335.1 million). The Group's unquoted portfolio was valued at £399.1 million (2016: £292.2 million). The Group's net cash was £67.2 million.

In addition, there are negotiations or other circumstances straddling Touchstone's year-end on 31 July 2017 in relation to five of the Group's portfolio companies that may lead to transactions resulting in fair value gains. These potential transactions include an externally validated funding round, two collaborative partnerships with large pharmaceutical companies and two potential trade sales. Whilst there is no certainty that any of these transactions will proceed to completion, the board believes that a number may do so, leading to further revaluations of the Group's investments in the relevant holdings in accordance with its valuation policies. Whilst these revaluations are unlikely to be significant in the context of the Group's portfolio as a whole, the board believes that they would further demonstrate the Group's business model achieving its aim.

During the 11-month period from 1 August 2016 to 30 June 2017, the Group invested £57.3 million across 33 portfolio companies, including the addition of six new companies to the Group's accelerated growth portfolio, which now comprises 48 companies. Divestment proceeds were £15.6 million, so the net investment during the period was £41.7 million.

The Directors do not believe a potential tax charge would arise on the realisation of the fair value gains set out in this statement.

The Directors have prepared the unaudited numbers contained in this statement on a basis consistent with the Company's accounting policies. Those accounting policies applied in determining the Net Portfolio Value are set out in Appendix A, and, in the case of unquoted investments, in accordance with the guidelines set out by the International Private Equity and Venture Capital Valuation Board.

As required by the Takeover Code (the "Code"), the unaudited reported values of the Net Portfolio Value are supported by an opinion of Deloitte LLP as independent valuer in accordance with Rule 29 of the Code. A copy of this valuation report of Deloitte LLP is included within this announcement in Appendix B.

For further information contact:

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Instinctif Partners Adrian Duffield/Melanie Toyne-Sewell/Chantal Woolcock	020 7457 2020
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About Touchstone Innovations - www.touchstoneinnovations.com

Touchstone Innovations plc (formerly Imperial Innovations Group plc or just "Innovations") creates, builds and invests in pioneering technology companies and licensing opportunities developed from outstanding scientific research from the 'Golden Triangle', the geographical region broadly bounded by London, Cambridge and Oxford.

This area has an unrivalled cluster of outstanding academic research and technology businesses, and is home to four of the world's top 10 universities, as well as leading research institutions, the cream of the UK's science and technology businesses and many of its leading investors.

Innovations supports scientists and entrepreneurs in the commercialisation of their ideas through protecting and licensing out intellectual property (through its Technology Transfer subsidiary, Imperial Innovations Limited), by leading the formation of new companies, by recruiting high calibre management teams and by providing investment and encouraging co-investment. Innovations remains an active investor over the life of its portfolio companies, with the majority of Innovations' investment going into businesses in which it is already a shareholder.

Since becoming a public company in 2006, Innovations has raised more than £440 million of equity from investors, which has enabled it to invest in some of the most exciting spin-outs to come out of UK academic research. In addition, the Group has drawn down the outstanding £50.0 million from the European Investment Bank (EIB) taking the total loan to £80.0 million.

Between Innovations' admission to AIM (August 2006) and 30 June 2017, Innovations has invested a total of £364.0 million across its portfolio companies, which have collectively raised investment of more than £1.5 billion.

Further Information

J.P. Morgan Limited, which conducts its UK investment banking business as J.P. Morgan Cazenove ("J.P. Morgan Cazenove"), is authorised and regulated in the United Kingdom by the Financial Conduct Authority. J.P. Morgan Cazenove is acting as financial adviser exclusively for Touchstone and no one else in connection with the matters set out in this announcement and will not regard any other person as its client in relation to the matters in this announcement and will not be responsible to anyone other than Touchstone for providing the protections afforded to clients of J.P. Morgan Cazenove or its affiliates, or for providing advice in relation to any matter referred to herein.

RBC Capital Markets is the business name used by RBC Europe Limited, which is authorised in the United Kingdom by the Prudential Regulation Authority ("PRA") and regulated by the Financial Conduct Authority ("FCA") and the PRA and is a subsidiary of the Royal Bank of Canada. RBC is acting as Corporate Broker to the Company.

Forward-looking statements

This announcement (including information incorporated by reference) may contain statements which are, or may be deemed to be, "forward-looking statements".

All statements, other than statements of historical fact are, or may be deemed to be, forward-looking statements. Forward-looking statements are prospective in nature and are not based on historical facts, but rather on current expectations and projections of the management of Touchstone about future events, and are therefore subject to risks and uncertainties which could cause actual results, performance or events to differ materially from those expressed or implied by the forward-looking statements. The forward-looking statements contained in this announcement include statements relating to the expected effects of the transaction and other statements other than historical facts. Often, but not always, forward-looking statements can be identified by the use of forward looking words such as "plan", "expect", "budget", "target", "aim", "scheduled", "estimate", "forecast", "intend", "anticipate", "assume", "hope", "continue" or "believe", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "should", "would", "might" or "will" be taken, occur or be achieved. By their nature, forward-looking statements involve risks (known and unknown) and uncertainties (and other factors) that could cause actual results to differ materially from those suggested by them. Much of the risk and uncertainty relates to factors that are beyond the relevant companies' or directors' ability to control or estimate precisely, such as future market conditions and behaviours of other market participants or changes in tax rates.

Each forward-looking statement speaks only as of the date of the announcement. No representation, assurance or guarantee is provided that the occurrence of the events expressed or implied in any forward-looking statements in the information will actually occur. All forward-looking statements contained in the information are expressly qualified in their entirety by the cautionary statements contained or referred to in this disclaimer. Readers are cautioned not to place undue reliance on these forward-looking statements. Other than in accordance with their legal or regulatory obligations (including under the Code), Touchstone, the directors of Touchstone, its subsidiaries and subsidiary undertakings are under no obligation and undertake no obligation, and expressly disclaim any intention or obligation, to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Responsibility

The directors of Touchstone accept responsibility for the information contained in this announcement (including expressions of belief) and, to the best of the knowledge and belief of the Touchstone directors (having taken all reasonable care to ensure that such is the case), the information contained in this announcement is in accordance with the facts and does not omit anything likely to affect the import of such information.

Consent

Deloitte LLP has given and not withdrawn its written consent to the inclusion of its opinion on the value of the Group's quoted and unquoted portfolio as at 30 June 2017 in this announcement.

Additional Information

In accordance with Rules 26.1 and 26.3 of the Code, a copy of this announcement will be available at www.touchstoneinnovations.com by no later than 12 noon (London time) on the business day following this announcement. The content of the website referred to in this announcement is not incorporated into and does not form part of this announcement.

Appendix A

The accounting policies followed by the Directors in their preparation of the Net Portfolio Value contained in this statement are set out below.

When a price for an asset or liability is not observable, the Group measures fair value using another valuation technique that maximises the use of relevant observable inputs and minimises the use of unobservable inputs.

The fair value of unlisted securities is established using International Private Equity and Venture Capital Valuation Guidelines (IPEVCVG). The valuation methodology used most commonly by the Group is the 'price of recent investment' or a 'milestone analysis' approach. Given the nature of the Group's investments in seed, start-up and early-stage companies, where there are often no current and no short-term future earnings or positive cash flows, it can be difficult to gauge the probability and financial impact of the success or failure of development or research activities and to make reliable cash flow forecasts.

Consequently, the most appropriate approach to determine fair value is a methodology that is based on market data, that being the price of a 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.

Where the Group considers that the price of recent investment, unadjusted, is no longer relevant and there are limited or no comparable companies or transactions from which to infer value, the Group carries out an enhanced assessment based on milestone analysis and/or industry and sector analysis. In applying the milestone analysis approach to investments in companies in early or development stages the Group seeks to determine whether there is an indication of change in fair value based on a consideration of performance against any milestones that were set at the time of the original investment decision, as well as taking into consideration the key market drivers of the investee company and the overall economic environment.

When considered appropriate, the Group may use external valuers to assess the reasonableness of any change in fair value estimated by management.

The following considerations are used when calculating the fair value:

- 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;*
- where there has been any recent investment by third parties, the price of that investment will provide a basis of the valuation;*
- if there is no readily ascertainable value from following the 'price of recent investment' methodology, the Group considers alternative methodologies in the IPEVCVG guidelines, being principally discounted cash flows and price-earnings multiples requiring management to make assumptions over the timing and nature of future earnings and cash flows when calculating fair value;*
- where a fair value cannot be estimated reliably, the investment is reported at the carrying value at the previous reporting date unless there is evidence that the investment has since been impaired;*
- all recorded values of investments are regularly reviewed for any indication of impairment and adjusted accordingly;*

- *the length of period for which it remains appropriate to use the price of recent investment depends on the specific circumstances of the investment and the stability of the external environment. During this period the Group considers whether any changes or events subsequent to the transaction would imply a change in the fair value of the investment may be required; where the Group considers that there is an indication that the fair value has changed, an estimation is made of the required amount of any adjustment from the last price of recent investment. Wherever possible, this adjustment is based on objective data from the investee company and the experience and judgement of the Group. However any adjustment is, by its very nature, subjective. Where deterioration in value has occurred, the Group reduces the carrying value of the investment to reflect the estimated decrease. If there is evidence of value creation, the Group may consider increasing the carrying value of the investment. However, in the absence of additional financing rounds or profit generation it can be difficult to determine the value that a purchaser may place on positive developments given the potential outcome and the costs and risks to achieving that outcome. This is a critical accounting judgement as set out in note 20;*

- *factors which the Group considers include, inter alia, technical measures such as product development phases and patent approvals, financial measures such as cash burn rate and profitability expectations, and market and sales measures such as testing phases, product launches and market introduction; and*

- *where the equity structure of a portfolio company involves different class rights in a sale or liquidity event, the Group takes these different rights into account when forming a view of the value of its investment*

Appendix B

The Directors
Touchstone Innovations plc
7 Air St,
Soho,
London
W1B 5AD

J.P. Morgan Limited
25 Bank Street
London
E14 5JP

14 July 2017

Dear Sirs

We report on the net portfolio value at 30 June 2017 (the "Net Portfolio Value") as set out in the trading statement (the "Trading Statement") issued by the directors of Touchstone Innovations plc ("the Company") dated 14 July 2017. The report is required by Rule 29.1 of The City Code on Takeovers and Mergers (the "City Code") and is given for the purpose of complying with that requirement and for no other purpose.

Save for any responsibility that we may have to those persons to whom this report is addressed, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such person as a result of, arising out of, or in connection with, this report or our statement, required by and given solely for the purposes of complying with Rule 23.2 of the City Code, consenting to its inclusion in the Trading Statement.

Accordingly, we assume no responsibility in respect of this report to IP Group plc (the "Offeror") or any person connected to, or acting in concert with, the Offeror or to any other person who is seeking or may in future seek to acquire control of the Company or to any other person connected to, or acting in concert with, such a person.

Responsibilities

The directors of the Company have prepared the Net Portfolio Value in accordance with International Private Equity and Venture Capital Valuation Guidelines and are solely responsible for the estimate.

It is our responsibility to form an opinion as required by the City Code to support the Net Portfolio Value prepared by the directors of the Company.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting 1000 issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the Net Portfolio Value. It also included an assessment of whether the accounting policies are consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide our opinion.

Our work has not been carried out in accordance with auditing or other standards and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

In carrying out our work we have:

- reviewed the work papers prepared by the Company;
- considered the basis of value and assumptions used;
- made enquiries of the Company;
- where necessary, considered supporting evidence obtained by the Company or from public sources; and,
- assessed whether the accounting policies adopted by the Company, as set out in the Trading Statement, have been applied.

The review was limited to the information provided by the Company.

We note the Directors' statement regarding the tax impact of the Net Portfolio Value.

Opinion

In our opinion, the Net Portfolio Value as at 30 June 2017:

- has been properly compiled and fairly presented on a basis consistent with the accounting policies adopted by the Company and, in the case of unquoted investments, in accordance with the guidelines set out by the International Private Equity and Venture Capital Valuation Board; and
- has been prepared after due care and consideration.

On the basis of our review, we are not aware of any material modifications that should be made to the Net Portfolio Value as presented for the Company as at 30 June 2017.

Limitations

Our review was substantially less in scope than an audit performed in accordance with International Financial Reporting Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the Net Portfolio Value.

Consent

Deloitte LLP has given and not withdrawn its consent for the inclusion of this letter in the Trading Statement.

Yours faithfully,

Deloitte LLP

Deloitte LLP is a limited liability partnership registered in England and Wales with registered number OC303675 and its registered office at 2 New Street Square, London EC4A 3BZ, United Kingdom.

Deloitte LLP is the United Kingdom member firm of Deloitte Touche Tohmatsu Limited ("DTTL"), a UK private company limited by guarantee, whose member firms are legally separate and independent entities. Please see www.deloitte.co.uk/about for a detailed description of the legal structure of DTTL and its member firms.

Member of Deloitte Touche Tohmatsu Limited //

APPENDIX III

FINANCIAL AND RATINGS INFORMATION RELATING TO IPG

Part A: Financial information relating to IPG

The following table sets out financial information in respect of IPG as required by Rule 24.3(a) of the Code. The documents referred to in the table, the contents of which have previously been announced through a Regulatory Information Service, are incorporated into this document by reference pursuant to Rule 24.15 of the Code. If you are reading this document in hard copy, please enter the web address(es) below in your web browser to be brought to the relevant document. If you are reading this document in soft copy please click on the web addresses below to be brought to the relevant document.

<i>No.</i>	<i>Information</i>	<i>Source of Information</i>	<i>Web Address</i>
1.	IPG 2016 Annual Report	Document downloaded from IPG's website	http://www.ipgroupplc.com/investor-relations/reports-and-presentations/2016
2.	IPG 2015 Annual Report	Document downloaded from IPG's website	http://www.ipgroupplc.com/investor-relations/reports-and-presentations/2015

The information is available in “read-only” format and can be printed from the web address detailed above.

Please see paragraph 9 of Appendix V below for details of obtaining hard copies of documents incorporated by reference into this document.

No incorporation of website information

Neither the content of IPG's website, nor the content of any website accessible from hyperlinks on Touchstone's website, is incorporated into, or forms part of, this document.

Part B: IPG ratings and outlook information

No rating agency has publicly accorded IPG any current credit rating or outlook.

Part C: Interim Financial Information Relating to the IP Group



ipgroup

“FOR RELEASE ON

18 July 2017

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

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 2017.

HALF YEAR HIGHLIGHTS

Corporate update

- £207m (gross) capital raise announced, including significant new shareholders from Australia, China, Singapore and the UK
- Launch of IP Group Australasia; nine new university partnership agreements signed with leading universities in Australia and New Zealand

- Completion of the acquisition of Parkwalk Advisors
- Firm intention to make an all-share offer for Touchstone Innovations plc announced, with formal offer-related documents expected to be published today

Portfolio update

- Fair value of portfolio: £663.0m (HY16: £525.7m; FY16: £614.0m)
- Net change in fair value of portfolio: £28.5m increase (HY16: £24.5m decrease; FY16: £7.0m increase)
- Capital provided to portfolio companies and projects: £20.1m (HY16: £12.8m; FY16: £69.7m)
- Significant funding rounds completed by Ultrahaptics Holdings Ltd (£17.9m), Actual Experience plc (£17.5m) and Creavo Medical Technologies Limited (£13.4m)

Financial and operational update

- Net assets of £968.1m (HY16: £748.5m; FY16: £768.7m)
- Hard NAV of £890.5m (HY16: £683.5m; FY16: £706.5m)
- Return on Hard NAV of £21.3m (HY16: loss of £30.6m; FY16: loss of £7.6m)
- Gross cash and deposits at 30 June 2017: £263.1m (HY16: £174.7m; FY16: £112.3m) including net proceeds from capital raise of £180.3m settled during period

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

“The underlying performance of the Group and its portfolio companies in the first half of 2017 has been strong with a net portfolio fair value increase of £28.5m. It has been particularly encouraging that a number of our private companies including Ultrahaptics and, more recently, Creavo, have successfully completed large fundraisings following significant commercial progress, attracting new investors to their registers.

In the first half, we were also delighted to announce a £207m capital raising, the expansion of our business into Australasia, a firm intention to make an all-share offer for a combination with Touchstone Innovations plc and the completion of our acquisition of Parkwalk Advisors Ltd. The formal documents in connection with our offer for Touchstone Innovations plc are expected to be posted today.

IP Group has a strong balance sheet, with net assets now approaching £1bn, a diverse portfolio comprising a broad range of early to mature businesses across four sectors and we believe the fundamentals of the business are strong. I would like to take this opportunity to thank all of our shareholders for their support as we continue to grow the business and expand internationally.”

For more information, please contact:

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

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

The first half of 2017 has seen a number of significant corporate developments coupled with a strong underlying performance in the portfolio. On the corporate front, we announced a £207m (gross) capital raising, expansion into Australasia, a firm intention to make an all-share offer for Touchstone Innovations plc and the completion of our acquisition of Parkwalk Advisors Ltd.

Portfolio performance

At 30 June 2017, the fair value of the Group's portfolio was £663.0m (HY16: £525.7m; FY16: £614.0m). This reflects a net fair value increase of £28.5m during the period with significant net fair value increases in three sectors: Technology (£12.7m increase), Cleantech (£19.1m increase) and Biotech (£8.2m increase), more than compensating for a net fair value reduction in the Healthcare sector (£10.9m decrease). This fair value excludes consolidated portfolio companies, including Modern Biosciences Limited, whose lead programme for the treatment of rheumatoid arthritis is partnered with Janssen Biotech Inc.

The single largest portfolio company fair value increase during the period was Ultrahaptics Holdings Ltd in the Technology sector. Ultrahaptics, whose products allow users to touch virtual objects in mid-air, completed a £17.9m fundraising, resulting in a gross fair value increase for the Group of £12.0m. Other key positive contributions to the increase in fair value were largely due to rising share prices in many of our AIM-quoted assets including Ceres Power Holdings plc (£9.7m), Xeros Technology Group plc (£8.9m), Diurnal Group plc (£5.9m) and Avacta Group plc (£2.4m).

The largest unrealised fair value decreases were primarily as a result of reductions in the share prices of AIM-quoted hVIVO plc (£10.7m) and Tissue Regenix Group plc (£8.3m). Further information on the performance of the Group's portfolio businesses, including hVIVO and Tissue Regenix, is provided in the portfolio review below.

In the first six months of the year, the Group provided incubation, seed and further capital totalling £20.1m to its portfolio companies (HY16: £12.8m; FY16: £69.7m). The Group's portfolio now comprises holdings in 96 companies in addition to strategic stakes in three multi-sector platform businesses and 18 de minimis holdings (HY16: 83, 3, 16; FY16: 90, 3, 20).

Capital raising

The £207m (gross) capital raise announced during the period saw the Group welcome new shareholders from Australia, China, Singapore and the UK. The funding will enable the Group to accelerate growth by investing in new and existing portfolio companies, build on its pool of valued scientific and commercial talent, and attract further investors and co-investment partners. It also furthers the transformation underway by expanding the Group's share register and by further extending its model into Australasia alongside our nine new university partners there. The subscription for shares by one participant, Beijing Galaxy World Group, is subject to certain Chinese foreign exchange and regulatory approvals, which it currently anticipates being received by mid-August. Therefore, net capital raising proceeds during the period were £180.3m and the Group held gross cash and deposits of £263.1m at 30 June 2017 (HY16: £174.7m; FY16: £112.3m).

New Australasian operations

Turning to Australasia, the Group was excited to launch a landmark agreement with Australasia's leading universities, under which it anticipates seeing at least A\$200 million invested in finding and developing companies involved in disruptive innovation. The commercialisation agreements – the first of their type in Australasia – have been signed between IP Group and nine universities which comprise the University of Adelaide, Australian National University, the University of Melbourne, Monash University, UNSW Sydney,

the University of Queensland, the University of Sydney and the University of Western Australia in Australia, and the University of Auckland in New Zealand. IP Group has committed to invest at least A\$200m over a 10-year period to fund investments in spin-out companies based on the intellectual property developed by academics at the nine universities, generated from research in areas such as digital medicine, new medical therapies and quantum computing.

Mergers and acquisitions

It has also been a busy period in terms of M&A, with the Group announcing of its firm intention to make an all-share offer for Touchstone Innovations plc in June and the completion of its acquisition of Parkwalk Advisors Ltd in January. Founded in 2009, Parkwalk is the UK's leading university spin-out focused EIS fund manager and we are delighted to welcome the team to the Group. Parkwalk recorded a net profit of £0.8m for the five-month period since acquisition.

The Group's announcement earlier today set out the revised terms of its intended offer for Touchstone Innovations plc. Assuming acceptance of the Group's offer in full, IPG Shareholders would own approximately 66.1 per cent of the combined group and Touchstone Shareholders would own approximately 33.9 per cent. Full documentation in connection with the offer is expected to be issued today.

Touchstone, founded in 1986 and listed on AIM since 2006, creates, builds and invests in technology companies and licensing opportunities developed from scientific research from the 'Golden Triangle', the geographical region broadly bounded by London, Cambridge and Oxford.

The Group believes that the combination with Touchstone will create an international leader in IP commercialisation and a business that is greater than the sum of the two parts. With a larger and more diversified portfolio, IP Group believes the combined business would be even more attractive to current and potential new investors and also to other stakeholders including university partners and entrepreneurial talent. IP Group has received irrevocable undertakings and letters of intent in support of the offer from Touchstone Shareholders representing, in aggregate, 89.6827 per cent of Touchstone's issued share capital.

Outlook

One of the central beliefs on which IP Group was founded was that modern economies need to support scientific innovation and then seek to commercially leverage such innovation. We believe that this remains very much the case today. The Group's portfolio remains well diversified with a broad range of early to mature businesses across our four sectors and, following the Group's recent capital raise, holds in excess of £260m in cash and deposits. Our operation in the US continues to produce exciting opportunities with two companies now having completed their first 'series A' financings supported by US-based shareholders and we look forward to emulating the Group's successful business model in Australasia.

While it remains important to consider IP Group as a long-term business where results can fluctuate from year to year, we remain excited about the prospects for IP Group and believe the fundamentals of the business are strong and appeal to an increasingly broad set of international investors.

Portfolio review

Overview

During the six months ended 30 June 2017, the value of the Group's portfolio increased to £663.0m (HY16: £525.7m; FY16: £614.0m), reflecting a net unrealised fair value gain of £28.5m (HY: £24.5m loss; FY16: £7.0m gain), excluding the investments and realisations set out below. The portfolio consists of interests in 96 companies, strategic stakes in three multi-sector platform businesses as well as a further 18 *de minimis* holdings (HY16: 83, 3, 16; FY16: 90, 3, 20). During the period, the Group provided capital to portfolio companies totalling £20.1m (HY16: £12.8m; FY16: £69.7m) and received cash proceeds of £0.3m (HY16: £14.5m; FY16: £14.7m) largely in relation to deferred consideration on the 2014 disposal of Rock Deformation Research Limited.

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

	<i>Six months ended 30 June 2017</i>	<i>Six months ended 30 June 2016</i>	<i>Year ended 31 December 2016</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>
Unrealised increases in fair value of equity and debt investments	55.6	6.8	56.6
Unrealised decreases in fair value of equity and debt investments	(26.5)	(31.5)	(50.3)
Effects of movement in exchange rates	(0.6)	0.2	0.7
Change in fair value of equity and debt investments	28.5	(24.5)	7.0
Profit/(loss) on disposals of equity investments	0.2	(0.4)	(0.5)
Net portfolio gains/(losses)	28.7	(24.9)	6.5

Unrealised increases in the fair value of equity and debt investments primarily arose from Ultrahaptics Holdings Ltd (£12.0m)², as a result of its £17.9m funding round, and increases in the share prices of AIM-quoted Ceres Power Holdings Plc (£9.7m) and Xeros Technology Group Plc (£8.9m). Further unrealised fair value increases arose from increases in the share prices of Diurnal Group Plc (£5.9m) and Avacta Group plc (£2.4m) and revaluations of unquoted Creavo Medical Technologies Limited (£5.5m)² and OxSyBio Limited (£3.5m)². These unrealised gains were principally offset by decreases in the share prices of hVivo Plc and Tissue Regenix Group Plc, which decreased the value of the Group's holdings by £10.7m and £8.3m respectively.

Investments and realisations

During the first half of 2017, the Group deployed £20.1m of capital into 25 portfolio companies and projects (HY16: £12.8m, 29; FY16¹: £58.8m, 55). The Group provided initial seed or incubation capital to six opportunities (HY16: eight; FY16: 19), of which five were US-based. The Group exited its interest in one company (HY16: four; FY16: seven) and realised total cash proceeds during the period of £0.3m (HY16: £14.5; FY16: £14.7m).

1 FY16 excludes the £7.5m and £3.4m strategic investments into Oxford Sciences Innovation plc and Cambridge Innovation Capital plc.

2 Of the fair value gains noted above the following amounts are attributable to the third party limited partners in the consolidated fund, IPVF11: Ultrahaptics: £2.2m, Creavo £0.9m, OxSyBio £0.5m.

Portfolio analysis – by sector

The Group's portfolio consists of companies operating in four key sectors, being Healthcare, Technology, Cleantech and Biotech, strategic stakes in Multi-sector platform businesses, as well as a number of de minimis holdings. An analysis of the portfolio by sector is as follows:

Sector	As at 30 June 2017				As at 31 December 2016			
	Fair value		Number		Fair Value		Number	
	£m	%		%	£m	%		%
Healthcare	325.1	54%	31	32%	328.0	60%	27	29%
Technology	115.4	20%	33	34%	93.6	17%	31	36%
Cleantech	98.6	16%	19	20%	76.9	14%	20	22%
Biotech	60.7	10%	13	14%	52.1	9%	12	13%
Total	599.8¹	100%	96	100%	550.6¹	100%	90	100%
Multi-sector platforms	62.5	—	3	—	62.5	—	3	—
De minimis holdings	0.7	—	18	—	0.9	—	20	—
	663.0	—	117	—	614.0	—	113	—

¹ Total fair value includes £15.1m (FY16: £9.2m) not attributable to equity holders represented by third party limited partners in the consolidated fund, IPVFII.

Healthcare

Company name	Description	Quoted/ Unquoted	Group stake at 30 June 2017 %	Fair value of Group holding at 31 December 2016		Six months to 30 June 2017		Fair value of Group holding at 30 June 2017 £m
				£m	investment/ (divestment)	Net Fair value movement £m	£m	
Oxford Nanopore Technologies Limited	Enabling the analysis of any living thing, by any person, in any environment. Developer of the portable, real time, long-read, low cost MinION nanopore DNA/RNA sequencer	Unquoted	19.6%	246.3	—	—	—	246.3
Creavo Medical Technologies Limited	Quantum cardiac imaging technology	Unquoted	39.5 ⁽ⁱ⁾ %	6.6	3.2	4.6	—	14.4
Tissue Regenix Group plc	Regenerative dCELL® soft tissue body parts	Quoted	13.6%	20.7	—	(8.3)	—	12.4
hVIVO plc	Viral challenge and “virometrics” specialist (“conquering viral disease”)	Quoted	16.7%	21.8	—	(10.7)	—	11.1
Alesi Surgical Limited	Medical devices to improve the safety and efficiency of laparoscopic surgery	Unquoted	48.4 ⁽ⁱ⁾ %	5.3	0.5	—	—	5.8
OxSyBio Limited	3D printing for medical research and clinical applications	Unquoted	49.5%	1.1	1.2	3.0	—	5.3
Genomics plc	Platform for analysis and interpretation of genomic sequence data	Unquoted	16.7%	4.9	—	—	—	4.9
Other companies (24 companies)				16.5	1.9	(0.8)	—	17.6
Value not attributable to equity holders				4.8	1.2	1.3	—	7.3
Total⁽ⁱⁱ⁾				328.0	8.0	(10.9)	—	325.1

(i) Represents the Group's undiluted beneficial economic equity interest (excluding debt) including the relevant share of any IPVFII holdings attributable to the Group. The remaining IPVFII stake not attributable to the Group is: Creavo 8.3%, OxSyBio 9.0%.

(ii) Excludes investments classified as *De minimis* holdings

As in previous years, Oxford Nanopore hosted its annual flagship 'London Calling' conference in May where 400 speakers and delegates convened to discuss research carried out using nanopore sequencing technology. The Company has a strong sense of momentum, and used the event to detail the proliferation of its main sequencing products; thousands of MinIONs are now in the field; a new product for the year, GridION, essentially a benchtop instrument with inbuilt computer processing that can run up to five MinION Flow Cells, that started shipping during the second quarter of 2017; and PromethION (ultra-high throughput/sample number) Flow Cells being held in the stable until its performance is a multiplier of the ever improving MinION data yields. Improved accuracy of the products was demonstrated, with the existing 1D method and a new method, 1D², and a new pore, R9.5 came online in Q2. A dongle for real time base calling was described as being in development and the uniquely named Flongle, a 'Flow Cell Dongle' that enables a targeted test for MinION and would therefore be suitable for industrial or clinical diagnostics, was in development.

Two out of the five quoted companies in the Healthcare portfolio, Tissue Regenix Group and hVIVO, endured particularly weak share price performance during the period. The Tissue Regenix share price reduction occurred despite the company announcing great commercial progress with strong growth in revenues and the securing of some all-important large GPO contracts. hVIVO announced that success was mixed for the three exploratory studies on the drug PrEP-001. Two of the exploratory studies did not meet their primary endpoints, albeit the company asserted they provided valuable insights for PrEP-001 and build on the profile of the drug following the previously reported positive proof of concept exploratory study in flu and the common cold. hVIVO retains strong cash reserves and meaningful revenues and so we continue to work with the Company to pursue initiatives to ensure it is best placed to deliver shareholder value.

Turning to the private companies, aside from Oxford Nanopore a number of other companies in the private portfolio made exciting progress. The two that stand out were Alesi Surgical and Creavo Medical Technologies.

Alesi Surgical announced it had raised €6.0m (£5.2m) to accelerate commercialisation of its product, Ultravision, an FDA approved device for clearing surgical smoke in laparoscopic procedures. The new investment comes from two European med tech venture capital firms, Panakes Partners and Earlybird, with continued support from Alesi Surgical's existing shareholders including IP Group.

Creavo Medical Technologies continues to go from strength to strength. The Company is developing and undertaking clinical trials on a device for diagnosing heart attacks and, during the period, completed a £13.7m placing at a £25.0m fully diluted pre-money valuation. If the trials are successful and the device is adopted, the company envisages it could save the NHS £200m per year.

Despite the poor performance of a small number of our quoted assets, we remain excited about the opportunities available to the companies in the healthcare portfolio and are optimistic on performance for the full year.

Technology

Company name	Description	Quoted/ Unquoted	Group stake at 30 June 2017 %	Fair value of Group holding at 31 December		Six months to 30 June 2017		Fair value of Group holding at 30 June 2017 £m
				£m	investment/ (divestment)	Net	Fair value & fx movement	
Actual Experience plc	Optimising the human experience of networked applications	Quoted	22.2%	23.4	1.5	1.4		26.3
Ultrahaptics Holdings Ltd	Contactless haptic technology “feeling without touching”	Unquoted	31.0 ⁽ⁱ⁾ %	8.0	4.0	9.8		21.8
Mirriad Advertising Limited	Native in-video advertising allowing post-production ad placement	Unquoted	38.9%	13.4	—	—		13.4
Applied Graphene Materials plc	Producer of speciality graphene materials	Quoted	20.6%	5.8	—	1.5		7.3
Uniformity Labs, Inc	Equipment, materials and software for additive manufacturing	Unquoted	25.1%	5.1	—	(0.2)		4.9
Perpetuum Limited	Micro-Electrical-Mechanical systems to generate power from vibrational energy	Unquoted	29.2%	4.1	—	—		4.1
Other companies (27 companies)				31.5	2.6	(1.9)		32.2
Value not attributable to equity holders				2.3	1.0	2.1		5.4
Total⁽ⁱⁱ⁾				93.6	9.1	12.7		115.4

(i) Represents the Group’s undiluted beneficial economic equity interest (excluding debt) including the relevant share of any IPVFII holdings attributable to the Group. The remaining IPVFII stake not attributable to the Group is: Ultrahaptics 6.9%.

(ii) Excludes investments classified as *de minimis* holdings

The first half of 2017 saw two of the division’s most valuable companies complete substantial investment rounds, both of which involved high-quality new institutional shareholders. In February, Actual Experience announced that it had raised £17.5m before expenses to support channel partners in deploying the company’s technology into a global enterprise customer base. Actual Experience has now received its first production order from a channel partner for a major end-customer, and expects further orders to follow in the near future.

In early May, mid-air haptics pioneer Ultrahaptics announced that it has raised a series B round of £17.9m to support its global expansion and entry into the virtual and augmented reality markets. IP Group participated in the round alongside fellow existing shareholder Woodford Investment Management and new investors including Cornes Group and Dolby Family Ventures. The transaction resulted in a consolidated fair value increase of £12.0m (£2.2m of which is attributable to the minority interest in IP Venture Fund II).

Video advertising innovator, Mirriad Advertising, has made very encouraging progress in recent months with strong commercial engagement building among three flagship customers: GloboSat in Brazil, Star in India and YouKu in China. The next phase is critical as Mirriad rolls out its marketplace advert trading platform to each of these customers.

The next tier of the portfolio, comprised of ten companies where IP Group’s holding is valued between £2m and £10m, has been characterised by steady progress over the period, though some of the assets have experienced go-to-market delays. Positive news came from Itaconix plc (formerly Revolymmer plc) where we were pleased to see announcements in January of a global supply and joint marketing agreement with Croda Inc, and a joint development agreement with Akzo Nobel Chemicals International B.V., whilst Getech Group plc announced several contract wins leaving it well-placed to meet revenue targets this financial year. There was also encouraging commercial progress at Perpetuum Limited as the company continues to deploy its train monitoring technology to rail operators in the UK and overseas.

At the earlier-stage end of the portfolio, comprised of assets where our holding is valued at less than £2m, we are encouraged by the early commercial progress and growth potential shown by several of our nascent companies. Navenio Limited, a spin-out commercialising indoor location technology developed at the University of Oxford Computer Science Department, has achieved several commercial adoption milestones during the period and we are optimistic for that company's growth prospects. A small handful of assets in the sub-£2 million group have had mixed success and unfortunately one or two may fail to secure further funding in the coming 12 months, albeit IP Group's exposure to those assets is comparatively small in the context of the overall portfolio. In all, it has been a positive half year given progress, transactions and value growth at the higher-value end of the portfolio.

Cleantech

Company name	Description	Quoted/ Unquoted	Group stake at 30 June 2017 ⁽ⁱ⁾ %	Fair value of Group holding at		Six months to 30 June 2017		Fair value of Group holding at 30 June 2017 £m
				December 2016 £m	investment/ Fair value movement £m	Net Fair value movement £m	£m	
Xeros Technology Group plc	Polymer bead cleaning systems	Quoted	11.3%	20.2	—	8.9	29.1	
Ceres Power Holdings plc	Ceramic fuel cell technology for distributed generation	Quoted	25.5%	18.0	—	9.7	27.7	
First Light Fusion Limited	New methodology for achieving extreme intensity cavity collapse	Unquoted	34.9%	13.9	—	—	13.9	
Azuri Technologies Limited	Pay-as-you-go solar power for off-grid customers in rural emerging markets	Unquoted	30.5%	5.5	—	—	5.5	
Other companies (15 companies)				16.9	2.5	0.7	20.1	
Value not attributable to equity holders				2.4	0.1	(0.2)	2.3	
Total⁽ⁱⁱ⁾				76.9	2.6	19.1	98.6	

⁽ⁱ⁾ Represents the Group's undiluted beneficial economic equity interest (excluding debt) including the relevant share of any IPVFII holdings attributable to the Group

⁽ⁱⁱ⁾ Excludes investments classified as *De minimis* holdings

The Cleantech division has had a good start to 2017. The two largest assets, Ceres Power Holdings plc and Xeros Technology Group plc, have made strong commercial progress which has been reflected in significant improvements in share price. The private portfolio is also developing well with First Light Fusion Limited, Azuri Technologies Limited and newer asset Dukosi Limited all progressing. Capital market sentiment in cleantech has improved over the half year as the global transition to renewable power systems (wind and solar) and electric vehicles continues apace.

Ceres Power, a world-leading next generation fuel cell technology company, has continued its development work with Original Equipment Manufacturers Honda, Nissan and Cummins, which is expected to lead to a doubling of income to c. £4m in its current financial year. It is currently trialling heat and power systems in UK homes and has come to an agreement to develop a product for this residential application with one of its current partners.

Xeros, which has a unique platform for processing fabrics using advanced polymer science, has also had a strong first half. The company has added textile processing to its existing laundry and leather tanning application areas. Additional intellectual property has been developed and filed to underpin this new opportunity. In its established market of commercial laundry, the company now has a total machine estate and backlog of 438 units and has entered the high added value performance workwear market. Xeros also launched the Symphony Project which provides manufacturers of conventional commercial washing machines with 'open source' access to its technology, enabling manufacturers to sell their own-branded

products into the market place as well as receiving a share in the long-term water and energy savings that the Xeros technology delivers. The development and launch of Symphony represents a step-change in the rate at which Xeros can scale its technology. Following the announcement of Symphony, the company's share price increased by over 15%.

Our off-grid solar business, Azuri, is also performing well. In this half, the company passed the milestone of 100,000 sales of its PayGo solar home systems in sub-Saharan Africa. Since first entering the market in 2011, Azuri has provided affordable, clean energy for off-grid communities across 12 different African countries. An important part of the company's plans to scale is access to credit finance, and during this period it has secured a c.£4.0m (\$5.0m) debt facility from Standard Chartered Bank, raised c. £0.14m (€0.16m) through debt crowdfunding with TRINE and c.£0.4m (\$0.6m) from finance platform Lendable, the first debt platform designed specifically for African alternative lenders. This finance will support further rapid growth, such as the programme announced in January 2017 to provide power to 20,000 households in Nigeria.

The largest fundraising in the portfolio in the year to date has been for wireless battery management technology company, Dukosi. IP Group committed £1.2 million to a £2 million internal round alongside existing shareholders Scottish Investment Bank, the investment arm of Scottish Enterprise, and members of Par Equity. This latest funding will take the company through final development and readiness for semiconductor fabrication, and multi-industry certification. Following the transaction, the company is now the fifth-largest asset in the cleantech portfolio, with the Group stake valued at £2.9m for 47.3% of the company's share capital.

The Group's holding in, magnetic transmission systems asset Magnomatics has been re-valued to £2m, down from £4m at the end of 2016. We regularly review the performance of assets, and although Magnomatics has not recently raised finance, it was decided to re-value our holding as the company has continued to struggle commercially and in connection with its intellectual property.

With the current asset base performing very well overall and a strong pipeline of new science from leading universities, the division is well-placed to capture the opportunity arising from the current transition to clean energy and clean transportation.

Biotech

<i>Company name</i>	<i>Description</i>	<i>Quoted/ Unquoted</i>	<i>Group stake at 30 June 2017 %</i>	<i>Fair value of Group holding at 31 December 2016</i>		<i>Six months to 30 June 2017 Net investment/ (divestment) Fair value movement</i>		<i>Fair value of Group holding at 30 June 2017 £m</i>
				<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	
Diurnal Group plc	Novel treatments of hormone deficiency	Quoted	45.0%	29.3	—	5.9	35.2	
Avacta Group plc	Bio-therapeutic affimer technology	Quoted	23.1%	11.2	—	2.4	13.6	
Other companies (11 companies)				11.6	0.4	(0.1)	11.9	
Value not attributable to equity holders				—	—	—	—	
Total⁽ⁱⁱ⁾				52.1	0.4	8.2	60.7	

(ii) Excludes investments classified as *de minimis* holdings

The most valuable and advanced of the Group's biotech assets is Diurnal Group plc, which was floated successfully on AIM in December 2015. A spin-out from the University of Sheffield, Diurnal has two products in Phase 3 studies, Infacort and Chronocort, for the treatment of the childhood and adult forms of adrenal insufficiency, respectively. During the first half of 2017, the company has taken significant steps towards the eventual market launch of both these Phase 3 products. These include the signing of a marketing and distribution agreement for both products in Israel with Israel's leading commercial group for niche healthcare products, the launch of a European patient access programme for Infacort in collaboration with Clinigen Group plc and the dosing of a food-effect study for Infacort as the first step in its Phase 3 registration programme in the US. The company continues to expect EU approval for Infacort by year-end.

Avacta Group plc, the Biotech division's other listed biotech asset, continues to advance the reagents and therapeutics side of its Affimers business, demonstrating low immunogenicity in an ex-vivo study versus a reference monoclonal antibody and signing several reagents/diagnostics deals with major biotechnology/diagnostic players.

In the unquoted portfolio, Karus Therapeutics Limited has made good progress with its pipeline of cancer therapeutics, with Phase 1 trials for its PI3 kinase inhibitor KA2237 continuing and similar developments with its HDAC6 inhibitor expected this year. Glythera Limited announced that it has demonstrated superior toxicology with Antibody Drug Conjugates ("ADCs") employing its PermaLink technology compared to those employing the industry-standard linker, and has appointed high-profile figures from the US ADC sector to its scientific advisory board.

Modern Biosciences Limited ("MBS") continues to make progress with MBS2320, its lead drug for the treatment of rheumatoid arthritis that is partnered with Janssen Biotech, Inc, which was in Phase 1 studies during the period. Updates on the programme are anticipated in the second half of the year. MBS is a majority-owned subsidiary of the Group and, hence, its results are consolidated in the Group financials rather than being included in the portfolio valuation.

Multi-sector platforms

Company name	Description	Quoted/ Unquoted	Group stake at 30 June 2017 %	Fair value of Group holding at 31 December	Six months to 30 June 2017 Net investment/ Fair value movement	Fair value of Group holding at 30 June 2017
				£m	£m	£m
Oxford Sciences Innovation plc ("OSI")	University of Oxford preferred IP partner under 15-year framework agreement	Unquoted	8.1%	55.5	—	55.5
Cambridge Innovation Capital plc ("CIC")	University of Cambridge preferred investor under 10-year MoU and investor in IP from the 'Cambridge Cluster'	Unquoted	5.0%	6.6	—	6.6
Other companies (1 company)				0.4	—	0.4
Value not attributable to equity holders				—	—	—
Total				62.5	—	62.5

The value of the Group's holdings in multi-sector platforms was unchanged during the six months to 30 June 2017.

As a result of its 15-year framework agreement with the University of Oxford, OSI is the preferred intellectual property partner for the provision of capital to, and development of, Oxford spin-out companies and is entitled to 50 per cent of the university's founder equity in spin-out companies. OSI has raised in excess of £580m to date. As at 30 June 2017, OSI has invested more than £55m across more than 39 companies. In June, OSI announced that Diffblue, a world-leader in AI for code, had raised a \$22m Series A funding led by Goldman Sachs Principal Strategic Investments one year after its formation.

CIC is a preferred investor for the University of Cambridge for the commercialisation of intellectual property created at the University under a 10-year memorandum of understanding and a Cambridge-based investor in technology and healthcare companies from the Cambridge Cluster. CIC has raised £125.0m to date. In July, CIC announced that it had committed a total of £40.0m (2016: £19.0m) into seven new and nine existing portfolio companies in the year ending March 2017, bringing the total invested or committed since inception to £63.7m in 19 companies (2016: £26.0m to 12 companies). Following the investment into Bicycle Therapeutics in June 2017, CIC has now committed £72m to 20 portfolio companies.

Portfolio analysis – by investment stage

At 30 June 2017, the Group's portfolio fair value of £663.0m comprises holdings in businesses that are distributed across stages of maturity as follows:

Stage	As at 30 June 2017				As at 31 December 2016			
	Fair value		Number		Fair Value		Number	
	£m	%		%	£m	%		%
Focus	514.7	85%	19	20%	473.3	86%	19	21%
Development	63.0	11%	35	36%	57.0	10%	32	36%
Early-stage	22.1	4%	42	44%	20.3	4%	39	43%
Total	599.8¹	100%	96	100%	550.6¹	100%	90	100%
Multi-sector platforms	62.5	—	3	—	62.5	—	3	—
De minimis holdings	0.7	—	18	—	0.9	—	20	—
	663.0	—	117	—	614.0	—	113	—

¹ Total fair value includes £15.1m (FY16: £9.2m) attributable to equity holders represented by third party limited partners in the consolidated fund, IPVFII.

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

Portfolio companies which are classed as being in the Focus stage are those portfolio companies (excluding multi-sector platform companies) in which the Group's holdings have a fair value in excess of £4.0m.

The Development stage group includes other businesses to which the Group has provided in excess of £0.5m as principal investor, or in excess of £1.0m of funding in conjunction with other significant investors. 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.

The multi-sector platform companies in which the Group has taken a strategic stake operate a similar business model of sourcing and developing university spin-outs, typically from a single institution.

Those companies which either do not progress beyond the incubation stage within three years of the Group's initial funding and/or whose value has subsequently fallen to below £0.1m but remain as an operating business are classed as de minimis holdings.

	<i>Six months ended 30 June 2017</i>	<i>Six months ended 30 June 2016</i>	<i>Year ended 31 December 2016</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>
<i>Cash investment analysis by company stage</i>			
Focus	12.5	3.7	39.0
Development	4.5	4.1	10.8
Early Stage	3.1	5.0	9.0
Total	20.1	12.8	58.8
Multi-sector platforms	—	—	10.9
Total purchase of equity and debt investments	20.1	12.8	69.7
Cash proceeds from sales of equity investments	0.3	14.5	14.7

Financial and operational review

Consolidated statement of comprehensive income

The Group recorded a profit for the period of £18.4m (HY16: £33.9m loss; FY16: £14.8m loss) and a positive return on Hard NAV, i.e. on the Group's net assets excluding goodwill and intangible assets, of £21.3m (HY16: £30.6m negative; FY16: £7.6m negative).

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

	<i>Six months ended 30 June 2017</i>	<i>Six months ended 30 June 2016</i>	<i>Year ended 31 December 2016</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>
Net portfolio gains/(losses) ⁽¹⁾	28.7	(24.9)	6.5
Change in fair value of limited and limited liability partnership interests	0.2	(0.2)	(0.3)
Fair value loss on contingent value rights	—	—	(1.4)
Licensing income	3.0	0.1	0.2
Other income	2.6	0.9	2.6
Amortisation of intangible assets	(2.2)	(2.8)	(5.6)
Administrative expenses – Modern Biosciences	(1.1)	(0.7)	(1.4)
Administrative expenses – other consolidated portfolio companies	(0.5)	(0.4)	(1.1)
Administrative expenses – performance-based staff incentives and share-based payments charge	(0.7)	(0.4)	(1.5)
Administrative expenses – all other expenses	(8.1)	(5.9)	(13.0)
Carried interest plan charge	(2.7)	—	—
Acquisition costs	(1.0)	—	(0.4)
Net finance income	0.2	0.4	0.6
Profit/(loss) for the period	18.4	(33.9)	(14.8)
Other comprehensive income	—	0.1	0.1
Total comprehensive income/(loss) for the period	18.4	(33.8)	(14.7)
<i>Exclude:</i>			
Amortisation of intangibles assets	2.2	2.8	5.6
Share based payment charge	0.7	0.4	1.5
Return on Hard NAV	21.3	(30.6)	(7.6)

⁽¹⁾ Defined in the Portfolio review section

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

Other income totalled £2.6m; an increase on the previous half year (HY16: £0.9m; FY16: £2.6m) largely due to the acquisition of Parkwalk Advisors in January and the resultant fund management related fees and commissions (£1.4m) which were consolidated into the Group's results for the first time. Other income comprises fund management fees, as well as consulting and similar fees, typically chargeable to portfolio companies for services including executive search and selection as well as legal and administrative support. In addition to Parkwalk Advisors, fund management fees are also received from the Group's three existing managed funds, two of which, IP Venture Fund LP ("IPVFL") and The North East Technology Fund LP ("NETF"), also have the potential to generate performance fees from successful investment performance. The results of the Group's third managed fund, IP Venture Fund II ("IPVFI"), are consolidated into those

of the Group and accordingly the fund management fees received are not reflected in the consolidated statement of comprehensive income.

As described in the portfolio review, the results of the Group's drug-development subsidiary, MBS, are consolidated into those of the Group. MBS continues to make good progress in its lead MBS2320 programme, partnered with Janssen Biotech, Inc. The timing of payments under this partnership are linked to the development of the programme and certain milestones were achieved during the period. Licensing income for the Group totalled £3.0m; an increase on the previous period (HY16: £0.1; FY16: £0.2m) predominantly as a result of the achievement of these milestones.

Administrative expenses relating to MBS totalled £1.1m; an increase on the previous half year (HY16: £0.7m; FY16: £1.4m). This is due to increased costs necessary to develop its lead drug programme in preparation for the next stage of clinical trials.

Included within the Group's administrative expenses are costs in respect of a small number of other portfolio companies. Typically, the Group owns a non-controlling interest in its portfolio companies however, in certain circumstances the Group will take a controlling stake and hence consolidate the results of a portfolio company into the Group's financial statements. The administrative expenses included in the Group's results for such companies primarily comprise staff costs, R&D and other operating expenses.

Other central administrative expenses, excluding performance-based staff incentives and share-based payments charges, have increased to £8.7m during the period (HY16: £5.9m; FY16: £13.0m), primarily as a result of an increase in staffing costs, the results of Parkwalk Advisors being consolidated for the first time (£0.5m) and costs related to IP Group's head office relocation incurred in the period (£0.5m).

Acquisition costs incurred in the period relate to expenses related to the proposed combination of Touchstone Innovations plc while those recognised in the previous period relate to the acquisition of Parkwalk Advisors.

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

Administrative expenses resulting from performance-based staff incentives and share-based payment charges increased to £0.7m during the period (HY16: £0.4m; FY16 £1.5m), The Group's return on Hard NAV is below the minimum threshold for any payments to be made (or accrued) under the Group's Annual Incentive Scheme, and the full current year cost therefore relates to the IFRS 2 share-based payments charge attributable to the Group's Deferred Bonus Share Plan and Long Term Incentive Plan. This non-cash charge reflects the fair value of services received from employees, measured by reference to the fair value of the share-based payments at the date of award, but has no net impact on the Group's total equity or "net assets".

Consolidated statement of financial position

Net assets in the period increased to £968.1m (HY16: £748.5m; FY16: £768.7m) largely as a result of the £28.7m net portfolio gains in the Group's holdings in portfolio companies and the successful equity placing in the period.

The Group's diversified portfolio of holdings in private and publicly listed companies is valued at £663.0m (HY16: £525.7m; FY16: £614.0m). "Hard" net assets, i.e. total net assets less intangibles totalled £890.5m at 30 June 2017 (HY16: £683.5m; FY16: £706.5m).

	<i>Six months ended 30 June 2017 £m</i>	<i>Six months ended 30 June 2016 £m</i>	<i>Year ended 31 December 2016 £m</i>
Total Equity or Net Assets	968.1	748.5	768.7
<i>Exclude:</i>			
Goodwill	72.6	57.1	57.1
Other intangible assets	5.0	7.9	5.1
Hard NAV	890.5	683.5	706.5
Hard NAV per share	127.8p	120.9p	125.0p

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

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

	<i>Six months ended 30 June 2017 £m</i>	<i>Six months ended 30 June 2016 £m</i>	<i>Year ended 31 December 2016 £m</i>
Net Cash used in operating activities (excluding cash flows from deposits)	(2.9)	(5.8)	(11.4)
Net Cash (used in) / generated by investing activities	(26.6)	1.6	(55.2)
Net Cash from financing activities	180.3	—	—
Effect of foreign exchange rate changes	—	0.1	0.1
Movement during period	150.8	(4.1)	(66.5)

At 30 June 2017, the Group’s Cash totalled £263.1m, an increase of £150.8m from a total of £112.3m at 31 December 2016, predominantly due to a net £180.3m increase from the issue of new equity capital.

Included in the reported £207.0m capital raise was a delayed subscription from Beijing Galaxy World Group Co. Ltd, a Chinese-based investor. Their investment is subject to Chinese foreign exchange and other regulatory approvals and will therefore be subject to delayed settlement and admission. This investment, and the associated issue of new equity capital, remained outstanding at the period end and at the date of this report.

Net cash used in investing activities increased significantly from the comparable period in 2016 to, largely due to the acquisition of Parkwalk Advisors at the start of the period for an initial consideration of £10.0m comprising of £5.0m payable in cash, a reduction in realisations to £0.3m (HY16: £14.5m; FY16: £14.7m) and an increase in the rate of investment to £20.1m (HY16: £12.8m; FY16: £69.7m) in the period.

Taxation

Since the Group’s activities, including its activities in the US, are substantially trading in nature, the Directors continue to believe that the Group qualifies for the Substantial Shareholdings Exemption (“SSE”). This exemption provides that gains arising on the disposal of qualifying holdings are not chargeable to UK corporation tax and, as such, the Group has continued not to recognise a provision for deferred taxation in respect of uplifts in value on those equity holdings that meet the qualifying criteria.

In the Autumn Statement 2016, the UK Government announced its intention to make certain changes to the SSE regime, principally from the Group’s perspective, to remove the requirement for the investing entity (in this case, IP Group) to be a sole trading entity or member of a trading group and extending the minimum 10% holding period to any 12-month period in the six years prior to disposal. The Group welcomed these changes and the directors anticipate that they will have a favourable impact on the Group, giving greater certainty over the exemption of qualifying gains under SSE, and increasing the Group’s flexibility over the

timing of future portfolio company disposals. These changes were anticipated to be substantively enacted in the Finance Bill 2017, however as a result of the May 2017 General Election these provisions were dropped from the Finance Bill and are instead expected to be enacted in a subsequent Bill.

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 2016 Annual Report and Accounts. The principal risks and uncertainties are summarised as follows:

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

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

Condensed consolidated statement of comprehensive income

For the six months ended 30 June 2017

	<i>Note</i>	<i>Audited six months ended 30 June 2017 £m</i>	<i>Unaudited six months ended 30 June 2016 £m</i>	<i>Audited year ended 31 December 2016 £m</i>
Portfolio return and revenue				
Change in fair value of equity and debt investments		28.5	(24.5)	7.0
Gain/(loss) on disposal of equity investments		0.2	(0.4)	(0.5)
Change in fair value of limited and limited liability partnership interests		0.2	(0.2)	(0.3)
Change in value of contingent value right		—	—	(1.4)
Other portfolio income		—	—	—
Licensing income		3.0	0.1	0.2
Revenue from services and other income		2.6	0.9	2.6
		<u>34.5</u>	<u>(24.1)</u>	<u>7.6</u>
Administrative expenses				
Research and development		(0.9)	(0.4)	(1.0)
Carried interest plan charge		(2.7)	—	—
Share-based payment charge		(0.7)	(0.4)	(1.5)
Amortisation of intangible assets	6	(2.2)	(2.8)	(5.6)
Acquisition costs		(1.0)	—	(0.4)
Other administrative expenses		(8.8)	(6.6)	(14.5)
		<u>(16.3)</u>	<u>(10.2)</u>	<u>(23.0)</u>
Operating profit/(loss)		18.2	(34.3)	(15.4)
Finance income – interest receivable		0.4	0.6	1.1
Finance income – interest payable		(0.2)	(0.2)	(0.5)
Profit/(loss) before taxation		18.4	(33.9)	(14.8)
Taxation		—	—	—
Profit/(loss) for the period		18.4	(33.9)	(14.8)
Other comprehensive income				
Exchange differences on translating foreign operations		—	0.1	0.1
Total comprehensive income for the period		18.4	(33.8)	(14.7)
Attributable to:				
Equity holders of the parent		14.9	(33.4)	(13.5)
Non-controlling interest		3.5	(0.4)	(1.2)
		<u>18.4</u>	<u>(33.8)</u>	<u>(14.7)</u>
Earnings per share				
Basic (p)	2	2.56	(5.92)	(2.39)
Diluted (p)	2	2.56	(5.92)	(2.39)

Condensed consolidated statement of financial position

As at 30 June 2017

	<i>Note</i>	<i>Audited</i> 30 June <i>2017</i> £m	<i>Unaudited</i> <i>30 June</i> <i>2016</i> £m	<i>Audited</i> <i>31 December</i> <i>2016</i> £m
ASSETS				
Non-current assets				
Intangible assets:				
Goodwill	7	72.6	57.1	57.1
Acquired intangible asset	6	5.0	7.9	5.1
Property, plant and equipment		1.6	0.2	0.2
Portfolio:				
Equity investments	3	649.9	516.6	594.9
Debt investments	3	13.1	9.1	19.1
Limited and limited liability partnership interests		4.4	4.3	4.2
Contingent value rights		—	1.4	—
Total non-current assets		746.6	596.6	680.6
Current assets				
Trade and other receivables		5.4	2.2	2.6
Deposits		85.0	25.0	—
Cash and cash equivalents		178.1	149.7	112.3
Total current assets		268.5	176.9	114.9
Total assets		1,015.1	773.5	795.5
EQUITY AND LIABILITIES				
Equity attributable to owners of the parent				
Called up share capital		13.9	11.3	11.3
Share premium account		682.4	504.7	504.7
Merger reserve		12.8	12.8	12.8
Retained earnings		255.2	218.6	239.6
Total equity attributable to equity holders		964.3	747.4	768.4
Non-controlling interest		3.8	1.1	0.3
Total equity		968.1	748.5	768.7
Current liabilities				
Trade and other payables		11.3	2.5	2.1
Non-current liabilities				
EIB debt facility		14.9	14.9	14.9
Carried interest plan liability		2.7	—	—
Loans from limited partners of consolidated funds		12.7	7.6	9.8
Contingent loans from university partners		—	—	—
Deferred and contingent consideration payable on acquisition		5.4	—	—
Total equity and liabilities		1,015.1	773.5	795.5

Condensed consolidated statement of cash flows

For the six months ended 30 June 2017

	<i>Audited six months ended 30 June 2017 £m</i>	<i>Unaudited six months ended 30 June 2016 £m</i>	<i>Audited year ended 31 December 2016 £m</i>
Operating activities			
Operating profit/(loss)	18.2	(34.3)	(15.4)
Adjusted for:			
Change in fair value of equity and debt investments	(28.5)	24.5	(7.0)
Change in fair value of limited and limited liability partnership interests	(0.2)	0.2	0.3
Change in fair value of contingent value right	—	—	1.4
Gain/(loss) on disposal of equity investments	(0.2)	0.4	0.5
Depreciation of property, plant and equipment	0.1	—	0.1
Long term incentive carry scheme plan charge	2.7	—	—
Amortisation of intangible non-current assets	2.2	2.8	5.6
Fees settled in the form of equity	(0.4)	—	(0.4)
Share-based payment charge	0.7	0.4	1.5
Changes in working capital:			
(Increase)/decrease in trade and other receivables	(2.6)	0.7	0.2
Increase/(decrease) in trade and other payables	5.1	(1.6)	(1.8)
Increase in non-current liabilities	—	0.5	2.7
Net cash flow (to)/from deposits	(85.0)	45.0	70.0
Other operating cash flows:			
Net interest received	—	0.6	0.9
Net cash (outflow)/inflow from operating activities	(87.9)	39.2	58.6
Investing activities			
Purchase of property, plant and equipment	(1.6)	—	(0.1)
Purchase of equity and debt investments	(20.1)	(12.8)	(69.7)
Acquisition of subsidiary undertaking	(5.2)	—	—
Investment in limited and limited liability partnerships	—	(0.1)	(0.1)
Proceeds from sale of equity investments	0.3	14.5	14.7
Distributions from limited and limited liability partnerships	—	—	—
Other portfolio income received	—	—	—
Net cash (outflow)/inflow from investing activities	(26.6)	1.6	(55.2)
Financing activities			
Proceeds from the issue of share capital	180.3	—	—
Proceeds from drawdown of EIB facility	—	—	—
Net cash inflow from financing activities	180.3	—	—
Net increase in cash and cash equivalents	65.8	40.8	3.4
Cash and cash equivalents at the beginning of the period	112.3	108.8	108.8
Effect of foreign exchange rate changes	—	0.1	0.1
Cash and cash equivalents at the end of the period	178.1	149.7	112.3

Condensed consolidated statement of changes in equity

For the six months ended 30 June 2017

	<i>Attributable to equity holders of the parent</i>				<i>Non-controlling</i>		<i>Total equity</i> £m
	<i>Share capital</i> £m	<i>Share premium</i> £m	<i>Merger reserve</i> £m	<i>Retained earnings</i> £m	<i>Total</i> £m	<i>interest</i> £m	
At 31 December 2015 (audited)	11.3	504.7	12.8	251.6	780.4	1.5	781.9
Share-based payments	—	—	—	0.4	0.4	—	0.4
Comprehensive income	—	—	—	(33.4)	(33.4)	(0.4)	(33.8)
At 30 June 2016 (unaudited)	11.3	504.7	12.8	218.6	747.4	1.1	748.5
Share-based payment charge	—	—	—	1.1	1.1	—	1.1
Comprehensive income	—	—	—	19.9	19.9	(0.8)	19.1
At 31 December 2016 (audited)	11.3	504.7	12.8	239.6	768.4	0.3	768.7
Issue of equity	2.6	177.7	—	—	180.3	—	180.3
Share-based payment charge	—	—	—	0.7	0.7	—	0.7
Comprehensive income	—	—	—	14.9	14.9	3.5	18.4
At 30 June 2017 (audited)	13.9	682.4	12.8	255.2	964.3	3.8	968.1

Notes to the half-yearly condensed set of financial statements

1. Operating segments

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

<i>Six months ended 30 June 2017 (audited)</i>	<i>University partnership business £m</i>	<i>Venture capital fund management £m</i>	<i>In-licensing activity £m</i>	<i>Consolidated £m</i>
STATEMENT OF COMPREHENSIVE INCOME				
Portfolio return and revenue				
Change in fair value of equity and debt investments	28.5	—	—	28.5
Gain on disposal of equity investments	0.2	—	—	0.2
Change in fair value of limited and limited liability partnership investments	0.2	—	—	0.2
Licensing income	—	—	3.0	3.0
Revenue from services and other income	0.1	—	—	0.1
Revenue from fund management services	—	2.5	—	2.5
Amortisation of intangible assets	(2.2)	—	—	(2.2)
Carried interest plan charge	(2.7)	—	—	(2.7)
Acquisition costs	(1.0)	—	—	(1.0)
Administrative expenses	(8.5)	(1.0)	(0.9)	(10.4)
Operating profit	14.6	1.5	2.1	18.2
Net finance income	0.2	—	—	0.2
Profit before taxation	14.8	1.5	2.1	18.4
Taxation	—	—	—	—
Profit for the period	14.8	1.5	2.1	18.4
Exchange differences on translating foreign operations	—	—	—	—
STATEMENT OF FINANCIAL POSITION				
Assets	990.7	15.6	8.8	1,015.1
Liabilities	(37.3)	(0.4)	(9.3)	(47.0)
Net assets	953.4	15.2	(0.5)	968.1
Other segment items				
Capital expenditure	(1.6)	—	—	(1.6)
Depreciation	(0.1)	—	—	(0.1)

<i>Six months ended 30 June 2016 (unaudited)</i>	<i>University partnership business £m</i>	<i>Venture capital fund management £m</i>	<i>In-licensing activity £m</i>	<i>Consolidated £m</i>
STATEMENT OF COMPREHENSIVE INCOME				
Portfolio return and revenue				
Change in fair value of equity and debt investments	(24.5)	—	—	(24.5)
Loss on disposal of equity investments	(0.4)	—	—	(0.4)
Change in fair value of limited and limited liability partnership investments	(0.2)	—	—	(0.2)
Other portfolio income	—	—	—	—
Licensing income	0.1	—	—	0.1
Revenue from services and other income	0.4	—	—	0.4
Revenue from fund management services	—	0.5	—	0.5
Change in fair value of Oxford Equity Rights asset	—	—	—	—
Amortisation of intangible assets	(2.8)	—	—	(2.8)
Administrative expenses	(5.7)	(1.0)	(0.7)	(7.4)
Operating profit	(33.1)	(0.5)	(0.7)	(34.3)
Net finance income	0.4	—	—	0.4
Profit before taxation	(32.7)	(0.5)	(0.7)	(33.9)
Taxation	—	—	—	—
Loss for the period	(32.7)	(0.5)	(0.7)	(33.9)
Exchange differences on translating foreign operations	0.1	—	—	0.1
STATEMENT OF FINANCIAL POSITION				
Assets	755.3	11.5	6.7	773.5
Liabilities	(24.9)	(0.1)	—	(25.0)
Net assets	730.4	11.4	6.7	748.5
Other segment items				
Capital expenditure	—	—	—	—
Depreciation	—	—	—	—

<i>Six months ended 30 June 2016 (audited)</i>	<i>University partnership business £m</i>	<i>Venture capital fund management £m</i>	<i>In-licensing activity £m</i>	<i>Consolidated £m</i>
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STATEMENT OF COMPREHENSIVE INCOME

Portfolio return and revenue

Change in fair value of equity and debt investments	7.0	—	—	7.0
Loss on disposal of equity investments	(0.5)	—	—	(0.5)
Change in fair value of limited and limited liability partnership interests	(0.3)	—	—	(0.3)
Change in value of contingent value right	(1.4)	—	—	(1.4)
Licensing income	0.2	—	—	0.2
Revenue from services and other income	0.8	0.9	—	1.7
Revenue from fund management services	—	0.9	—	0.9
Amortisation of intangible assets	(5.6)	—	—	(5.6)
Acquisition costs	(0.4)	—	—	(0.4)
Administrative expenses	(14.9)	(0.7)	(1.4)	(17.0)
Operating loss	(15.1)	1.1	(1.4)	(15.4)
Finance income – interest receivable	0.6	—	—	0.6
Loss before taxation	(14.5)	1.1	(1.4)	(14.8)
Taxation	—	—	—	—
Loss for the year	(14.5)	1.1	(1.4)	(14.8)

STATEMENT OF FINANCIAL POSITION

Assets	778.4	10.9	6.2	795.5
Liabilities	(26.5)	(0.1)	(0.2)	(26.8)
Net assets	751.9	10.8	6.0	768.7
Other segment items				
Capital expenditure	0.1	—	—	0.1
Depreciation	(0.1)	—	—	(0.1)

2. Earnings per share

<i>Earnings</i>	<i>Audited six months ended 30 June 2017 £m</i>	<i>Unaudited six months ended 30 June 2016 £m</i>	<i>Audited year ended 31 December 2016 £m</i>
Earnings for the purposes of basic and dilutive earnings per share	14.9	(33.4)	(13.5)

	<i>Audited six months ended 30 June 2017 Number of shares</i>	<i>Unaudited six months ended 30 June 2016 Number of shares</i>	<i>Audited year ended 31 December 2016 Number of shares</i>
<i>Number of shares</i>			
Weighted average number of ordinary shares for the purposes of basic earnings per share	581,197,034	564,897,747	565,056,171
Effect of dilutive potential ordinary shares:			
Options or contingently issuable shares	<u>1,022,809</u>	<u>—</u>	<u>—</u>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>582,219,843</u>	<u>564,897,747</u>	<u>565,056,171</u>

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

3. Investment portfolio

The accounting policies in 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 2016 and which will form the basis of the 2017 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.

	<i>Level 1</i> <i>Equity</i> <i>investments</i> <i>in quoted</i> <i>spin-out</i> <i>companies</i> <i>£m</i>	<i>Level 2</i> <i>Equity</i> <i>investments</i> <i>in unquoted</i> <i>spin-out</i> <i>companies</i> <i>£m</i>	<i>Level 3</i> <i>Unquoted</i> <i>debt</i> <i>investments</i> <i>in spin-out</i> <i>companies</i> <i>£m</i>	<i>Level 3</i> <i>Equity</i> <i>investments</i> <i>in unquoted</i> <i>spin-out</i> <i>companies</i> <i>£m</i>	<i>Total</i> <i>£m</i>
At 31 December 2015 (audited)	201.3	308.6	9.1	33.2	552.2
Investments during the period	3.0	7.2	2.6	—	12.8
Transaction-based reclassifications during the period	—	0.6	(0.6)	—	—
Other transfers between hierarchy levels during the period	—	(3.6)	—	3.6	—
Disposals during the period	(14.6)	(0.1)	(0.1)	—	(14.8)
Change in fair value in the period	(21.8)	(0.7)	0.1	(2.1)	(24.5)
At 30 June 2016 (unaudited)	167.9	312.0	11.1	34.7	525.7
Investments during the period	7.9	43.7	3.6	1.7	56.9
Transaction-based reclassifications during the period	—	0.1	(0.1)	—	—
Other transfers between hierarchy levels during the period	—	(36.2)	6.7	29.5	—
Disposals during the period	(0.4)	(0.1)	—	—	(0.5)
Fees settled via equity	—	0.4	—	—	0.4
Change in fair value in the period	(14.3)	48.1	(2.2)	(0.1)	31.5
Exchange differences on translating foreign currency investments	—	—	—	—	—
At 31 December 2016 (audited)	161.1	368.0	19.1	65.8	614.0
Investments during the period	1.5	15.2	2.9	0.5	20.1
Transaction-based reclassifications during the period	—	4.1	(8.6)	4.5	—
Other transfers between hierarchy levels during the period	—	2.6	—	(2.6)	—
Disposals during the period	—	—	—	—	—
Fees settled via equity	—	0.4	—	—	0.4
Change in fair value in the period	10.3	23.9	(0.3)	(4.8)	29.1
Exchange differences on translating foreign currency investments	—	(0.6)	—	—	(0.6)
At 30 June 2017 (audited)	172.9	413.6	13.1	63.4	663.0

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 52 companies have been classified as Level 3 and the individual valuations for each of these have been arrived at using the following valuation method:

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

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

If the fair value of all Level 3 investments were to decrease by 10%, the net assets figure would decrease by £6.3m, with a corresponding increase if the unobservable inputs were to increase by 10%.

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

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

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

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

Transfers between Level 3 and Level 2 occur when an investment, for which the penultimate funding round occurred more than twelve months before the prior period end, undertakes an investment round during the period that results in an observable market price. In the current period, transfers of this nature amounted to £17.6m.

Transfers between Level 2 and Level 3 occur when the balance sheet date becomes more than twelve months after an investment's most recent funding round, at which point the price is deemed to be unobservable. In the current period, transfers of this nature amounted to £15.0m.

The fair value changes in Level 3 investments have amounted to a loss of £4.8m in the period, recognised as change in fair value of equity and debt investments in the condensed consolidated statement of comprehensive income.

4. Share capital

	<i>Audited</i> 30 June 2017 <i>£m</i>	<i>Unaudited</i> 30 June 2016 <i>£m</i>	<i>Audited</i> 31 December 2016 <i>£m</i>
Issued and fully paid:			
696,727,321 ordinary shares of 2p each (HY16: 565,207,667; FY16: 565,221,967)	<u>13.9</u>	<u>11.3</u>	<u>11.3</u>

In June 2017, the Group raised £183.9m (before expenses) through the issuance of 131,357,140 shares at a price of £1.40 per share.

Additionally, the Group issued 148,214 new ordinary shares in June 2017 following the exercise of nil-cost options awarded under the Group's Deferred Bonus Share Plan by certain of the Group's employees.

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

5. Acquisition of Parkwalk Advisors Ltd

On 31 January 2017, the Group acquired 100% of the share capital of Parkwalk Advisors Limited (“Parkwalk”), the UK’s leading university spin-out focused EIS fund manager. The maximum consideration payable is £20.0m over a three-year period with additional cash compensation of £1.7m, equivalent to the net cash within the business on acquisition, being paid shortly after completion. The initial consideration comprises £5.0m payable in cash, £2.5m payable in the form of newly-issued IP Group ordinary shares and £2.5m of cash payable in two equal tranches over two years, subject to certain conditions. The remaining £10m consideration is payable as £5m in cash and £5m in IP Group ordinary shares over a three-year period, subject to Parkwalk achieving certain business performance targets.

The Parkwalk acquisition generated goodwill of £14.9m, which relates to the anticipated value of the business to the Group. The acquisition reinforces IP Group’s access to a diversified pool of capital for co-funding the earlier stages of the portfolio while providing a profitable and growing platform to develop closer links with institutional investment platforms. The goodwill has been apportioned across the group’s University partnerships CGU and the Parkwalk Advisors CGU.

Since the acquisition, Parkwalk has continued to increase its assets under management and realise investment opportunities.

The acquisition has been accounted for using the acquisition method and the interim condensed consolidated financial statements include the results of Parkwalk for the five-month period from the acquisition date.

6. Intangible assets

	<i>Total £m</i>
Cost	
At 30 June 2016 (unaudited), 31 December 2016 (audited)	21.6
Additions: acquisition of Parkwalk Advisors (see note 5)	<u>2.1</u>
At 30 June 2017 (audited)	<u>23.7</u>
Accumulated amortisation	
At 1 January 2016 (audited)	10.9
Charge for the period	<u>2.8</u>
At 30 June 2016 (unaudited)	13.7
Charge for the period	<u>2.8</u>
At 31 December 2016 (audited)	16.5
Charge for the period	<u>2.2</u>
At 30 June 2017 (audited)	<u>18.7</u>
Net book value	
At 30 June 2016 (unaudited)	<u>7.9</u>
At 31 December 2016 (audited)	<u>5.1</u>
At 30 June 2017 (audited)	<u>5.0</u>

The existing intangible assets represent contractual arrangements and memorandums of understanding with four UK universities acquired through acquisition of a subsidiary. The contractual arrangements have fixed terms and, consequently, the intangible assets have finite lives that align with the remaining terms which, at the end of the period, range from 11 months to 32 months. The individual contractual arrangements are amortised in a straight line over the remainder of their terms with the expense being presented directly on the primary statements. Additional intangible assets recognised in the period represent the present value of future funded annual management fees on the acquisition of Parkwalk Advisors in the period. The individual

contractual arrangements are amortised in a straight line over the remainder of their terms with the expense being presented directly on the primary statements.

7. Goodwill

	<i>£m</i>
At 30 June 2016 (unaudited), 31 December 2016 (audited)	57.1
Recognised on acquisition of subsidiary undertaking (see note 5)	14.9
Other additions	0.6
At 30 June 2017 (audited)	72.6

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 2017, is goodwill of £72.6m. This arose from the Group's acquisition of Top Technology Ventures Limited in June 2004 (£2.1m), Techtran Group Limited in January 2005 (£16.3m), Fusion IP plc in March 2014 (£38.7m) and more recently the acquisition of Parkwalk Advisors in January 2017 (£14.9m). 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 2016.

	<i>Audited</i>	<i>Unaudited</i>	<i>Audited</i>
	<i>30 June 2017</i>	<i>30 June 2016</i>	<i>31 December</i>
	<i>£m</i>	<i>£m</i>	<i>2016</i>
		<i>£m</i>	<i>£m</i>
University partnership CGU	61.1	55.0	55.0
Fund management CGU	2.1	2.1	2.1
Parkwalk Advisors CGU	9.4	—	—
	72.6	57.1	57.1

During the period to 30 June 2017, no factors indicating potential impairment of goodwill were noted and, as a result, no impairment review was deemed necessary.

8. Related party transactions

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

a) Limited partnerships

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

	<i>Audited six months ended 30 June 2017</i>	<i>Unaudited six months ended 30 June 2016</i>	<i>Audited year ended 31 December 2016</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>
<i>Income statement</i>			
Revenue from services	<u>0.5</u>	<u>0.5</u>	<u>0.9</u>
			<i>Audited</i>
	<i>Audited</i>	<i>Unaudited</i>	<i>31 December</i>
	<i>30 June 2017</i>	<i>30 June 2016</i>	<i>2016</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>
<i>Statement of financial position</i>			
Investment in limited partnerships	<u>3.0</u>	<u>2.9</u>	<u>2.8</u>
Amounts due from related parties	<u>0.5</u>	<u>—</u>	<u>0.2</u>

b) Key management transactions

The following key management held shares in the following spin-out companies as at 30 June 2017:

<i>Director/ Company Secretary</i>	<i>Company name</i>	<i>Number of shares held at 1 January 2017</i>	<i>Number of shares acquired/ (disposed) in the period</i>	<i>Number of shares held at 30 June 2017</i>	<i>%</i>
Alan Aubrey	Accelercomm Limited	333	–	333	0.3%
	Alesi Surgical Limited	18	–	18	0.2%
	Amaethon Limited – A shares	104	–	104	3.1%
	Amaethon Limited – B shares	11,966	–	11,966	1.0%
	Amaethon Limited – Ordinary shares	21	–	21	0.3%
	Avacta Group plc	202,761	–	202,761	0.3%
	Boxarr Limited	1,732	–	1,732	0.3%
	Capsant Neurotechnologies Limited	11,631	–	11,631	0.8%
	Cloud Sustainability Limited ⁽ⁱ⁾	26	(26)	–	–
	Crysalin Limited	1,447	–	1,447	0.1%
	Diurnal Group plc	15,000	–	15,000	<0.1%
	EmDot Limited	15	–	15	0.9%
	Ditto AI Limited ⁽ⁱ⁾ – Ordinary shares	21,557,957	–	21,557,957	5.9%
	Ditto AI Limited ⁽ⁱ⁾ – B shares	98,407,767	468,801	98,876,568	21.9%
	Getech Group plc	15,000	–	15,000	<0.1%
	Gunsynd plc	767,310	–	767,310	<0.1%
	hVIVO plc	37,160	–	37,160	<0.1%
	Ilika plc	69,290	–	69,290	<0.1%
	Istesso Limited ⁽ⁱⁱⁱ⁾	1,185,150	–	1,185,150	1.7%
	Itaconix plc	88,890	–	88,890	0.1%
	Karus Therapeutics Limited	223	–	223	<0.1%
	Microbiotica Limited	3,750	–	3,750	<0.1%
	Mirriad Advertising Limited	33,333	–	33,333	<0.1%
	MDL 2016 Limited – Ordinary shares	3,226	–	3,226	0.4%
	MDL 2016 Limited – A shares	229	–	229	0.5%

<i>Director/ Company Secretary</i>	<i>Company name</i>	<i>Number of shares held at 1 January 2017</i>	<i>Number of shares acquired/ (disposed) in the period</i>	<i>Number of shares held at 30 June 2017</i>	<i>%</i>
	Modern Water plc	519,269	–	519,269	0.7%
	Cronin Group plc	2,172,809	–	2,172,809	0.4%
	Oxford Nanopore Technologies Limited	101,208	–	101,208	0.4%
	Perachem Holdings plc	108,350	–	108,350	0.8%
	Salunda Limited	53,639	–	53,639	<0.1%
	Structure Vision Limited	212	–	212	1.0%
	Surrey Nanosystems Limited	453	–	453	0.3%
	Tissue Regenix Group plc	2,389,259	–	2,389,259	0.3%
	Xeros Technology Group plc	40,166	–	40,166	<0.1%
	Zeetta Networks Limited	424	–	424	<0.1%
Mike Townend	Amaethon Limited – A shares	104	–	104	3.1%
	Amaethon Limited – B shares	11,966	–	11,966	1.0%
	Amaethon Limited – Ordinary shares	21	–	21	0.3%
	Applied Graphene Materials plc	7,619	–	7,619	<0.1%
	Avacta Group plc	20,001	–	20,001	<0.1%
	Capsant Neurotechnologies Limited	11,282	–	11,282	0.8%
	Cloud Sustainability Limited ⁽ⁱ⁾	25	(25)	–	–
	Creavo Technologies Limited	117	–	117	<0.1%
	Crysalin Limited	1,286	–	1,286	0.1%
	Ditto AI Limited ⁽ⁱ⁾	–	613,048	613,048	0.2%
	Diurnal Group plc	15,000	–	15,000	<0.1%
	EmDot Limited	14	–	14	0.8%
	Getech Group plc	20,000	–	20,000	<0.1%
	hVIVO plc	37,160	–	37,160	<0.1%
	Ilika plc	10,000	–	10,000	<0.1%
	Istesso Limited ⁽ⁱⁱⁱ⁾	1,185,150	–	1,185,150	1.7%
	Itaconix plc	64,940	–	64,940	<0.1%
	Mirriad Advertising Limited	25,000	–	25,000	<0.1%
	Mode Diagnostics Limited	1,756	–	1,756	0.1%
	Modern Water plc	575,000	–	575,000	0.7%
	Cronin Group plc	932,944	–	932,944	0.2%
	Oxford Advanced Surfaces Limited	5,000	–	5,000	0.2%
	Oxford Nanopore Technologies Limited	30,967	–	30,967	0.1%
	Perachem Holdings plc	128,067	–	128,067	0.8%
	Structure Vision Limited	212	–	212	1.0%
	Surrey Nanosystems Limited	404	–	404	0.2%
	Tissue Regenix Group plc	1,950,862	–	1,950,862	0.3%
	Ultrahaptics Holdings Ltd	3,500	1,189	4,689	<0.1%
	Xeros Technology Group plc	35,499	–	35,499	<0.1%
Greg Smith	Alesi Surgical Limited	2	–	2	<0.1%
	Avacta Group plc	3,904	–	3,904	<0.1%
	Capsant Neurotechnologies Limited	896	–	896	<0.1%
	Cloud Sustainability Limited ⁽ⁱ⁾	8	(8)	–	–
	Crysalin Limited	149	–	149	<0.1%
	Ditto AI Limited ⁽ⁱ⁾	–	144,246	144,246	<0.1%
	Diurnal Group plc	15,000	–	15,000	<0.1%
	EmDot Limited	4	–	4	0.2%
	Encos Limited	5,671	–	5,671	0.3%

<i>Director/ Company Secretary</i>	<i>Company name</i>	<i>Number of shares held at 1 January 2017</i>	<i>Number of shares acquired/ (disposed) in the period</i>	<i>Number of shares held at 30 June 2017</i>	<i>%</i>
	Getech Group plc	8,000	–	8,000	<0.1%
	hVIVO plc	61,340	–	61,340	<0.1%
	Istesso Limited ⁽ⁱⁱⁱ⁾	313,425	–	313,425	0.5%
	Itaconix plc	4,500	–	4,500	<0.1%
	Perachem Holdings plc	4,830	–	4,830	<0.1%
	Mirriad Advertising Limited	16,667	–	16,667	<0.1%
	MDL 2016 Limited – Ordinary shares	361	–	361	<0.1%
	MDL 2016 Limited – A shares	28	–	28	<0.1%
	Modern Water plc	7,250	–	7,250	<0.1%
	Oxford Nanopore Technologies Limited	1,581	–	1,581	<0.1%
	Summit Therapeutics plc	798	–	798	<0.1%
	Surrey Nanosystems Limited	88	–	88	<0.1%
	Tissue Regenix Group plc	50,000	–	50,000	<0.1%
	Xeros Technology Group plc	1,392	–	1,392	<0.1%
David Baynes	Alesi Surgical Limited	4	–	4	<0.1%
	Arkivum Limited	377	–	377	<0.1%
	Creavo Technologies Limited	46	–	46	<0.1%
	Diurnal Group plc	73,000	–	73,000	0.1%
	Mirriad Advertising Limited	16,667	–	16,667	<0.1%
	Oxford Nanopore Technologies Limited	174	–	174	<0.1%
	Ultrahaptics Holdings Ltd	2,600	–	2,600	<0.1%
	Zeetta Networks Limited	424	–	424	<0.1%
Angela Leach	Alesi Surgical Limited	2	–	2	<0.1%
	Avacta Group plc	1,897	–	1,897	<0.1%
	Boxarr Limited	102	–	102	<0.1%
	Capsant Neurotechnologies Limited	1,858	–	1,858	0.1%
	Creavo Technologies Limited	23	–	23	<0.1%
	Cronin Group plc	68,101	–	68,101	<0.1%
	Ditto AI Limited ⁽ⁱ⁾⁽ⁱⁱ⁾	–	180,308	180,308	<0.1%
	Diurnal Group plc	11,500	–	11,500	<0.1%
	Gunsynd plc	7,990	–	7,990	<0.1%
	First Light Fusion Limited	17	–	17	<0.1%
	Getech Group plc	2,083	–	2,083	<0.1%
	hVIVO plc	25,903	–	25,903	<0.1%
	Istesso Limited ⁽ⁱⁱⁱ⁾	322,923	–	322,923	0.5%
	Itaconix plc	4,500	–	4,500	<0.1%
	Mirriad Advertising Limited	16,667	–	16,667	<0.1%
	MDL 2016 Limited – Ordinary shares	606	–	606	<0.1%
	MDL 2016 Limited – A shares	102	–	102	0.2%
	Modern Water plc	15,570	–	15,570	<0.1%
	Oxford Nanopore Technologies Limited	1,782	–	1,782	<0.1%
	Structure Vision Limited	21	–	21	0.1%
	Surrey Nanosystems Limited	90	–	90	<0.1%
	Tissue Regenix Group plc	276,791	(73,334)	203,457	<0.1%
	Ultrahaptics Holdings Ltd	500	–	500	<0.1%
	Xeros Technology Group plc	5,666	(3,971)	1,695	<0.1%

⁽ⁱ⁾ Cloud Sustainability Limited was purchased by Ditto AI Limited in June 2017. Existing shareholders in Cloud Sustainability Limited were issued new shares in Ditto AI in consideration for their shares.

- (ii) Previously known as Empiricom Technology Limited
- (iii) Shares in Modern Biosciences plc were exchanged for shares in Istesso Limited, a newly-formed holding company, during the period

c) Portfolio companies

The Group earns fees from the provision of business support services and corporate finance advisory to portfolio companies in which the Group has an equity stake. Through the lack of control over portfolio companies these fees are considered arm's length transactions. The following amounts have been included in respect of these fees:

	<i>Audited six months ended 30 June 2017</i>	<i>Unaudited six months ended 30 June 2016</i>	<i>Audited year ended 31 December 2016</i>
<i>Statement of comprehensive income</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
Revenue from services	<u>1.0</u>	<u>0.4</u>	<u>1.6</u>

	<i>Audited 30 June 2017</i>	<i>Unaudited 30 June 2016</i>	<i>Audited 31 December 2016</i>
<i>Statement of financial position</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
Trade receivables	<u>0.5</u>	<u>1.3</u>	<u>0.7</u>

d) Subsidiary companies

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

	<i>Audited 30 June 2017</i>	<i>Unaudited 30 June 2016</i>	<i>Audited 31 December 2016</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>
Intercompany balances with other Group companies	<u>10.7</u>	<u>10.5</u>	<u>10.7</u>

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

General information

The comparative financial information presented herein for the year ended 31 December 2016 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 2016 have been delivered to the Registrar of Companies. The Group's independent auditor's report on those accounts was unqualified, did not include references to any matters to which the auditor drew attention by way of emphasis without qualifying their report and did not contain a statement under Section 498(2) or 498(3) of the Companies Act 2006.

Accounting policies

Basis of preparation

The financial information presented in these half-yearly results constitutes the condensed consolidated financial statements of IP Group plc, a company incorporated in Great Britain and registered in England and Wales, and its subsidiaries (together, the "Group") for the six months ended 30 June 2017.

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 2016, 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 17 July 2017, 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 2016.

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 2016 and which will form the basis of the 2016 Annual Report and Accounts. No new standards that have become effective in the period have had a material effect on the Group’s financial statements.

Statement of Directors’ responsibilities

The Directors confirm to the best of their knowledge that:

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

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

By order of the Board

Mike Humphrey
Chairman
17 July 2017

Alan Aubrey
Chief Executive Officer

Independent auditor's report to IP Group plc

Opinion

We have audited the condensed set of financial statements in the half-yearly report of IP Group plc ("the Company") for the six months ended 30 June 2017 which comprise 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.

In our opinion the condensed set of financial statements in the half-yearly report of the Company for the six months ended 30 June 2017 have been properly prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the Disclosure and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA") and the accounting policies disclosed in the 31 December 2016 financial statements, which are the accounting policies expected to be applied in preparing the 31 December 2017 financial statements.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)"), and the terms of our engagement letter dated 12 July 2017. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our opinion is consistent with our report to the audit committee.

We were appointed as auditor by the directors on 30 July 2014. The period of total uninterrupted engagement is the 3 years ended 31 December 2016. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the non-statutory accounts. We have nothing to report in these respects.

Other information

The directors are responsible for the other information contained in the half-yearly financial report. Our opinion on the condensed set of financial statements in the half-yearly report of the Company does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our audit work on the condensed set of financial statements, the information therein is materially misstated or inconsistent with the condensed set of financial statements in the half-yearly report of the Company or our audit knowledge. Based solely on that work, we have not identified material misstatements in the other information.

Directors' responsibilities

As explained more fully in their statement set out on page 29, the directors are responsible for: the preparation of 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 and the accounting policies disclosed in the 31 December 2016 financial statements, which are the accounting policies expected to be applied in preparing the 31 December 2017 financial statements. 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.

The directors are also responsible for: determining that the basis of preparation is acceptable in the circumstances; such internal control as they determine is necessary to enable the preparation of a condensed set of financial statements that is free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the condensed set of financial statements in the half-yearly report of the Company as a whole is free from material misstatement, whether due to fraud, other irregularities or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the condensed set of financial statements in the half-yearly report of the Company. The risk of not detecting a material misstatement resulting from fraud or other irregularities is higher than for one resulting from error, as they may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control and may involve any area of law and regulation not just those directly affecting the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

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

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the DTR of the UK FCA. Our audit 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 audit work, for this report, or for the conclusions we have reached.

Jonathan Mills

for and on behalf of KPMG LLP

Chartered Accountants

15 Canada Square

London E14 5GL

17 July 2017"

APPENDIX IV

TAXATION

The comments set out below are based on current United Kingdom tax law as applied in England and Wales and HM Revenue & Customs practice (which may not be binding on HM Revenue & Customs) as at the date of this document, both of which are subject to change, possibly with retrospective effect. The UK government announced on 13 July 2017 that, with the exception of making tax digital, the measures due to be enacted in the 2017 Finance Act would be included (subject to various amendments of which details were given) in a further Finance Act to be introduced later in 2017 and the measures would take effect from the dates originally announced. They are intended as a general guide and apply only to Touchstone Shareholders resident and, in the case of an individual, domiciled for tax purposes in the United Kingdom and to whom “split year” treatment does not apply (except insofar as express reference is made to the treatment of non-United Kingdom residents), who hold Touchstone Shares as an investment and who are the absolute beneficial owners thereof. The discussion does not address all possible tax consequences relating to an investment in Touchstone Shares. Certain categories of Touchstone Shareholders, including those carrying on certain financial activities, those subject to specific tax regimes or benefitting from certain reliefs and exemptions, those connected with Touchstone or the Touchstone Group and those for whom the Touchstone Shares are employment related securities, may be subject to special rules and this summary does not apply to such Touchstone Shareholders.

Touchstone Shareholders or prospective Touchstone Shareholders who are in any doubt about their tax position, or who are resident or otherwise subject to taxation in a jurisdiction outside the UK, should consult their own professional advisers immediately.

(a) Transfer of the Touchstone Shares and the issue of the New Shares

Acceptance of the Offer will constitute a disposal or a part disposal of Touchstone Shares for the purposes of UK tax on chargeable gains which may, depending on a Touchstone Shareholder’s circumstances (including the availability of reliefs, exemptions and allowable losses), give rise to a liability to capital gains tax (“CGT”), corporation tax or an allowable loss for those purposes.

For the purposes of a liability to United Kingdom CGT and corporation tax on chargeable gains the transfer of the Touchstone Shares and the issue of the New Shares should be treated as an exchange of securities falling within section 135 Taxation of Chargeable Gains Act 1992 (“TCGA”). A Touchstone Shareholder who does not (either alone or together with any connected person) hold more than five per cent of any class of shares in or debentures of Touchstone, should for the purposes of CGT, be treated as having made no disposal of his Touchstone Shares. Instead, the New Shares will be treated as the same asset as those Touchstone Shares in respect of which he received the New Shares, acquired at the same time and for the same consideration as those Touchstone Shares. On any disposal or repayment of the New Shares, any CGT or corporation tax arising will be determined by reference to the market value of the assets disposed of and retained at the date of the disposal.

(b) Dividends paid in respect of New Shares

IPG will not be required to withhold amounts on account of United Kingdom tax at source when paying dividends on New Shares.

A United Kingdom resident Individual IPG Shareholder who receives a dividends in respect of New Shares will have a dividend allowance of £5,000 per tax year available to him. This allowance is expected to fall to £2,000 with effect from 1 April 2018 if enacted in the second 2017 Finance Act. The dividend allowance is not a deduction in arriving at total income or taxable income. Instead, the first £5,000 of dividend income will attract a zero rate of income tax. Any dividends the individual IPG Shareholder receives in excess of the allowance will be taxed at the following rates: i) 7.5% (dividend ordinary rate) on dividends within the shareholder’s basic rate band; ii) 32.5% (dividend

upper rate) on dividends within the shareholder's higher rate band; iii) 38.1% (dividend additional rate) on dividends within the shareholder's additional rate band.

IPG Shareholders who are within the charge to corporation tax will be subject to corporation tax on dividends paid by IPG, unless (subject to special rules for such shareholders that are small companies) the dividends fall within an exempt class and certain other conditions are met. Each IPG Shareholder's position will depend on its own circumstances, and while it would normally be expected that the dividends paid by IPG would fall within an exempt class, it should be noted that the exemptions are not comprehensive and are subject to anti-avoidance rules. Shareholders within the charge to United Kingdom corporation tax should therefore consult their own professional advisers.

Non-UK resident individual IPG shareholders, other than on dividends representing the receipts of a trade, profession or vocation carried on in the UK, are only taxed on dividends arising from a United Kingdom source. This is, however, limited to the sum of tax deducted from, or treated as deducted from, 'disregarded income' (as defined by statute) and the tax liability leaving out the disregarded income and with no personal allowances or double taxation relief taken into account. Such shareholders should not have further United Kingdom income tax to pay upon their receipt of a dividend from IPG. IPG shareholders may also be subject to foreign taxation on dividend income under applicable local law.

IPG Shareholders who are not resident for tax purposes in the United Kingdom should obtain their own tax advice concerning tax liabilities on dividends received from IPG in the country of their tax residence.

(c) Capital Gains in respect of New Shares

IPG Shareholders who are individuals resident in the United Kingdom, or who cease to be resident in the United Kingdom for a period of less than five years of assessment, may depending on their circumstances (including the availability of exemptions or reliefs), be liable to United Kingdom taxation on chargeable gains in respect of gains arising from a sale or other disposal of New Shares.

An IPG Shareholder who is not UK resident will not be subject to UK tax on a gain arising on a disposal of New Shares unless (i) the IPG Shareholder carries on a trade, profession or vocation in the UK through a branch, agency or permanent establishment and, broadly, holds the New Shares for the purposes of the trade, profession, vocation, branch, agency or permanent establishment or (ii) the IPG Shareholder falls within the anti-avoidance rules applying to individuals who are temporarily not resident in the UK.

For IPG Shareholders within the charge to UK corporation tax on chargeable gains, indexation allowance should be available to reduce the amount of chargeable gain realised on a disposal of New Shares (but not to create or increase any loss).

An individual Shareholder who is resident for tax purposes in the United Kingdom at the time of acquiring New Shares and subsequently becomes non-United Kingdom tax resident will be subject to the temporary non-residence rules if the period of non-United Kingdom tax residency is not for a period of more than five complete tax years. If those rules apply and the IPG Shareholder disposes of all or part of his New Shares during the period in which he is non-United Kingdom resident then he may be liable to UK CGT on his return to the United Kingdom where that Shareholder was United Kingdom resident for at least four of the seven tax years immediately preceding the year of departure from the United Kingdom (subject to any available exemptions or reliefs). For individuals, a tax year is the period from 6 April in a calendar year to 5 April in the following calendar year.

An individual IPG Shareholder who is subject to UK income tax at the higher or additional rate will be liable to United Kingdom CGT on the amount of any chargeable gain realised by a disposal of New Shares at the rate of 20 per cent. Individual IPG Shareholders who are subject to income tax at the basic rate only should only be liable to CGT on the chargeable gain up to the unused amount of the shareholder's basic rate band at a rate of 10 per cent., and at a rate of 20 per cent on the gains above the basic rate band. In the event that a disposal of the New Shares results in the realisation of a loss

by the shareholder for CGT purposes, such a loss may be set-off by the shareholder against other chargeable gains in the same or future years of assessment.

The CGT annual exemption (£11,300 for the tax year 2017/18) may be available to individual IPG Shareholders (to the extent it has not already been utilised) to offset against chargeable gains realised on a disposal of their New Shares.

United Kingdom resident corporate IPG Shareholders will generally be subject to United Kingdom corporation tax (rather than CGT) on any chargeable gain realised on a disposal of New Shares. An indexation allowance should also be available to corporate shareholders to reduce the amount of chargeable gain arising. From 1 April 2017, the corporation tax rate for company profits is 19 per cent. Any chargeable loss realised by such a shareholder may be set-off by the shareholder against chargeable gains in the same or future accounting periods. A corporate IPG Shareholder with a significant holding of New IPG Shares may be exempt from corporation tax on any gain arising on disposal New IPG Shares, provided it can satisfy the conditions of the exemption applicable to disposal of substantial shareholdings.

(d) Inheritance tax in respect of New Shares

New Shares will be assets situated in the United Kingdom for the purposes of United Kingdom inheritance tax. A gift of such assets by, or the death of, an individual IPG Shareholder may (subject to certain exemptions and reliefs) give rise to a liability to United Kingdom inheritance tax, even if the holder is neither domiciled in the United Kingdom nor deemed to be domiciled here (under certain rules relating to long term residence or previous domicile). Generally, United Kingdom inheritance tax is not chargeable on gifts to individuals if the transfer is made more than seven complete years prior to death of the donor. For inheritance tax purposes, a transfer of assets at less than full market value may be treated as a gift and particular rules apply to gifts where the donor reserves or retains some benefit. Special rules also apply to close companies and to trustees of settlements who hold New Shares bringing them within the charge to inheritance tax. IPG Shareholders should consult an appropriate professional adviser if they make a gift of any kind or intend to hold any New Shares through such a company or trust arrangement. They should also seek professional advice in a situation where there is potential for a double charge to United Kingdom inheritance tax and an equivalent tax in another country or if they are in any doubt about their United Kingdom inheritance tax position.

(e) UK Stamp Duty and Stamp Duty Reserve Tax (“SDRT”)

The statements in this section are intended as a general guide to the current United Kingdom stamp duty and SDRT position in respect of New Shares. Investors should note that certain categories of person are not liable to stamp duty or SDRT and others may be liable at a higher rate or may, although not primarily liable for tax, be required to notify and account for SDRT under the Stamp Duty Reserve Tax Regulations 1986.

No UK stamp duty or stamp duty reserve tax should be payable by Touchstone Shareholders as a result of accepting the Offer.

General

Except in relation to depositary receipt systems and clearance services (to which special rules may apply), no stamp duty or SDRT will arise on the issue of shares in registered form by IPG.

An unconditional agreement to transfer New Shares will normally give rise to a charge to SDRT at the rate of 0.5 per cent of the amount or value of the consideration payable for the transfer. SDRT is, in general, payable by the purchaser.

An instrument transferring New Shares will generally be subject to stamp duty at the rate of 0.5 per cent of the amount or consideration given for the transfer (rounded up to the nearest £5). The purchaser normally pays the stamp duty.

If a duty stamped transfer instrument completing an agreement to transfer New Shares is produced within six years of the date on which the agreement is made (or, if the agreement is conditional, the date on which the agreement becomes unconditional) any SDRT paid is generally repayable, normally with interest, and otherwise the SDRT charge is cancelled.

CREST

Paperless transfers of New Shares within the CREST system will generally be liable to SDRT, rather than stamp duty, at the rate of 0.5 per cent. of the amount or value of the consideration payable. CREST is obliged to collect SDRT on relevant transactions settled within the CREST system. Deposits of shares into CREST will not generally be subject to SDRT or stamp duty, unless the transfer into CREST is itself for consideration.

APPENDIX V

ADDITIONAL INFORMATION

1. Responsibility

- 1.1 Subject to paragraph 1.2 below, the IPG Directors, whose names are set out in paragraph 3.1 below, accept responsibility for the information contained in this document.
- 1.2 Notwithstanding paragraph 1.1 above:
 - 1.2.1 the only responsibility accepted by each of the IPG Directors in respect of such information as relates to Touchstone (which has been compiled from public records) has been to ensure that such information has been correctly and fairly reproduced and compiled; and
 - 1.2.2 to the best of the knowledge and belief of each of the IPG Directors (who have each taken all reasonable care to ensure that such is the case), the information contained in this document for which they are each responsible is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. Information on IPG

- 2.1 IPG was incorporated in England and Wales with registered number 04204490 on 24 April 2001 under the Companies Act 1985 as a private company limited by shares with the name De facto 929 Limited. The Company changed its name to IP2IPO Limited on 22 May 2001 and subsequently to IP2IPO Group Limited on 31 July 2001. On 29 September 2003, IPG was re-registered as a public limited company under the Companies Act 1985 and changed its name to IP2IPO Group plc. On 25 April 2006, IPG changed its name to IP Group plc.
- 2.2 The principal legislation under which IPG operates is the Companies Act and the regulations made thereunder. The Existing IPG Shares are listed on the premium segment of the Official List and admitted to trading on the main market for listed securities of the London Stock Exchange.

3. Directors

- 3.1 The IPG Directors and their respective functions are as follows:

Alan John Aubrey	Chief Executive Officer
Michael Charles Nettleton Townend	Chief Investment Officer
Gregory Simon Smith	Chief Financial Officer
David Graham Baynes	Chief Operating Officer
Mike Humphrey	Non-executive Chairman
Jonathan Brooks	Non-executive Director
Prof. Lynn Faith Gladden	Non-executive Director
Dr Elaine Sullivan	Senior Non-executive Director
Douglas Brian Liversidge	Senior Non-executive Director

- 3.2 The registered office, and the principal place of business, of the Company is at The Walbrook Building, 25 Walbrook, London, EC4N 8AF, United Kingdom (telephone number +44 (0)845 074 2929), which is also the business address of each of the IPG Directors.
- 3.3 The Company Secretary of IPG is Angela Leach.

3.4 The Touchstone Directors and their respective functions are as follows:

David Newlands	Chairman
Russ Cummings	Chief Executive
Dr Nigel Pitchford	Chief Investment Officer
Tony Hickson	Managing Director – Technology Transfer
Professor David Begg	Non-Executive Director
Peter Chambré	Non-Executive Director
Dr Robert Easton	Non-Executive Director
Dr Linda Wilding	Non-Executive Director

The registered office of Touchstone is 7 Air Street London W1B 5AD. The business address of each Touchstone Director is Touchstone Group plc, 7 Air Street London W1B 5AD.

4. Market Quotations

Set out below are the Closing Prices of IPG Shares and Touchstone Shares as derived from the Daily Official List on:

- the first Business Day of each of the six months immediately prior to the date of this document;
- 22 May 2017 (the last Business Day before the start of the Offer Period); and
- 17 July 2017 (the Latest Practicable Date):

<i>Date</i>	<i>IPG Share (pence)</i>	<i>Touchstone Share (pence)</i>
1 February 2017	191.3	275.25
1 March 2017	158.0	309.25
3 April 2017	151.7	325.00
2 May 2017	137.7	301.75
22 May 2017	143.0	289.75
1 June 2017	138.1	300.00
3 July 2017	130.9	272.40
17 July 2017	137.0	273.60

5. Irrevocable Undertakings and Letters of Intent

The following Touchstone Shareholders have given irrevocable undertakings to accept the Offer:

<i>Name of Touchstone shareholder</i>	<i>Number of Touchstone Shares in respect of which irrevocable undertaking is given</i>	<i>Percentage of Touchstone issued share capital as at 31 January 2017</i>
Woodford Investment Management Ltd	16,120,413	10.0000
Invesco Asset Management Ltd	16,120,000	9.9997
Lansdowne Developed Markets Master Fund Limited	16,120,000	9.9997

As at 17 July 2017 (being the Latest Practicable Date), the irrevocable undertakings referenced above related to 48,360,413 Touchstone Shares representing approximately 29.9995 per cent. of Touchstone's issued ordinary share capital.

At the date of the Offer Announcement, IPG had received the following letters of intent to accept the Offer:

<i>Name of Touchstone shareholder</i>	<i>Number of Touchstone Shares over which letter of intent is given</i>	<i>Percentage of Touchstone issued share capital as at 31 January 2017</i>
Woodford Investment Management Ltd	20,636,738	12.8016
Invesco Asset Management Ltd	46,750,000	29.0005
Lansdowne Developed Markets Master Fund Limited	4,082,542	2.5325
Imperial College of Science, Technology and Medicine	24,742,500	15.3486

As at 17 July 2017 (being the Latest Practicable Date), the letters of intent referenced above related to 96,211,780 Touchstone Shares representing approximately 59.6832 per cent. of Touchstone's issued ordinary share capital.

6. Interests and Dealings

(a) *Definitions*

For the purposes of this paragraph 6:

- (i) “**acting in concert**” with a party means any such person acting or deemed to be acting in concert with that party for the purposes of the Code and/or the Offer;
- (ii) “**dealing**” or “**dealt**” includes the following:
 - (1) the acquisition or disposal of relevant securities, of the right (whether conditional or absolute) to exercise or direct the exercise of the voting rights attaching to securities or of general control of securities;
 - (2) the taking, granting, acquisition, disposal, entering into, closing out, termination, exercise (by either party) or variation of an option (including a traded option contract) in respect of any relevant securities;
 - (3) subscribing or agreeing to subscribe for relevant securities;
 - (4) the exercise or conversion, whether in respect of new or existing securities, of any relevant securities carrying conversion or subscription rights;
 - (5) the acquisition or, disposal of, entering into, closing out, exercise (by either party) of any rights under, or variation of, a derivative referenced, directly or indirectly, to relevant securities;
 - (6) entering into, terminating or varying the terms of any agreement to purchase or sell relevant securities;
 - (7) the redemption or purchase of, or taking or exercising an option over, any of its own relevant securities by IPG or Touchstone; and
 - (8) any other action resulting, or which may result, in an increase or decrease in the number of relevant securities in which a person is interested or in respect of which he has a short position;
- (iii) “**Dealing Arrangement**” means an arrangement of the kind referred to in Note 11(a) on the definition of acting in concert in the Code;
- (iv) “**derivative**” includes any financial product whose value in whole or in part is determined directly or indirectly by reference to the price of an underlying security;

- (v) “**Disclosure Period**” means the period commencing on 23 May 2016 (the date 12 months prior to the commencement of the Offer Period) and ending on 17 July 2017 (the Latest Practicable Date);
- (vi) “**Financial Collateral Arrangement**” means an arrangement of the kind referred to in Note 4 on Rule 4.6 of the Code;
- (vii) “**IPG relevant securities**” includes: (1) IPG Shares and any other securities of IPG conferring voting rights; (2) equity share capital of IPG; and (3) any securities convertible into or rights to subscribe for the securities of IPG, described in (1) and (2) above and securities convertible into, rights to subscribe or, options (including traded options) in respect of and derivatives referenced to any of the foregoing;
- (viii) “**short position**” means any short position (whether conditional or absolute and whether in the money or otherwise) including any short position under a derivative, any agreement to sell or any delivery obligation or right to require another person to purchase or take delivery; and
- (ix) a person is treated as “**interested**” in securities if he has long economic exposure, whether absolute or conditional, to changes in the price of those securities (and a person who only has a short position in securities is not treated as interested in those securities). In particular, a person is treated as “interested” in securities if:
 - (1) he owns them;
 - (2) he has the right (whether conditional or absolute) to exercise or direct the exercise of the voting rights attaching to them or has general control of them;
 - (3) by virtue of any agreement to purchase, option or derivative, he:
 - (a) has the right or option to acquire them or call for their delivery; or
 - (b) is under an obligation to take delivery of them,
 whether the right, option or obligation is conditional or absolute and whether it is in the money or otherwise; or
 - (4) he is a party to any derivative:
 - (a) whose value is determined by reference to their price; and
 - (b) which results, or may result, in his having a long position in them;
- (x) “**Touchstone relevant securities**” includes: (1) Touchstone Shares and any other securities of Touchstone conferring voting rights; (2) equity share capital of Touchstone; and (3) any securities convertible into or rights to subscribe for the securities of Touchstone, described in (1) and (2) above and securities convertible into, rights to subscribe or, options (including traded options) in respect of and derivatives referenced to any of the foregoing;

(b) ***Interests in Touchstone relevant securities***

Save as set out below, as at the close of business on 17 July 2017 (the Latest Practicable Date), IPG had no interest in and there were no persons acting in concert with or that are joint offerors with IPG that had an interest in, a right to subscribe in respect of, or a short position in relation to certain Touchstone relevant securities.

Pursuant to the definition of acting in concert contained in the Code, Invesco Asset Management Ltd is regarded as an associated company of Touchstone by virtue of its holding of more than 39 per cent. of the equity share capital of Touchstone and it is therefore presumed by the Panel to be acting in concert with Touchstone. As at the Latest Practicable Date, Touchstone is aware that Invesco Asset Management Ltd is interested in 62,898,455 Touchstone Shares.

(c) **Interests in IPG relevant securities**

Save as set out below, as at the close of business on 17 July 2017 (the Latest Practicable Date), there were no persons acting in concert with or that are joint offerors with IPG that had an interest in, a right to subscribe in respect of, or a short position in relation to certain IPG relevant securities.

- (i) as at the Latest Practicable Date, and pursuant to the definition of acting in concert contained in the Code, Invesco Asset Management Ltd is regarded as an associated company of IPG by virtue of its holding of more than 20 per cent. of the equity share capital of IPG and it is therefore presumed by the Panel to be acting in concert with IPG. As at the Latest Practicable Date, IPG is aware that Invesco Asset Management Ltd is interested in 143,143,726 IPG Shares. During the Disclosure Period Invesco Asset Management Ltd sold 87,355 IPG Shares on 26 June 2016, 10,000 IPG Shares on 26 July 2016 and 4,546 IPG Shares on 15 August 2016.
- (ii) the following IPG Directors (including members of their immediate families, close relatives and related trusts) had an interest in or a right to subscribe for IPG relevant securities as follows:

<i>Name</i>	<i>Number of Shares</i>	<i>Percentage of Existing Shares</i>
Alan Aubrey	2,526,365	0.36%
Mike Townend*	1,111,517	0.16%
Greg Smith	268,131	0.04%
David Baynes	233,208	0.03%
Jonathan Brooks	64,616	0.01%
Mike Humphrey	86,153	0.01%
Doug Liversidge**	79,757	0.01%
Prof. Lynn Gladden	—	—
Dr. Elaine Sullivan	—	—

Notes:

* In addition, Mr Humphrey's adult son holds 3,000 IPG Shares.

** Of these 4,460 IPG Shares are held by Quest Investments Limited, a company in which Douglas Liversidge has an interest.

- (iii) the following awards and options over IPG relevant securities had been granted to IPG Directors pursuant to the IPG Share Schemes:

	<i>Potential conditional interest in Shares</i>	<i>Share price at grant date of conditional – award (p)</i>	<i>Earliest vesting date</i>
Alan Aubrey			
2015 LTIP	124,751	213.4	31.03.18
2016 LTIP	664,313	155.8	31.03.19
	<u>789,064</u>		
Mike Townend			
2015 LTIP	99,801	213.4	31.03.18
2016 LTIP	327,342	155.8	31.03.19
	<u>427,143</u>		
Gregory Smith			
2015 LTIP	89,409	213.4	31.03.18
2016 LTIP	306,803	155.8	31.03.19
	<u>396,212</u>		

	<i>Potential conditional interest in Shares</i>	<i>Share price at grant date of conditional – award (p)</i>	<i>Earliest vesting date</i>
David Baynes*			
2014 LTIP (Fusion)	446,000	N/A	31.12.17
2015 LTIP	99,801	213.4	31.03.18
2016 LTIP	327,342	155.8	31.03.19
	<u>873,143</u>		
Total	<u>2,485,562</u>		

Notes:

* David Baynes joined the Board with effect from 20 March 2014. As part of the acquisition of Fusion, his Fusion IP LTIPs were converted into LTIPs over 446,000 Shares at the equivalent value of his Fusion IP LTIP interests.

	<i>Potential conditional interest in Shares</i>	<i>Share price at grant date of grant of – option (p)</i>	<i>Exercise period</i>
Gregory Smith			
Sharesave Plan 2014	4,105	198.3	01.08.2017 -01.02.2019
Sharesave Plan 2015	3,459	235.6	01.10.2018 -01.04.2019
David Baynes			
Sharesave Plan 2014	4,975	198.3	01.08.2017 -01.02.2017
Sharesave Plan 2015	4,193	235.6	01.10.2018 -01.04.2019
Total	<u>16,732</u>		

<i>Directors</i>	<i>Number of Shares</i>	<i>Share price at date of option (p)</i>	<i>Earliest exercise date</i>
Alan Aubrey			
DBSP 2014	33,037	192.4	15.04.2016
DBSP 2016	42,710	175.6	31.03.2017
DBSP 2016	42,710	175.6	31.03.2018
Mike Townend			
DBSP 2014	22,024	192.4	15.04.2016
DBSP 2016	25,981	175.6	31.03.2017
DBSP 2016	25,981	175.6	31.03.2018
Gregory Smith			
DBSP 2014	31,186	192.4	15.04.2016
DBSP 2016	22,637	175.6	31.03.2017
DBSP 2016	22,637	175.6	31.03.2018
David Baynes			
DBSP 2016	25,981	175.6	31.03.2017
DBSP 2016	25,981	175.6	31.03.2018
Total	<u>320,865</u>		

- (iv) During the Disclosure Period, the IPG Directors (including members of their immediate families, close relatives and related trusts) have dealt in IPG relevant securities as follows:

<i>Name</i>	<i>Class of relevant security</i>	<i>Purchase/Sale</i>	<i>Date of dealing</i>	<i>Number of securities</i>	<i>Price per unit</i>
Alan Aubrey	Ordinary IPG Shares	Purchase as part of the placing announced on 23 May 2017	8 June 2017	35,714	1.40
Mike Townend	Ordinary IPG Shares	Purchase as part of the placing announced on 23 May 2017	8 June 2017	7,692	1.40
Greg Smith	Ordinary IPG Shares	Purchase as part of the placing announced on 23 May 2017	8 June 2017	7,142	1.40
David Baynes	Ordinary IPG Shares	Purchase as part of the placing announced on 23 May 2017	8 June 2017	7,142	1.40
Jonathan Brooks	Ordinary IPG Shares	Purchase as part of the placing announced on 23 May 2017	8 June 2017	4,616	1.40
Mike Humphrey	Ordinary IPG Shares	Purchase as part of the placing announced on 23 May 2017	8 June 2017	6,153	1.40

and other than as set out in the table above and as disclosed in this paragraph (c)(ii) and (c) (iii) of this Appendix V, the IPG Directors (including members of their immediate families, close relatives and related trusts) have no other interest in or a right to subscribe for IPG relevant securities.

(d) ***Interests and Dealings – General***

Save as disclosed in this document, as at the last day of the Disclosure Period,

- (i) none of:
- (a) IPG;
 - (b) the directors of IPG or their respective related parties;
 - (c) any person acting in concert with IPG; or
 - (d) any person who has a Dealing Arrangement with IPG or any person acting in concert with IPG;

had an interest in, a right to subscribe in respect of, or any short position in relation to Touchstone relevant securities, nor had any of the foregoing dealt in any Touchstone relevant securities during the Disclosure Period;

- (ii) none of IPG or any person acting in concert with IPG has any Dealing Arrangement; and
- (iii) none of IPG or any person acting in concert with IPG has borrowed or lent any Touchstone or IPG relevant securities (including for these purposes any Financial Collateral Arrangements) during the Disclosure Period, save for any borrowed shares which have been either on-lent or sold.

7. Material Contracts and Offer Related Arrangements

7.1 The following contracts have been entered into by IPG or its subsidiaries otherwise than in the ordinary course of business since 23 May 2015 (the date two years prior to the start of the Offer Period) and are or may be material:

7.1.1 *Oxford Sciences Innovation plc (“OSI”)*

In the summer of 2015, IPG acquired a strategic stake in OSI. OSI entered into a framework agreement with the University of Oxford in March 2015 under which it is the contractually preferred intellectual property partner of the University of Oxford for the provision of capital to and development of spin-out companies based on research from the University of Oxford’s Medical Sciences Division and its Mathematical, Physical and Life Sciences Division. The IP Group has invested in 3 companies alongside OSI.

7.1.2 *Medical IP agreements relating to the University of Sheffield Partnership*

Pursuant to an agreement dated 23 November 2015 and made between (1) IP2IPO Limited and (2) the University of Sheffield, the parties agreed certain arrangements with regard to the continued commercialisation of IP that is derived from any research with respect to one or more biological or chemical formulations, medical devices, clinical diagnostics, in each case having medical applications (“Medical IP”), the rights to which had expired on 16 February 2015 under the terms of the agreement set out above. Under the terms of the new agreement, the parties agreed a mechanism whereby new rights to Medical IP were granted to IP2IPO, effective from 16 February 2015.

The principal provisions of the agreement are as follows:

- (a) the University of Sheffield and IP2IPO shall work together to encourage a pipeline of initial commercial enquiries (“ICEs”) relating in whole or in part to Medical IP. The University of Sheffield shall promote IP2IPO as its preferred commercialisation partner for Medical IP, however, it shall not be obliged to disclose Medical IP which is:
 - (i) essential to allow the university to procure funding or enter into strategic relationships;
 - (ii) Medical IP where a funder has the right to exploit the IP;
 - (iii) created from a collaborative project and the collaborator is leading on the exploitation;
 - (iv) Medical IP where the University of Sheffield has a ‘ready-made customer’;
 - (v) any project bringing revenue share to the University of Sheffield;
 - (vi) funded by specific bodies where it is a requirement of the funding that the IP will not fall within an IP2IPO commercialisation agreement or otherwise be available to IP2IPO;
 - (vii) already encumbered by third parties; or
 - (viii) otherwise subject to rights or restrictions in favour of third parties under an arrangement with any third party for research undertaken by staff at the University of Sheffield;
- (b) where the University of Sheffield considers that an ICE may be a Medical ICE, it will ensure that such Medical ICEs are formally disclosed to IP2IPO’s relationship manager, together with a brief outline of the Medical IP (“Disclosed ICEs”). The parties will consider the terms of the Disclosed ICE at a meeting of the initial Commercialisation Assessment Group to determine whether the Disclosed ICE should be moved forward to become a commercial opportunity disclosure (“COD”);

- (c) in the event that IP2IPO nominates a COD to become a spin out it shall have the first and exclusive right to provide Pre-Seed Funding (up to £150,000) and Seed Funding (up to £1m) to the Spin Out Opportunity;
- (d) IP2IPO shall provide support to spin out companies in the form of Business Services, a Non-Executive Director, Executive Search, Business Building/IP impact and Capital Markets support;
- (e) prior to 17 July 2018, IP2IPO will aim to commit up to £2.5m in aggregate funding for spin out opportunities; and
- (f) the parties shall review the operation of the agreement on the first anniversary of the agreement and make recommendations on the same. No later than 12 months prior to 17 July 2018, the parties shall meet to discuss whether the agreement should be extended and whether the extension should incorporate non-medical IP. In the event that the parties extend the agreement and incorporate non-medical IP, it is the parties' intention that the agreement shall be "evergreen", incorporating a 2 year rolling notice period.

7.1.3 *Cambridge Innovation Capital*

- (a) *Subscription Agreement and Shareholders' Agreement 2013*
Pursuant to a subscription agreement entered into on 9 October 2013 between (1) Cambridge Innovation Capital plc ("CIC") and (2) IP2IPO and a shareholders' agreement entered into on 16 July 2013 between (1) The Chancellor, Masters, and Scholars of the University of Cambridge (the "University of Cambridge"), (2) RBC CEES Trustee Limited, (3) CIC and (4) Cambridge Innovation Capital (Jersey) Limited ("Subsidiary"), IP2IPO agreed to subscribe for 4,000,000 B shares of £1 each in the capital of CIC at a subscription price of £1.25 per share (which gave IP2IPO an 8 per cent. of the issued share capital of CIC).
- (b) *Reorganisation Deed*
Pursuant to a reorganisation deed entered into on 18 August 2016 between (1) CIC and (2) its shareholders, the parties agreed (i) to terminate the shareholders' agreement dated 16 July 2013 and (ii) to reorganise the share capital of CIC.

As a result of the reorganisation, the separate classes of A shares, B shares and B1 shares cease to exist and were all re-designated as ordinary shares of £0.0001 each.
- (c) *Subscription Agreement 2016*
Further to the 2016 reorganisation, CIC and IP2IPO entered into a subscription agreement dated 18 August 2016 pursuant to which IP2IPO agreed to subscribe for 4,300,000 ordinary shares of £0.0001 each in the capital of CIC at a subscription price of £0.80 per share (which gave IP2IPO an aggregate of 4.96 per cent. of the issued share capital of CIC).
- (d) *Memorandum of understanding*
CIC and IP2IPO entered into a memorandum of understanding on 9 October 2013, which sets out the principles upon which the parties work together to facilitate access to co-investment opportunities for the next generation of technology companies from the "Cambridge Cluster". IP2IPO initially invested £5,000,000 by way of a subscription for B ordinary shares in the capital of CIC on the date of the agreement. Such shares were subsequently re-designated as ordinary shares in 2016 and IP2IPO invested another £3,440,000 in August 2016 by way of a subscription for ordinary shares in the capital of CIC.

The terms of the memorandum set out that the chief executive officer of CIC (or another representative) and a representative of IP2IPO shall meet at least ten times each year for update meetings. During these meetings:

- (i) the representative of CIC shall provide the following information to the IP2IPO representative:
 - (1) an update of the pipeline of opportunities being considered for investment by any CIC group company;
 - (2) an update on CIC investment committees held during the period from the last update meeting and the outcome(s); and
 - (3) an update on CIC's investee companies in which a CIC group company has made an investment, including information on milestones achieved, the current holding value for that investee company and its basis, any recent developments, fundraising outlook and any exist opportunities; and
- (ii) the representative of IP2IPO shall provide the following information to CIC's representative:
 - (1) an update of the pipeline of opportunities in the "Cambridge Cluster" being considered by IP2IPO or IP Group and its subsidiaries;
 - (2) an update on investment opportunities of IP2IPO or the Company held during the period from the last update meeting and the outcome(s); and
 - (3) save where information is or may be of a price sensitive nature to IP Group, an update on the target companies in which and group company of IP2IPO has made an investment, including information on milestones achieved, the current holding value for that investee company and its basis, any recent developments, fundraising outlook and any exit opportunities.

Under the terms of the memorandum of understanding, IP2IPO and CIC acknowledge they have similar and complementary investment policies and so far as reasonably practical, CIC shall seek to make available to IP2IPO and other investors in CIC who have requested co-investment opportunities, the opportunity to co-invest with the relevant CIC group company on the same terms that such CIC group company and third party co-investor is proposing to make its investment, and IP2IPO shall (subject to each IP2IPO group company investing the full amount that it wishes to invest) seek to make available to CIC or CIC Jersey and other investors in IP2IPO group companies who have requested co-investment opportunities, the opportunity to co-invest with such IP2IPO group company on the same terms that IP2IPO group company and any third party co-investor is proposing to make.

These provisions do not preclude any CIC group company or IP2IPO group company from offering co-investment opportunities to other third parties. Neither party shall be required to reduce the size of its intended investment in order to offer any co-investment opportunities to the other.

The parties agree that they will use reasonable endeavours to procure that any confidentiality undertaking(s) they enter into in respect or any pipeline opportunities, approved opportunities or any investees company shall, so far as practicable, include a carve out to enable information to be shared between parties.

7.1.4 *Commercialisation with US Universities*

The IP Group recently entered into pilot agreements with a further two leading US research universities and is currently assessing the first potential spin-out opportunities therefrom.

(a) *Agreements relating to University of Pennsylvania*

Pursuant to a collaboration agreement dated 11 November 2013 and made between (1) IP Group, Inc., (2) IP2IPO Americas Limited (together “IPG”) and (3) The Trustees of the University of Pennsylvania (“Penn”), the parties agreed certain arrangements with regard to an IP commercialisation partnership in connection with early-stage, proof of principle opportunities for IPG to invest in technologies and companies based on Penn IP through Upstart (the UPstart company formation program of Penn’s Centre for Technology Transfer). Broadly summarised, these arrangements entitle IPG, at its sole discretion and determination, to fund proof of principle (“POP”) opportunities up to an aggregate level of US \$500,000 over a period of 18 months from the date of the agreement (the “Pilot Term”).

During the Pilot Term, IPG shall support and work in co-operation with Penn in its identification of potential commercialisation opportunities in or relating to technologies designated by Upstart.

Pursuant to an agreement (the “Penn Extension”) made between the parties on 26 August 2015 it was agreed that the Pilot Term be extended with effect from 11 May 2015 to subsist for an indefinite period until otherwise terminated in accordance with the provisions of the Penn Extension itself.

Pursuant to the provisions of the Penn Extension all other terms of the collaboration agreement remain in full force and effect with the Penn Extension providing confirmatory and additional detail in its terms with regards the way in which the parties would work together in identifying and developing commercialisation opportunities. The parties agreed, pursuant to the terms of the Penn Extension that where proof of principle funding had been advanced by IPG in relation to an investment opportunity, that IPG shall have a first right to participate in any subsequent seed round of funding.

(b) *Agreements relating to Princeton University*

Pursuant to a collaboration agreement dated 28 March 2014 and made between (1) IP Group, Inc., (2) IP2IPO Americas Limited (together “IPG”) and (3) The Trustees of Princeton University, the parties agreed certain arrangements with regard to an IP commercialisation partnership in connection with the commercialisation of early-stage, proof of principle opportunities based on intellectual property developed at Princeton University and geared towards the formation of spin-out companies. Broadly summarised, these arrangements entitle IPG, at its sole discretion and determination, to fund proof of principle (“POP”) opportunities up to an aggregate level of US \$500,000 over a period of 18 months from the date of the agreement (the “Pilot Term”).

During the Pilot Term, IPG shall support and work in co-operation with the University in its identification of potential commercialisation opportunities in or relating to technologies developed within the University.

Pursuant to an agreement (the “Princeton Extension”) made between the parties on 14 April 2016 it was agreed that the Pilot Term be extended with effect from 28 September 2015 to subsist for an indefinite period until otherwise terminated in accordance with the provisions of the Princeton Extension itself.

Pursuant to the provisions of the Princeton Extension all other terms of the collaboration agreement remain in full force and effect with the Princeton Extension providing additional detail in its terms with regards the way in which the parties would work together in identifying and developing commercialisation opportunities. The Princeton Extension provides that where the relevant opportunity identified by IPG Americas is moved forward to investment stage either by way of (i) pre-seed, proof of principle investment of typically up to \$100,000 in the form of a convertible loan (or other

suitable or equivalent structure) (“POP Funding”), or (ii) early stage, seed capital investment of up to \$750,000 (“Seed Funding”), then the parties shall work together in good faith during an agreed 4 month period (“Investment Execution Period”) to reach formal legal execution of the contemplated investment prior to expiry of that Investment Execution Period.

Where IPG Americas elects to invest by way of POP Funding, Princeton University will use reasonable endeavours to procure the right of first refusal for IPG Americas in relation to any subsequent Seed Funding.

7.1.5 *FedIMPACT, LLC*

Pursuant to an operating agreement dated 3 October 2014 (as amended on 3 April 2016) between (1) TNT Management, LLC (“TNT”) and (2) IP2IPO FI Limited and IP Group, Inc. (together “IPG Group”), the parties agreed to establish a limited liability company in the State of Delaware under the name FedIMPACT, LLC (“FedIMPACT” or the “LLC”) to carry on the business of identifying, funding, developing and commercialising promising technologies sourced from an initial group of US Department of Energy National Laboratories being Pacific Northwest National Laboratory, Argonne National Laboratory and National Renewable Energy Laboratory (together the “DOE Laboratories”) pursuant to an engagement with such laboratories (the “DOE Engagement”).

On 15 June 2017 and following the pilot phase, TNT and IP Group, entered into an agreement pursuant to which the Group, in accordance with the option granted in the operating agreement, purchased all of the Class A Interests held by TNT resulting in IP Group, Inc being the sole member of the LLC. This is now the Group's incubation vehicle for spin-out companies from the DOE laboratories.

7.1.6 *Acquisition of Parkwalk Advisors Ltd*

On 15 December 2016, IPG entered into a share purchase agreement with the shareholders of Parkwalk Advisors Ltd pursuant to which IPG agreed to acquire the entire issued share capital of Parkwalk Advisors Ltd, a university spin-out focused enterprise investment scheme fund manager. Completion occurred on 31 January 2017.

The total maximum consideration payable to the sellers pursuant to the share purchase agreement is £20 million (on a debt free/cash free basis) over a three-year period. The initial consideration comprised £5 million and was paid in cash on the date of completion. A further payment of £2.5 million is payable by 31 October 2017 which will be satisfied by either a cash payment of £2.5 million or the allotment of such number of Shares that have an aggregate value of £2.5 million (at the election of IPG). There is a further £2.5 million of cash payable in two equal tranches on 31 January 2018 and 31 January 2019, subject to certain conditions. The remaining £10 million consideration is payable as £5 million in cash and £5 million in Shares over a three-year period from the date of completion, subject to Parkwalk Advisors Ltd achieving certain business performance targets.

The share purchase agreement contained customary warranties in favour of IPG.

7.1.7 *Summary of the Go9 Agreements*

Pursuant to the Go9 Agreements made or to be made in each case between (1) the relevant Go9 University, (2) IPG, (3) IP2IPO Australia and (4) IP2IPO Asia-Pacific Limited (“IP2IPO APAC”), the parties have agreed certain arrangements with regards to the sourcing and commercialisation of the IP created by the relevant Go9 Universities (subject in each case to certain exclusions) and the creation of businesses based on such IP. IP2IPO APAC is a wholly owned subsidiary of IPG and will be the investing entity for the purposes of the Go9 Agreements.

The principal provisions of the Go9 Agreements, subject to bespoke procedural and administrative variations agreed with each of the Go9 Universities which do not have a material commercial impact upon, or materially alter, the terms of the Go9 Agreements or the overall commercial arrangements reached with the Go9 Universities, are as follows:

- (a) the obligations of the parties under the Go9 Agreements are conditional upon, among other things (i) IPG raising not less than AU\$100m under the capital raising for the non-exclusive purpose of funding IP2IPO Australia to meet its obligations under the Go9 Agreements and (ii) IP2IPO Australia and IPG having entered into the relevant Go9 Agreements with each of the Go9 Universities and none of such agreements having been breached or terminated, in each case within 8 months of the date of the Go9 Agreement. The date on which the last of the conditions is satisfied or waived (in whole or in part) will be the “Completion Date”.
- (b) the IP Group has committed to invest at least AU\$200 million (the “Committed Funds”) in aggregate over the first ten years of the Agreement (the “Initial Period”); after the first ten years the IP Group is generally committed to use reasonable endeavours to deploy additional capital that would be adequate to maintain at least the same level of economic activity undertaken by IP2IPO Australia during the Initial Period;
- (c) the initial term of each of the Go9 Agreements is a period of twenty years from the date which is 90 days after the completion date, or such later date as may be agreed (the “Effective Date”) unless terminated earlier by any party pursuant to the terms of the relevant Go9 Agreement;
- (d) each Go9 Agreement may be terminated as follows:
 - (i) by either party by giving 30 days notice in writing if: (a) either party is in material breach of any of its obligations under the Go9 Agreement and (in relation to breaches capable of being remedied), fails to remedy the same within a period of 30 days after written notice of the breach; or (b) that party is suffering some form of insolvency;
 - (ii) by the Go9 University, in the event that the IP Group has not invested AU\$200 million in aggregate within the first ten years;
 - (iii) by IP2IPO Australia without liability upon providing 6 months’ written notice to the Go9 University if the policies of the Go9 University governing the arrangements relevant to the ownership, use and commercialisation of its intellectual property is changed to the material detriment of IP2IPO Australia;
- (e) mutual exclusivity has been agreed as follows:
 - (i) subject to certain limited exceptions (as set out below), the IP Group and IP2IPO Australia have agreed not to enter into any agreement with any research institution, university or third party in Australia or New Zealand (other than the Go9 Universities) to develop and commercialise IP of that third party during the Initial Period (with an extension to this exclusivity commitment to be discussed as part of the ten year review referred to below). The exceptions to this exclusivity commitment include:
 - (1) termination by a Go9 University of its Go9 Agreement at any time during the Initial Period, in which case IP2IPO Australia and the IP Group may enter into equivalent agreements with other Australian or New Zealand institutions having equivalent research capabilities;
 - (2) termination by the IP Group or IP2IPO Australia of the relevant Go9 Agreements because of a fundamental breach of contract by the

- Go9 University or insolvency of the Go9 University, in which case IP2IPO Australia and the IP Group may enter into equivalent agreements with other Australian or New Zealand institutions having equivalent research capabilities;
- (3) investment decision made by the IP Group and IP2IPO Australia in non-Go9 University intellectual property for economic reasons (enhancing its value and portfolio), in which case the IP Group and IP2IPO Australia can proceed with the investment provided that the agreement entered into is not similar to the Go9 Agreements, and any capital expenditure on such investments shall be additional to, and not comprise any of, the Committed Funds;
 - (4) investment by the IP Group and IP2IPO Australia in intellectual property of the Go9 University which existed prior to entering into the Go9 Agreement subject to any capital expenditure on such investments being additional to, and not comprising any of, the Committed Funds; and
 - (5) authority for the IP Group and IP2IPO Australia to enter into agreements (equivalent to the Go9 Agreements or otherwise) with certain other commercial entities listed in the Go9 Agreements subject to any capital expenditure on such investments being additional to, and not comprising any of, the Committed Funds;
- (ii) subject to certain limited exceptions (as set out below) each of the Go9 Universities has committed not, without the prior written consent of IP2IPO Australia and the IP Group or except as specifically contemplated by the relevant Go9 Agreement, to enter into any agreement which would or could give rise to a conflict with the terms of the relevant Go9 Agreement during the Initial Period (with an extension to this exclusivity commitment to be discussed as part of the ten year review referred to below). The exceptions to this exclusivity commitment are in relation to:
- (1) consultancy or collaboration or agreement for the funding or research and development undertaken by or at the Go9 University, in either case entered into in the ordinary course of the Go9 University's business but excluding any agreement with the object to pipeline intellectual property;
 - (2) arrangements which have been established for the purposes of accessing funds from specific government agencies or funds;
 - (3) arrangements which have been established for the purposes of accessing funds from specific not-for-profit institutions; and
 - (4) where there are any other arrangements which are operated on a 'not-for-profit basis;
- (f) the relevant Technology Transfer Office of each Go9 University (or any equivalent body within the Go9 University) will be in charge of determining the ownership and validity of the IP and decide whether the potential invention, idea or concept whether solely or jointly owned (the "Disclosure") can be qualified as having the merit of potentially having commercial benefit (the "Qualified Disclosure");
- (g) the Go9 Universities have agreed not to present Disclosures to third parties for the purposes of securing investment during the period when the Go9 University is evaluating the Disclosure to determine whether it is a Qualified Disclosure, unless it has existing obligations to share Disclosures with any specifically designated investors (as set out in each Go9 Agreements, the "Designated Investors");

- (h) once a Disclosure has been qualified as a Qualified Disclosure, IP2IPO Australia has a period to determine whether it wishes to develop an investment case;
- (i) nothing in the Go9 Agreements prevents the Go9 Universities from presenting a Qualified Disclosure to its Designated Investors or specifically agreed allied university funds at the same time as it is submitted to IP2IPO Australia;
- (j) IP2IPO Australia's right to Qualified Disclosures ceases if IP2IPO Australia refuses to develop an investment case or does not notify the University within the prescribed period of its intention to develop an investment case;
- (k) where IP is jointly owned with a third party that is not a Go9 University, the Go9 University shall use reasonable endeavours:
 - (i) to obtain permission from the joint owner(s) to present the Disclosure or Qualified Disclosure to IP2IPO Australia; and
 - (ii) to introduce IP2IPO Australia to the joint owners of the IP.

IP2IPO Australia and the third party owner of the IP may discuss and negotiate appropriate terms and any capital committed by IP2IPO Australia shall be deemed to have been made from the Committed Funds;

- (l) where a Designated Investor has expressed an interest in developing a Disclosure or Qualified Disclosure, IP2IPO Australia will offer to meet the Designated Investor to determine how to invest in and develop the underlying project. If the Go9 University, the Designated Investor and the IP Group agree to pursue the development, the relevant parties shall agree a plan to develop the opportunity into an investment case and shall use all reasonable endeavours to agree an investment position on terms that are consistent with those prescribed in the relevant Go9 Agreement (unless the parties cannot agree in which case the Go9 University will determine which of the parties shall be entitled to invest in or develop the relevant Disclosure or Qualified Disclosure);
- (m) if IP2IPO Australia wishes to develop an investment case, it shall serve a notice on the Go9 University within a prescribed period whereupon it shall have the co-exclusive right (along with the Designated Investors, if any) to further evaluate the Qualified Disclosure. If it fails to do so it loses the right to the Qualified Disclosure. The Go9 Agreements specify the process to be followed to agree the manner and method and delineation of responsibilities for the preparation of the investment case in relation to, amongst other things, technology, strategies, business models, funding and the optimal structure of any spin-out company;
- (n) IP2IPO Australia and the Go9 University will agree the level of equity in any spin-out company to which IP2IPO APAC shall be entitled (if any) which will not be greater than 10 per cent. of the initial equity in the spin-out company. In the event that the Go9 University or any Designated Investor undertakes all of the initial work in relation to the investment case, IP2IPO APAC shall not be entitled to any equity;
- (o) if IP2IPO Australia has prepared an investment case, it will present that investment case at a meeting of its investment committee and shall notify the Go9 University of the decision of the investment committee. If the investment case is approved by the investment committee, the parties shall proceed to establish a structure to invest in the Qualified Disclosure, subject to any conditions which are agreed. In the event that the investment case is not approved, IP2IPO Australia will cease to have any rights in respect of the Qualified Disclosure.
- (p) once an investment case has been approved, IP2IPO APAC shall, at incorporation of a Spin-out company, invest up to AU\$300,000 (or such other amount as may be agreed)

in the form of a loan, whereupon the spin-out company will enter into an agreed form pre-seed loan agreement. At seed round investment stage, each spin-out company shall have an agreed pre-money valuation of AU\$1.3 million (“Pre-Money Valuation”). The Go9 University is entitled to capitalise the amount of certain expended costs by the Go9 University into equity at seed level;

- (q) the initial shareholders of each spin-out company shall be the Go9 University (or relevant Go9 University fund/entity), IP2IPO APAC and any Designated Investor (and any other parties as agreed at seed stage). The parties have agreed standard documentation to be entered into by the spin-out company, comprising a pre-seed loan agreement and a subscription and shareholders’ agreement and have agreed a constitution to be adopted by the spin-out company. The Go9 University has a right of veto in relation to the creation of any spin-out company where such an opportunity is not considered to be consistent with its charitable status and/or in line with the provisions of the Go9 University statute;
- (r) the University and any allied university fund can elect to provide funding to a spin-out company on equivalent commercial terms to those on which IP2IPO APAC provides such funding and if the amount of funding proposed by each investor exceeds the funding required for that stage of the project, the amount of funding shall be scaled back on a pro-rata basis;
- (s) if an investment case in respect of a Qualified Disclosure or an updated investment case in respect of a spin-out company that has already received a pre-seed loan has been approved by IP2IPO Australia’s investment committee, IP2IPO APAC may elect to provide seed funding to the spin-out company at the Pre-Money Valuation. Any amounts advanced under a pre-Seed loan shall convert into equity at 85% of the Pre-Money Valuation. Any post-seed investments fall outside the scope of the Go9 Agreements. The provisions relating to funding under the Go9 Agreements are subject at all times to a veto by an academic or student of the Go9 University;
- (t) each Go9 University agrees to license the Go9 University IP comprising the relevant Qualified Disclosure to each spin-out company on an exclusive basis. The University will receive a nominal amount by way of consideration and the licence will be royalty and milestone free. No other payments will be due other than registration and prosecution fees. The licence will be assigned to the spin-out company in certain specified circumstances;
- (u) a Go9 University may, during the Initial Period, nominate up to 10 Disclosures or Qualified Disclosures that it considers are likely to command a pre-money valuation of over AU\$3 million (“Exceptional Projects”) with further allowance to be agreed by the Company following expiry of the Initial Period. Following the disclosure of the Exceptional Project to IP2IPO Australia (and to other parties if the Go9 University wishes), IP2IPO Australia may decide to enter into negotiations with the Go9 University or any other parties in relation to an investment in the Exceptional Project. If IP2IPO Australia elects to enter into negotiations in relation to the Exceptional Project, it shall be entitled to undertake reasonable due diligence and the preliminary terms of any investment shall be set out in a term sheet to be provided by IP2IPO Australia prior to commencement of due diligence;
- (v) the Go9 Agreements contain annual reporting and review provisions, an operational and markets review in the fifth year of the term, and 10 year and 15 year reviews where representatives of the Go9 University and IP2IPO Australia shall meet to discuss the investment performance of investments made by IP2IPO Australia, the status of commercialisation activity at the Go9 University, regional and national levels and potential amendments to the Go9 Agreement, including the proposed number of

Disclosures or Qualified Disclosures that the Go9 University may nominate as Exceptional Projects for the next 10 year period; and

- (w) representations and warranties typical to each arrangement are given by IP2IPO Australia, IP2IPO APAC and IPG to the Universities and from the Universities to IP2IPO Australia and IP Group.

7.1.8 Engagement of DealGlobe Information Consulting Co. Limited

On 19 May 2017 IPG entered into a letter agreement with DealGlobe Information Consulting Co. Limited (“DealGlobe”) pursuant to which IPG appointed DealGlobe as its financial adviser in the People’s Republic of China solely in relation to an agreed list of potential investors in connection with the Capital Raise. In consideration of DealGlobe’s services IPG agreed to pay DealGlobe a fee equal to between 1 and 2 per cent. of the funds raised from the identified list of potential investors. In IPG’s absolute discretion and where no fee is otherwise payable to DealGlobe IPG may pay DealGlobe a discretionary fee of up to £250,000 in the event that IPG determines that DealGlobe’s performance warrants it. IPG is obliged to costs and expenses incurred in connection with the services provided by DealGlobe.

7.1.9 The 2017 Placing Agreement

On 23 May 2017, IPG entered into a placing agreement (the “Placing Agreement”) with Numis in respect of the Capital Raise.

Pursuant to the terms and conditions contained in the Placing Agreement, the Company appointed Numis as (i) sponsor in connection with the admission of shares issued in connection with the Capital Raise; (ii) its agent for the purpose of publishing the open offer and offer for subscription in connection with the Capital Raise; (iii) its agent for implementing the placing in connection with the Capital Raise, in relation to which Numis agreed to use its reasonable endeavours to procure non-firm placees for the placing shares; and (iv) its agent for implementing the firm placing in connection with the Capital Raise, in relation to which Numis agreed to its reasonable endeavours to procure firm placees for all of the firm placed shares and, to the extent that Numis failed to procure such firm placees, Numis agreed that it would itself subscribe as principal for any firm placed shares not taken up at the issue price as underwriter of the firm placing. Numis has not agreed to underwrite the placing, the open offer or the offer for subscription in connection with the Capital Raise.

In consideration of Numis’ services under the Placing Agreement, IPG agreed to pay to Numis, subject to and conditional upon admission, a placing fee of between 1 and 3 per cent. of the total aggregate gross proceeds of the Capital Raise together with all properly incurred costs or expenses of, or in connection with the 2017 firm placing, the placing and open offer, admission and the placing agreement.

IPG gave certain customary warranties and indemnities to Numis. The liabilities of IPG under those warranties and indemnities are unlimited as to time and amount.

7.2 Confidentiality Agreement

IPG and Touchstone have entered into a mutual non-disclosure agreement dated 20 April 2017 pursuant to which each of IPG and Touchstone has undertaken, among other things, to keep certain information relating to the Offer and the other party confidential and not to disclose it to third parties (other than to permitted parties) subject to certain usual exceptions. The Confidentiality Agreement is more fully described at paragraph 4 of Part I of this document.

8. Bases and Sources

- 8.1 The percentage of the ordinary share capital of IPG that will be owned by former Touchstone Shareholders of 33.9% is calculated by dividing the number of the New Shares to be issued (being

357,518,506) by the number of IPG Shares immediately following Admission and multiplying the resulting sum by 100 to produce a percentage.

- 8.2 Touchstone's issued share capital as at the Latest Practicable Date is 161,204,124 Touchstone Shares; and up to 2,565,558 Touchstone Shares that may be issued on or after the date of this document on the exercise of options or vesting of awards under the Touchstone Share Schemes.
- 8.3 The market capitalisation of IPG of £954,516,429, as at the Latest Practicable Date, is calculated by multiplying the number of Existing IPG Shares by the price per IPG Share of 137 pence (being the Closing Price of an IPG Share on the Latest Practicable Date).
- 8.4 On the Latest Practicable Date, IPG held no IPG Shares in treasury.
- 8.5 Unless otherwise stated, all prices quoted for IPG Shares and Touchstone Shares have been derived from closing price as reported by the London Stock Exchange on the relevant date.
- 8.6 The Company confirms that where information in this document has been sourced from a third party, the source of this information has been provided, the information has been accurately reproduced and, as far as the Company is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. The information in relation to Touchstone and the Touchstone Group has been sourced from publicly available information. Access to Touchstone's information and documentation has not been granted by the Touchstone Directors.

9. Incorporation by reference

Parts of other documents are incorporated by reference in, and form part of, this document.

Part A of each of Appendix II and Appendix III of this document set out which sections of such documents are incorporated into this document.

Any person who has received this document may request a copy of such documents incorporated by reference in hard copy. A hard copy of such documents will not be sent to such persons unless requested from the Receiving Agent, Capita Asset Services, Corporate Actions, at The Registry, 34 Beckenham Road, Beckenham, BR3 4TU, or by telephone on +44 (0)371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9 a.m. – 5.30 p.m., Monday to Friday excluding public holidays in England and Wales. Please note that Capita Asset Services cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes. If requested, copies will be provided, free of charge, within two Business Days of request.

10. No significant change:

- 10.1 Save as set out in the IPG 2017 Interim Results, there has been no significant change in the financial or trading position of the IP Group since 30 June 2017, the date to which IPG's last published audited interim financial statements were prepared.
- 10.2 As far as IPG is aware and save as publicly announced by Touchstone and except as disclosed in this document, there has been no significant change in the financial or trading position of Touchstone which has occurred since 31 January 2017, the date of the end of the last financial period for which either audited financial information or interim financial information was published.

11. Other Information

- 11.1 Each of Rothschild and Numis, respectively IPG's lead financial adviser and joint financial adviser, have given and not withdrawn their written consent to the issue of this document with the inclusion herein of the references to their respective names in the form and context in which they appear.

- 11.2 Save as disclosed in this document, there is no agreement, arrangement or understanding (including any compensation arrangements) between IPG or any person acting in concert with it and any of the directors, recent directors, shareholders or recent shareholders of Touchstone or any person interested or recently interested in Touchstone Shares having any connection with or dependence on or which is conditional upon the outcome of the Offer.
- 11.3 The aggregate fees and expenses which are expected to be incurred by IPG in connection with the Offer are estimated to amount to between £6.0 million to £6.1 million, excluding any applicable VAT. This aggregate number consists of the following categories:
- 11.3.1 financing arrangements: not applicable;
- 11.3.2 financial and corporate broking advice £4.5 million (excluding applicable VAT);
- 11.3.3 legal advice: between £850,000 to £950,000 (excluding applicable VAT) (legal fees are estimated as a range as they are charged by reference to hourly rates and, at the latest practicable date prior to this document, the residual amount of legal work required, inter alia, in connection with anti-trust and regulatory filings is uncertain);
- 11.3.4 accounting advice: £70,000 (excluding applicable VAT);
- 11.3.5 public relations advice: £40,000 (excluding applicable VAT);
- 11.3.6 other professional services: £200,000 (excluding applicable VAT); and
- 11.3.7 other costs and expenses: £300,000 (excluding applicable VAT).
- 11.4 The emoluments of the IPG Directors are not expected to be affected by the completion of the Offer or any other associated transaction.
- 11.5 There is no agreement, arrangement or understanding whereby the beneficial ownership of any Touchstone Shares to be acquired by IPG will be transferred to any other person, save that IPG reserves the right to transfer any such shares to any member of the IPG Group.
- 11.6 IPG currently has no intention to redeploy fixed assets as a result of the completion of the Offer.
- 11.7 With effect from the Completion Date, the earnings, assets and liabilities of the Combined Group will include the consolidated earnings, assets and liabilities of Touchstone on the Completion Date.
- 11.8 Save as disclosed in this document, the IPG Directors are not aware of any material change in relation to any material information previously published by or on behalf of IPG during the Offer Period.
- 11.9 Neither the payment of interest on, nor the repayment of, nor the security for, any liability (contingent or otherwise) of IPG will depend to any significant extent on the business of Touchstone.

11.10 The persons (other than the IPG Directors) who, for the purposes of the Code, are acting in concert with IPG (as connected adviser or significant shareholder) are set out in the table below:

<i>Person acting in concert</i>	<i>Relationship with IPG</i>	<i>Address</i>
Rothschild	Lead Financial Adviser	New Court St Swithin's Lane London EC4N 8AL
Numis	Joint Financial Adviser	The London Stock Exchange Building Paternoster Square London EC4M 7LT
Invesco Asset Management Limited	Significant Shareholder	Perpetual Park Perpetual Park Drive Henley-On-Thames Oxfordshire RG9 1HH

12. Documents available on website

Copies of the following documents shall be made available on the offer website at <http://www.ipgroupplc.com/investor-relations/until> the end of the Offer:

- 12.1 the articles of association of IPG;
- 12.2 the articles of association of Touchstone;
- 12.3 the offer-related arrangements referred to in paragraph 7 of this Appendix V;
- 12.4 the audited consolidated financial statements of the IP Group for the two years ending 31 December 2015 and 2016 and the audited interim results for the IP Group for the six months ended 30 June 2017;
- 12.5 the audited consolidated financial statements of the Touchstone Group for the two years ending 31 July 2015 and 2016 and the unaudited interim results of the Touchstone Group for the six months ending 31 January 2017;
- 12.6 this document (including any other documents incorporated by reference);
- 12.7 copies of the irrevocable undertakings and the letters of intent referred to in paragraph 5 of this Appendix V;
- 12.8 the written consents referred to in paragraph 11 of this Appendix V; and
- 12.9 the IPG Prospectus; and
- 12.10 the IPG Circular.

APPENDIX VI

DEFINITIONS

Acceptance Condition	the Condition as to acceptances set out in paragraph 1(A) of Part A of Appendix I to this document;
Admission	the admission of the New Shares to listing on the premium segment of the Official List and to trading on the main market for listed securities of the London Stock Exchange;
Announcement Date	20 June 2017;
Business Day	a day (other than Saturdays, Sundays and public holidays in the UK) on which banks are open for business in the City of London;
Capita Asset Services	the trading name of Capita Registrars Limited;
Capital Raise	means the £207 million capital raise completed by IPG on 8 June 2017;
certificated or in certificated form	a Touchstone Share which is not in uncertificated form (that is, not in CREST);
Closing Price	means on any particular day, the closing price of the relevant share as reported by the London Stock Exchange;
CMA Phase 2 Reference	a reference of the Offer to the chair of the Competition and Markets Authority for the constitution of a group under Schedule 4 to the Enterprise and Regulatory Reform Act 2013;
Code	the City Code on Takeovers and Mergers, as issued from time to time by the Panel;
Combined Group	the enlarged group following completion of the Offer comprising the IP Group and the Touchstone Group;
Companies Act	the Companies Act 2006, as amended from time to time;
Competition and Markets Authority or CMA	a UK statutory body established under the Enterprise and Regulatory Reform Act 2013;
Completion or Completion Date	the date on which the Offer becomes or is declared unconditional in all respects or, if IPG elects to implement the offer by way of a Scheme, the date on which the Scheme becomes effective in accordance with its terms;
Conditions	the conditions of the Offer set out in Part A of Appendix I to this document, and Condition means any one of them;
CREST	the relevant system (as defined in the Regulations) in respect of which Euroclear is the Operator (as defined in the Regulations);
CREST Manual	the manual issued by Euroclear from time to time;
CREST member	a person who has been admitted by Euroclear as a system- member (as defined in the Regulations);
CREST participant	a person who is, in relation to CREST, a system-participant (as defined in the Regulations);

CREST sponsor	a CREST participant admitted to CREST as a CREST sponsor;
CREST sponsored member	a CREST member admitted to CREST as a sponsored member;
Daily Official List	the Daily Official List published by the London Stock Exchange;
Day 45	the date 45 days from posting of this document;
Disclosed	the information fairly disclosed by, or on behalf of Touchstone: (i) in the Annual Report and Accounts of the Touchstone Group for the financial year ended 31 July 2016; (ii) in this document; (iii) in any other public announcement made by Touchstone in accordance with the Market Abuse Regulation, the Listing Rules and the Disclosure Guidance and Transparency Rules prior to this document; or (iv) as disclosed in writing prior to the date of this document by or on behalf of Touchstone to IP Group (or its respective officers, employees, agents or advisers in their capacity as such).;
Disclosure Guidance and Transparency Rules	the Disclosure Guidance and Transparency Rules of the FCA in its capacity as the UK Listing Authority under FSMA and contained in the UK Listing Authority’s publication of the same name;
Electronic Acceptance	the inputting and setting of a TTE instruction which constitutes or is deemed to constitute an acceptance of the Offer on the terms set out in this document;
ESA instruction	an Escrow Account Adjustment Input (“AESN”) transaction type “ESA” (as defined in the CREST Manual);
Escrow Agent	the Receiving Agent, in its capacity as escrow agent for the purpose of the Offer;
Euroclear	Euroclear UK & Ireland Limited;
Exchange Ratio	the exchange ratio of 2.2178 new IPG Shares in exchange for each Touchstone Shares as it may be adjusted as set out in this document;
Existing IPG Shares	the IPG Shares in issue at the Latest Practicable Date, being 696,727,321 IPG Shares;
FedIMPACT	FedIMPACT, LLC, a limited liability company incorporated in the State of Delaware;
FCA or Financial Conduct Authority	the Financial Conduct Authority acting in its capacity as the competent authority for the purposes of Part VI of FSMA;
FCA Handbook	the handbook of rules made by the FCA as amended from time to time;
First Closing Date	15 September 2017;
Form of Acceptance	in relation to Touchstone Shares, the form of acceptance and authority relating to the Offer which accompanies this Offer Document for use by Touchstone Shareholders with shares in certificated form in connection with the Offer;
FSMA	the Financial Services and Markets Act 2000, as amended from time to time;

Go9 Agreements	means the commercialisation agreements entered into between IP2IPO Australia, IPG, IP2IPO Asia-Pacific and each of the Go9 Universities further details of which are set out in paragraph 7.17 of Part XIII of this document;
Go9 Universities	means Monash University, the Australian National University, the University of Adelaide, the University of Melbourne, the University of Queensland, the University of Sydney, the University of Western Australia, UNSW Australia and the University of Auckland or the relevant commercial entity of each such Go9 University and “ Go9 University ” shall mean any one of them;
IFRS	International Financial Reporting Standards as adopted by the European Union;
Imperial	means Imperial College of Science, Technology and Medicine;
IP2IPO	means IP2IPO, a company incorporated in England and Wales with registered number 04072979, being a wholly owned subsidiary of IPG;
IP2IPO Asia-Pacific	means IP2IPO Asia-Pacific Limited, a company incorporated in England and Wales with registered number 10635168, being a wholly owned subsidiary of IPG;
IP2IPO Australia	means IP2IPO Australia Pty Ltd, a company incorporated in Australia with registered number A.C.N. 617 966 695, being a wholly owned subsidiary of IPG;
IPG	IP Group plc, incorporated in England and Wales with registered number 04204490;
IPG Circular	the Class 1 circular to be sent by IPG to IPG Shareholders pursuant to the Listing Rules summarising the background to and the reasons for the Offer, which will include a notice convening the IPG General Meeting;
IPG Directors or IPG Board	the board of directors of IPG, or, where the context so requires, the directors of IPG from time to time;
IPG General Meeting	the meeting of IPG Shareholders to be convened to consider and, if thought fit, approve the relevant resolutions including any adjournment thereof;
IP Group	IPG and its subsidiary undertakings and parent undertakings, and any other subsidiary of its parent undertakings and, where the context permits, each of them;
IPG 2017 Interim Results	the 2017 interim financial results of the IP Group published on the date of this document;
IPG Prospectus	the document required to be published by IPG in respect of the admission to the Official List of the New Shares;
IPG Shares	ordinary shares with a nominal value of two pence each in the share capital of IPG;
IPG Shareholders	the holders of IPG Shares;

Latest Practicable Date	17 July 2017, being the latest practicable date prior to the publication of this document;
Listing Rules	the rules and regulations made by the Financial Conduct Authority in its capacity as the UK Listing Authority under FSMA, and contained in the UKLA’s publication of the same name;
London Stock Exchange member account ID	London Stock Exchange plc, together with any successor thereto;
New Shares	the identification code or number attached to any member account in CREST;
Numis	means the new IPG Shares proposed to be issued pursuant to the Offer or any Scheme (each individual share a “New Share” as the context so requires)
Offer	means Numis Securities Limited of The London Stock Exchange Building 10 Paternoster Square, London EC4M 7LT, acting as joint financial adviser in connection with the IPG Circular and the IPG Prospectus;
Offer Announcement	the offer implemented by way of a takeover offer as defined in Chapter 3 of Part 28 of the Companies Act to be made by IPG to acquire the entire issued and to be issued ordinary share capital of Touchstone and, where the context admits, any subsequent revision, variation, extension or renewal of such offer;
Offer Document	the announcement of IPG’s firm intention to make an offer for Touchstone dated 20 June 2017;
Offer Period	this document, being an offer document sent by IPG to Touchstone Shareholders summarising the Offer, the terms and conditions of the Offer and the mechanics to accept the Offer and the information incorporated by reference into it (together with any supplements or amendments thereto) and any subsequent document containing the Offer;
Official List	the offer period (as defined by the Code) relating to Touchstone, which commenced on 23 May 2017;
Overseas Shareholders	the official list maintained by the UKLA in accordance with section 74(1) of FSMA for the purposes of Part VI of FSMA;
Panel	Touchstone Shareholders (or nominees of, or custodians or trustees for Touchstone Shareholders) not resident in, or nationals or citizens of the United Kingdom;
parent undertaking	the Panel on Takeovers and Mergers;
participant ID	has the meaning given to it by section 1162 of the Companies Act;
Receiving Agent/Registrar	the identification code or membership number used in CREST to identify a particular CREST member or other CREST participant;
Regulation	Capita Asset Services;
Regulations	has the meaning given to it in paragraph 1(B) of Part A of Appendix I to this document;
	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755);

Regulatory Approvals	the approvals required to satisfy the Conditions to the Offer set out at paragraph 1(E) and 1(G) of Appendix I to this document;
Regulatory Information Service	any of the services set out in Appendix 3 to the Listing Rules of the UKLA;
Restricted Jurisdiction	any jurisdiction where extension or acceptance of the Offer would violate the law of that jurisdiction;
Rothschild	N M Rothschild & Sons Limited, New Court St Swithin's Lane, London, EC4N 8AL, acting as lead financial adviser;
Scheme	a scheme of arrangement (as that term is defined in the Companies Act) under Part 26 of the Companies Act between IPG and Touchstone Shareholders (should IPG elect to acquire Touchstone by way of a scheme of arrangement);
Securities Act	the United States Securities Act of 1933 (as amended) and the rules and regulations promulgated thereunder;
Significant Interest	in relation to an undertaking, a direct or indirect interest of 20 per cent. or more of the total voting rights conferred by the equity share capital (as defined in section 548 of the Companies Act) of such undertaking;
Touchstone	Touchstone Group plc;
Touchstone Directors or Touchstone Board	the directors of Touchstone as at the date of this document or, where the context requires, the directors of Touchstone from time to time;
Touchstone Group	Touchstone, its subsidiaries and its subsidiary undertakings from time to time and, where the context permits, each of them;
Touchstone Shareholders	the holders of Touchstone Shares;
Touchstone Shares	the ordinary shares of 3 1/33 pence each in the capital of Touchstone and any further such ordinary shares which are unconditionally allotted or issued while the Offer remains open for acceptance or before such earlier date as IPG (subject to the Code) may determine, not, unless the Panel so permits, being earlier than the date on which the Offer is declared unconditional as to acceptances or, if later, the First Closing Date of the Offer;
Touchstone Share Option Schemes	the Touchstone Innovations Long Term Incentive Plan, the Touchstone Innovations 2016 Long Term Incentive Plan and the Touchstone Innovations SAYE Share Option Scheme;
Third Party	each of a central bank, government or governmental, quasi-governmental, supranational, statutory, regulatory, environmental, administrative, fiscal or investigative body, court, trade agency, association, institution, environmental body, employee representative body or any other body or person whatsoever in any jurisdiction;
TFE instruction	a Transfer from Escrow instruction (as defined by the CREST Manual);
TTE instruction	a TTE instruction or other Transfer to Escrow instruction (as defined by the CREST Manual);

UKLA	the UK Listing Authority, being the Financial Conduct Authority acting in its capacity as the competent authority for the purposes of Part VI of FSMA;
uncertificated or in uncertificated form	a share or other security, title to which is recorded in the relevant register of Touchstone as being held in uncertificated form in CREST, and title to which, by virtue of the Regulations, may be transferred by means of CREST;
United Kingdom or UK	the United Kingdom of Great Britain and Northern Ireland;
United States or US	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia;
US Exchange Act	the US Securities Exchange Act of 1934, as amended;
US person	a US person as defined in Regulation S under the Securities Act;
VAT	value added tax as provided for in the Sixth Directive of the European Community, as charged in by the provisions of the Value Added Tax Act 1994 or any tax of a similar nature;
Wider IPG Group	IPG and associated undertakings and any other body corporate, partnership, joint venture or person in which IPG and all such undertakings (aggregating their interests) have a Significant Interest; and
Wider Touchstone Group	Touchstone and associated undertakings and any other body corporate, partnership, joint venture or person in which Touchstone and such undertakings (aggregating their interests) have a Significant Interest.

For the purposes of this document, “subsidiary”, “subsidiary undertaking”, “undertaking” and “associated undertaking” have the respective meanings given thereto by the Companies Act.

All references to “**pounds**”, “**pounds Sterling**”, “**Sterling**”, “**£**”, “**pence**”, “**penny**” and “**p**” are to the lawful currency of the United Kingdom.

All the times referred to in this document are London times unless otherwise stated. References to the singular include the plural and vice versa.

