



Partnership, innovation, results.

HALF-YEARLY REPORT AND ACCOUNTS 2008

“ The Group has continued to make good progress in the first half of the year, despite the continued tough economic environment. We successfully completed two significant private financings in the period as well as a number of smaller additional financings, managed cash balances prudently, increased revenues from services and maintained a growing and diversified portfolio. IP Group remains well positioned with strong cash resources, a diverse and broad portfolio and unrivalled long-term relationships with universities to generate substantial shareholder value over the medium term. ”

ALAN AUBREY, CHIEF EXECUTIVE

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FINANCIAL AND OPERATIONAL HIGHLIGHTS

- Net assets increased to £229.8m (H107: £200.2m; FY07: £213.8m)
- Cash balance at 30 June 2008: £39.5m (H107: £47.8m; FY07: £46.0m)
- Profit for the period: £15.8m (H107: £18.8m; FY07: £30.5m)
- Revenue from services increased to £1.1m (H107: £0.5m; FY07: £2.0m)

PORTFOLIO HIGHLIGHTS

- Fair value of equity investments increased to £148.4m (H107: £107.3m; FY07: £126.1m)
- Investments in portfolio companies: £4.5m (H107: £3.0m; FY07: £6.8m)
- Capital raised by portfolio companies through private financings in excess of: £25.0m (H107: £9.0m; FY07: £30.0m)
- Portfolio of companies in which the Group has a fair value holding of £3.0m or above: 11 (H107: 10; FY07: 12)
- Strong portfolio growth experienced during the period in the Chemicals & Materials, Energy & Renewables and Non-Therapeutics sectors
- Revolymer, who are developing non-stick chewing gum, and Oxford Nanopore Technologies both announce £10m financings during the period

POST PERIOD END HIGHLIGHTS

- Proximagen Neuroscience signs licensing agreement worth up to \$232.0m with Upsher-Smith Laboratories Inc to develop Parkinson's disease treatment
- Summit announces licensing agreement worth up to \$143.0m with BioMarin Pharmaceutical for its Duchenne Muscular Dystrophy programme
- Oxford Advanced Surfaces completes £5.0m placing with a number of new and existing investors

OVERVIEW

At 30 June 2008, the Group's portfolio consisted of stakes in 74 companies (H107: 60; FY07: 65) which have increased in value to £148.4m (H107: £107.3m; FY07: £126.1m). A summary analysis of portfolio gains and losses is as follows:

	H108 £m	H107 £m	FY07 £m
Gains on the revaluation of investments	26.3	18.9	38.1
Losses on the revaluation of investments	(7.8)	(6.6)	(11.7)
Net fair value gains	18.5	12.3	26.4
Gain on deemed disposal of subsidiaries and disposals of equity investments	-	8.2	8.6
Total	18.5	20.5	35.0

Gains on the revaluation of investments principally comprise positive share price performance of Oxford Advanced Surfaces Group plc (£11.5m); Revolymer Limited (£2.3m), which announced a £10.0m private fund raising in May, valuing the Group's 11.2% stake at £3.0m; and Oxford Nanopore Technologies Limited (£7.2m) (formerly Oxford Nanolabs Limited), which announced a £10.1m private fund raising in March, valuing the Group's 34.9% stake at £19.5m.

Losses on the revaluation of investments are mainly attributable to falls in a certain companies in the Group's listed portfolio, most significantly Summit Corporation plc (£1.9m), Synairgen plc (£0.8m) and Proximagen Neuroscience plc (£0.7m).

Cash investment analysis by company stage	H108 £m	H107 £m	FY07 £m
Incubation projects	0.5	0.2	0.5
Portfolio businesses <£3.0m	2.8	2.1	4.8
Portfolio businesses >£3.0m	1.2	0.7	1.5
Total	4.5	3.0	6.8

Proceeds from sales of equity investments	-	2.8	8.0
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The level of cash investment into our portfolio of £4.5m was increased from the first half of last year (H107: £3.0m, FY07: £6.8m). The Group's investment approach gives us the ability to incubate early stage technology businesses with low levels of cash investment. This is designed to eliminate risk with minimal capital deployment and enable the maintenance of a well diversified portfolio. During the first half of 2008 we have increased the level of such investment; the Group invested an average of £47,000 across 11 incubation opportunities (H107: £24,000, 7; FY07: £38,000, 13).

The Group did not realise cash from any of its equity investments during the period (H107: £2.8m; FY07: £8.0m).

The Group's capital markets team has continued to work closely with our portfolio companies, who have raised over £25.0m through private financings despite difficult equity market conditions during the first half of the year (H107: £9.0m; FY07: £30.0m). Funds managed by Top Technology Ventures Limited, the Group's FSA regulated subsidiary, have invested £2.7m into portfolio companies during the period (H107: £2.9m; FY07 £7.5m).

PORTFOLIO ANALYSIS - BY INVESTMENT STAGE

Of the 74 companies in the Group's portfolio, 77% of the fair value remains in those companies in which IP Group's stake is worth over £3.0m. At 30 June 2008, this equated to £114.9m, up from £96.9m at year end. An analysis of the Group's portfolio by investment stage is as follows:

Company stage	As at 30 June 2008				As at 31 Dec 2007			
	Fair value		Number		Fair value		Number	
	£m	%		%	£m	%		%
Incubation businesses	1.2	1%	20	27%	0.6	0%	14	22%
Portfolio businesses <£3.0m	32.3	22%	43	58%	28.6	23%	39	60%
Portfolio businesses >£3.0m	114.9	77%	11	15%	96.9	77%	12	18%
All portfolio businesses	148.4	100%	74	100%	126.1	100%	65	100%

A detailed analysis of our most significant investments (Portfolio businesses >£3.0m) is given below.

Portfolio businesses <£3.0m are generally less mature companies, which typically have received only seed round financing of less than £1.0m. Examples of interesting developments in this portfolio during the period include Xeros Limited, which has received recent press attention for its developments in the "virtually waterless" washing machine space, along with EMDot Limited which has recently signed a joint development agreement with a leading player in the inkjet market to accelerate the commercialisation of its revolutionary electrostatic inkjet technology. In the case of EMDot, our co-investor at the seed round stage was Combined London College University Challenge Seed Fund, a fund created to help launch and grow new businesses based on technology developed through academic research.

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LARGEST PORTFOLIO BUSINESSES ('PORTFOLIO BUSINESSES >£3.0M')

Company name	Description	Quoted/ Unquoted	Company value 30 June 2008 £m	Group stake 30 June 2008 %	Fair value of Group holding at:	
					30 June 2008 £m	31 Dec 2007 £m
Avacta Group plc	Advanced molecular detection and analysis technologies for the biopharmaceutical, homeland security, defence and medical diagnostics industries	Quoted	30.9	23.9%	7.4	6.9
Green Chemicals plc	Environmentally friendly textile and bleaching chemicals	Quoted	30.8	24.5%	7.7	7.5
Ilika Technologies Limited	Development and application of high throughput, combinatorial R&D techniques for the discovery of new materials	Unquoted	29.5	23.6%	7.0	7.0
iQur Limited	Diagnosis and treatment of liver disorders	Unquoted	23.3	17.7%	4.1	4.1
Modern Water plc	Water technologies to address problems of the availability of freshwater and the treatment and disposal of wastewater	Quoted	60.0	23.0%	13.8	12.2
Oxford Advanced Surfaces Group plc	Development and commercialisation of technology enabling modification of the surface properties of materials	Quoted	149.5	15.7%	23.5	12.0
Oxford Catalysts Group plc	Speciality catalysts for the generation of clean fuels, from conventional fossil fuels and renewable sources such as biomass	Quoted	66.9	16.7%	11.2	9.7
Oxford Nanopore Technologies Limited	Developing nanopore technology, a revolutionary method of molecular detection and analysis with potential applications in DNA sequencing, diagnostics, drug development and defence	Unquoted	55.9	34.9%	19.5	11.6
Photopharmica (Holdings) Limited	Develops novel photosensitisers as products for medical use and has opened up new applications of topical photodynamic therapy	Unquoted	26.0	49.9%	13.0	13.0
Proximagen Neuroscience plc	Developing drugs for the treatment of neurodegenerative diseases	Quoted	20.1	23.5%	4.7	5.4
Revolymex Limited	Design, develops and formulates novel polymers that revolutionise consumer products. First application is removable "Clean Gum".	Unquoted	26.3	11.2%	3.0	0.7

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PORTFOLIO ANALYSIS - BY SECTOR

The Group focuses on five key sectors. An analysis of the portfolio by these sectors is as follows:

Sector	As at 30 June 2008				As at 31 Dec 2007			
	Fair value		Number		Fair value		Number	
	£m	%		%	£m	%		%
Chemicals & Materials	46.7	31%	19	26%	32.0	25%	17	26%
Energy & Renewables	29.0	20%	8	11%	25.4	20%	8	12%
Healthcare & Life Sciences: Non Therapeutics	36.7	25%	21	28%	28.5	23%	17	26%
Healthcare & Life Sciences: Therapeutics	30.3	20%	12	16%	35.0	28%	12	19%
IT & Communications	5.7	4%	14	19%	5.2	4%	11	17%
	148.4	100%	74	100%	126.1	100%	65	100%

Chemicals & Materials

The significant increase in the fair value of the Chemicals & Materials sector can be largely attributed to the strong share price performance of Oxford Advanced Surfaces Group plc ("OAS"), which contributed £11.5m during the period and Revolymmer Limited, which contributed £2.3m. OAS recently announced the successful completion of a £5.0m placing (before expenses) with new and existing shareholders to enable further development of a number of significant opportunities around its patented surface-modification technology, Onto™.

Energy & Renewables

The Energy & Renewables sector has benefitted from holdings in 'clean tech' companies such as Modern Water plc and Oxford Catalysts Group plc ("OCG"), which have contributed £1.6m and £1.5m respectively to the increase in fair value in the period. Modern Water plc announced in April that its plans to install a proving plant for its desalination technology in Gibraltar were on track, while OCG recently announced a number of positive developments including signing memoranda of understanding with the Thai state oil and gas company, PTT Public Company Limited, and a specialist small scale Fischer-Tropsch developer.

Healthcare & Life Sciences: Therapeutics

The Group's Therapeutics portfolio saw fair value losses of 15% over the first half of 2008. In comparison, the FTSE AIM Health Care Index fell by 19% over this same period. As noted above, this can be largely attributed to share price declines in some of the Group's listed therapeutics companies such as Summit Corporation plc ("Summit"), Synairgen plc, Proximagen Neuroscience plc ("Proximagen") and Syntopix Group plc ("Syntopix").

Despite the negative market sentiment on this sector, many of these companies continue to make excellent operational and commercial progress. For example, Summit Corporation plc recently announced the signing of a worldwide licensing agreement with NASDAQ-listed BioMarin Pharmaceutical Inc. for its Duchenne Muscular Dystrophy programme which could be worth up to \$143m; Proximagen Neuroscience plc announced that it had signed a licensing agreement with Upsher-Smith Laboratories Inc. to develop its PRX1 programme for the symptomatic treatment of Parkinson's disease, with a maximum deal value of \$232m in milestones together with royalties from product sales; and, having announced positive results from its Phase II cosmetic study in subjects with acneic skin in February, Syntopix Group plc announced in July the signing of a joint development agreement with Procter & Gamble with the objective of improving the efficacy of one of their major consumer healthcare brands.

Healthcare & Life Sciences: Non Therapeutics

The most significant transaction in the Non Therapeutics sector during the period was Oxford Nanopore Technologies Limited's ("Oxford Nanopore") fund raising, which resulted in £7.2m of fair value gains. In August, Oxford Nanopore announced that it had signed an agreement with Harvard University giving them exclusive rights to develop and commercialise a number of nanopore technological breakthroughs developed by Harvard and its collaborators, the University of California Santa Cruz and the National Institute of Standards and Technology.

IT & Communications

The Group's holdings in IT & Communications portfolio companies increased to a fair value of £5.7m at 30 June 2008. This increase is largely attributable to strong share price appreciation of Tracsis plc (£0.4m), which develops resource scheduling software to worldwide transport markets. In July, Tracsis announced the acquisition of RWA Rail Limited, a provider of consultancy services to the rail sector.

INCOME STATEMENT

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

	H108 £m	H107 £m	FY07 £m
Portfolio gains	18.5	20.5	35.0
Other income	1.6	0.6	2.0
Administrative expenses - Modern Biosciences and Photopharmica	(1.7)	(0.7)	(2.6)
Administrative expenses - All other businesses	(3.9)	(2.9)	(6.6)
Finance income	1.3	1.3	2.7
Profit for the period	15.8	18.8	30.5

Portfolio gains are analysed in detail in the portfolio review above. Other income is derived principally from fund management activity, dividends and consultancy services, including private placement fees of £0.3m (H107: £nil, FY07: £0.3m) generated by the Group's Capital Markets team.

During the period, the Group operated ten university partnerships (H107: 10; FY07: 10). Excluding those consolidated costs attributable to the Group's drug development subsidiary, Modern Biosciences (and in 2007, Photopharmica (Holdings) Limited), administrative expenses were £3.9m for the period (H107: £2.9m; FY07 £6.6m), resulting in a net operating cost for the remainder of the Group's business of £1.1m for the period (H107: £1.1m; FY07: £2.1m) including a non-cash share-based payments charge of £0.2m (H107: £0.2m; FY07: £0.3m).

BALANCE SHEET

The Group continues to have a strong balance sheet with a cash balance of £39.5m (FY07: £46.0m, H107: £47.8m), no borrowings and a diversified portfolio of investments in private and publicly-listed companies across five distinct sectors. Largely as a result of fair value gains in the period, equity investments have increased to £148.4m (FY07: £126.1m, H107: £107.3m) while the Group's participation in limited partnership funds has increased to £1.4m (FY07: £1.0m, H107: £0.6m).

CASH

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

	H108 £m	H107 £m	FY07 £m
Net cash used in operating activities	(1.3)	(0.7)	(2.6)
Net cash used in investing activities	(5.2)	(3.0)	(2.9)
Issued share capital	-	0.2	0.2
Movement during period	(6.5)	(3.5)	(5.3)

The Group has continued to manage its cash balances prudently and has invested £4.5m across 25 opportunities during the period, including new university spin-outs and follow-on funding rounds. A loan due to an academic founder in relation to the Group's investment in Oxford Nanopore Technologies Limited of £0.6m was also repaid during the period, in addition to a further £0.2m investment in the IP Venture Fund.

TAXATION

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

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OTHER DEVELOPMENTS

The Group's drug discovery subsidiary, Modern Biosciences plc, is now showing signs of benefitting from the investment made during 2007 to build a world-class management team. The company announced its fourth drug development agreement with UK academia in June, while April saw Rimcazole become its first compound to reach Phase I clinical trials.

Finally, the Group was delighted to announce in April that it had welcomed Francis Carpenter to the Board, who brings with him a wealth of European technology transfer and venture capital market experience. Francis had previously been with the European Investment Bank for 33 years, most recently as Chief Executive Officer of the European Investment Fund.

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 IP Group plc's 2007 Annual Report and Accounts. The principal risks and uncertainties are summarised as follows:

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

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

OUTLOOK

IP Group has delivered a strong performance in the first half despite difficult economic conditions. These continuing conditions have had an impact on our listed portfolio since the period end, however the Group's cash balances remain healthy and net operating costs remain tightly controlled. In addition many of the key drivers of demand for the products and services of our portfolio companies - including environment, energy supply and health - continue to be relevant notwithstanding any economic downturns.

With a diverse portfolio spanning a range of sectors, unrivalled access to university intellectual property and a strong balance sheet, we remain confident that the Group is well positioned to create long term shareholder value over the full course of the investment cycle.

Condensed Consolidated Income Statement

For the six months to 30 June 2008

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	Note	Unaudited 6 months to 30 June 2008 £m	Unaudited 6 months to 30 June 2007 £m	Audited Year to 31 December 2007 £m
Revenue				
Change in fair value of equity investments		18.5	12.3	26.4
Gain on partial deemed disposal of subsidiary		–	8.1	8.1
Gains on disposal of equity investments		–	0.1	0.5
Change in fair value of limited partnership investments		0.2	0.1	–
Dividends		0.3	–	–
Revenue from services		1.1	0.5	2.0
		20.1	21.1	37.0
Administrative expenses				
Employee bonus costs		(0.9)	(0.5)	(1.3)
Research and development expenses		(0.8)	(0.2)	(0.7)
Share based payment charge		(0.2)	(0.2)	(0.3)
Other administrative expenses		(3.7)	(2.7)	(6.9)
		(5.6)	(3.6)	(9.2)
Operating profit		14.5	17.5	27.8
Finance income - interest receivable		1.3	1.3	2.7
Profit before taxation		15.8	18.8	30.5
Taxation		–	–	–
Profit for the period		15.8	18.8	30.5
Profit attributable to:				
Equity holders of the parent		15.9	18.8	30.5
Minority interest		(0.1)	–	–
		15.8	18.8	30.5
Basic earnings per ordinary share (p)	2	6.34	7.56	12.25
Diluted earnings per ordinary share (p)	2	6.34	7.56	12.25

Condensed Consolidated Balance Sheet

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As at 30 June 2008

	Note	Unaudited 30 June 2008 £m	Unaudited 30 June 2007 £m	Audited 31 December 2007 £m
ASSETS				
Non-current assets				
Intangible assets:				
Goodwill		18.8	22.7	18.7
Acquired intangible asset		0.3	0.4	0.3
Property, plant and equipment		0.5	0.3	0.5
Equity rights and related acquisition costs		20.2	20.2	20.2
Equity investments	3	148.4	107.3	126.1
Financial asset		1.1	1.1	1.1
Investment in Limited Partnerships		1.4	0.6	1.0
Total non-current assets		190.7	152.6	167.9
Current assets				
Trade and other receivables		1.4	1.7	2.1
Cash and cash equivalents		39.5	47.8	46.0
Total current assets		40.9	49.5	48.1
Total assets		231.6	202.1	216.0
EQUITY AND LIABILITIES				
Equity attributable to equity holders				
Called up share capital		5.0	4.9	5.0
Share premium account		96.7	96.6	96.7
Merger reserve		12.8	12.8	12.8
Retained earnings		115.1	87.2	99.0
Total shareholders' equity		229.6	201.5	213.5
Minority interest in equity		0.2	(1.3)	0.3
Total equity		229.8	200.2	213.8
Current liabilities				
Trade and other payables		1.8	1.9	2.2
Total equity and liabilities		231.6	202.1	216.0

Condensed Consolidated Cash Flow Statement

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For the six months to 30 June 2008

	Unaudited 6 months to 30 June 2008 £m	Unaudited 6 months to 30 June 2007 £m	Audited Year to 31 December 2007 £m
Operating activities			
Profit before taxation	15.8	18.8	30.5
Adjusted for:			
Finance income - interest receivable	(1.3)	(1.3)	(2.7)
Fair value movement in equity investments	(18.5)	(12.3)	(26.4)
Depreciation of tangible non-current assets	0.1	-	0.1
Amortisation and impairment of intangible non-current assets	-	-	0.2
Fair value movement on limited partnership investments	(0.2)	(0.1)	-
Profit on disposal of equity investments	-	(0.1)	(0.5)
Gain on deemed disposal of subsidiary	-	(8.1)	(8.1)
Equity allocated to staff	0.9	0.5	1.3
Share based payment charge	0.2	0.2	0.3
Dividends classified as investing activities cash flows	(0.3)	-	-
Changes in working capital:			
Decrease/(increase) in trade and other receivables	0.5	0.1	(0.3)
Increase/(decrease) in trade and other payables and provisions	-	(0.3)	(0.1)
Operating cash flows:			
Interest received	1.5	1.9	3.1
Net cash outflow from operating activities	(1.3)	(0.7)	(2.6)
Investing activities			
Purchase of property, plant and equipment	(0.1)	(0.3)	(0.1)
Purchase of equity investments	(5.2)	(3.0)	(6.8)
Acquisition of subsidiaries net of cash acquired	-	(0.8)	(1.7)
Investment in limited partnership funds	(0.2)	(0.2)	(0.7)
Deemed disposal of subsidiary net of cash disposed	-	(1.5)	(1.6)
Proceeds from sale of equity investments	-	2.8	8.0
Dividends received	0.3	-	-
Net cash outflow from investing activities	(5.2)	(3.0)	(2.9)
Financing activities			
Proceeds from issue of share capital	-	0.2	0.2
Net decrease in cash and cash equivalents	(6.5)	(3.5)	(5.3)
Cash and cash equivalents at the beginning of the period	46.0	51.3	51.3
Cash and cash equivalents at the end of the period	39.5	47.8	46.0

Condensed Consolidated Statement of Changes in Shareholders' Equity 11

For the six months to 30 June 2008

	Attributable to equity holders of the Company						Minority Interest £m	Total Equity £m
	Share Capital £m	Share Premium £m	Merger Reserve £m	Retained earnings £m	Other Reserve £m	Total £m		
At 1 January 2007	4.9	92.0	12.8	69.2	-	178.9	0.3	179.2
Consolidated profit for the period to 30 June 2007	-	-	-	18.8	-	18.8	-	18.8
Partial disposal of subsidiary investments to minority interests in period to 30 June 2007	-	-	-	(0.8)	-	(0.8)	0.8	-
Issue of share capital in period to 30 June 2007	-	4.6	-	-	-	4.6	-	4.6
Minority interest acquired with subsidiary	-	-	-	-	-	-	(2.4)	(2.4)
At 30 June 2007	4.9	96.6	12.8	87.2	-	201.5	(1.3)	200.2
Consolidated profit for the period to 31 December 2007	-	-	-	11.7	-	11.7	-	11.7
Pre-acquisition reserves attributable to the Group	-	-	-	(0.4)	-	(0.4)	-	(0.4)
Liabilities acquired with subsidiary undertakings in excess of the Group's net interest in subsidiary net liabilities	-	-	-	-	(2.3)	(2.3)	-	(2.3)
Partial disposal of subsidiary investments to minority interests	-	-	-	0.2	-	0.2	(0.2)	-
Disposal of subsidiary undertakings	-	-	-	-	2.3	2.3	(0.9)	1.4
Issue of share capital in period to 31 December 2007	0.1	0.1	-	-	-	0.2	-	0.2
Share based payment charge in period to 31 December 2007	-	-	-	0.3	-	0.3	-	0.3
Minority interest acquired with subsidiary	-	-	-	-	-	-	2.7	2.7
At 31 December 2007	5.0	96.7	12.8	99.0	-	213.5	0.3	213.8
Consolidated profit for the period to 30 June 2008	-	-	-	15.9	-	15.9	(0.1)	15.8
Share based payment charge	-	-	-	0.2	-	0.2	-	0.2
At 30 June 2008	5.0	96.7	12.8	115.1	-	229.6	0.2	229.8

1. BUSINESS SEGMENTS

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

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

	University partnership business £m	Venture Capital Fund Management £m	In-licensing activity £m	Consolidated £m
6 months to 30 June 2007 (unaudited)				
Income Statement				
Change in fair value of equity investments	12.3	–	–	12.3
Change in fair value of limited partnership investments	0.1	–	–	0.1
Gains on deemed disposal of subsidiaries	8.1	–	–	8.1
Gains on disposals of equity investments	0.1	–	–	0.1
Revenue from advisory services	0.2	–	–	0.2
Revenue from fund management services	–	0.3	–	0.3
Administrative expenses	(2.3)	(0.6)	(0.7)	(3.6)
Operating profit	18.5	(0.3)	(0.7)	17.5
Finance income – interest receivable	1.2	–	0.1	1.3
Profit before tax	19.7	(0.3)	(0.6)	18.8
Taxation	–	–	–	–
Profit for the year	19.7	(0.3)	(0.6)	18.8

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1. BUSINESS SEGMENTS *continued*

Year to 31 December 2007 (audited)	University partnership business £m	Venture Capital Fund Management £m	In-licensing activity £m	Consolidated £m
Income Statement				
Change in fair value of equity investments	26.4	–	–	26.4
Gains on deemed disposal of subsidiaries	8.1	–	–	8.1
Gains on disposals of equity investments	0.5	–	–	0.5
Dividends	–	–	–	–
Revenue from advisory services	0.5	0.3	–	0.8
Revenue from fund management services	–	1.2	–	1.2
Administrative expenses	(5.4)	(1.2)	(2.6)	(9.2)
Operating profit	30.1	0.3	(2.6)	27.8
Finance income - interest receivable	2.4	0.1	0.2	2.7
Profit before tax	32.5	0.4	(2.4)	30.5
Taxation	–	–	–	–
Profit for the year	32.5	0.4	(2.4)	30.5

2. EARNINGS PER SHARE

The basic earnings per share has been calculated by dividing the profit for the period of £15.9m (for the period ended 30 June 2007: profit £18.8m; for the year ended 31 December 2007: profit £30.5m) by the weighted average number of shares of 250,291,965 in issue during the six month period to 30 June 2008 (for the six month period ended 30 June 2007: 248,952,170; for the year ended 31 December 2007: 248,952,170).

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

Continued

3. EQUITY INVESTMENTS

	Quoted spin-out companies £m	Unquoted spin-out companies £m	Other investments £m	Total £m
At 1 January 2007	48.7	37.0	1.7	87.4
Investments during the period to 30 June 2007	0.4	2.6	–	3.0
Reclassifications during the period to 30 June 2007	0.4	(0.4)	–	–
Reclassifications of equity investments as subsidiaries during the period to 30 June 2007	–	(0.2)	–	(0.2)
Reclassifications of subsidiaries as equity investments during the period to 30 June 2007	9.3	–	–	9.3
Change in fair value in period to 30 June 2007	8.3	3.4	0.6	12.3
Equity allocated to staff in period to 30 June 2007	(0.3)	(1.3)	(0.2)	(1.8)
Disposals during the period to 30 June 2007	(2.7)	–	–	(2.7)
At 30 June 2007	64.1	41.1	2.1	107.3
Investments during the period to 31 December 2007	0.1	3.7	–	3.8
Reclassifications during the period to 31 December 2007	1.9	(1.9)	–	–
Reclassifications of subsidiaries as equity investments during the period to 31 December 2007	(0.1)	5.6	–	5.5
Change in fair value in period to 31 December 2007	5.5	9.1	(0.5)	14.1
Equity allocated to staff in period to 31 December 2007	0.3	(0.1)	–	0.2
Disposals during the period to 31 December 2007	(4.8)	–	–	(4.8)
At 31 December 2007	67.0	57.5	1.6	126.1
Investments during the period to 30 June 2008	0.6	3.9	–	4.5
Reclassifications during the period to 30 June 2008	0.5	(0.5)	–	–
Change in fair value in period to 30 June 2008	10.8	8.0	(0.3)	18.5
Equity allocated to staff in period to 30 June 2008	–	(0.7)	–	(0.7)
At 30 June 2008	78.9	68.2	1.3	148.4

4. RELATED PARTY TRANSACTIONS**a) Limited partnerships**

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

	Unaudited 6 months to 30 June 2008 £m	Unaudited 6 months to 30 June 2007 £m	Audited Year to 31 December 2007 £m
Income statement			
Revenue from services	0.3	0.2	1.2
	Unaudited 30 June 2008 £m	Unaudited 30 June 2007 £m	Audited 31 December 2007 £m
Balance sheet			
Investment in limited partnerships	1.4	0.6	1.0
Amounts due from related parties	–	–	0.2

Continued

4. RELATED PARTY TRANSACTIONS *continued***b) Key management transactions**

The key management had investments with the following spin-out companies as at 30 June 2008:

Spin out company	No. of shares at 1 January 2007	No. of shares acquired (disposed) during the period to 30 June 2007	No. of shares at 30 June 2007	No. of shares acquired (disposed) during the period to 31 December 2007	No. of shares at 31 December 2007	No. of shares acquired (disposed) during the period to 30 June 2008	No. of shares at 30 June 2008	% of issued share capital held at 30 June 2008
Alan Aubrey								
Plexus Planning Limited (previously Acsian Limited)	1,732	-	1,732	-	1,732	-	1,732	0.8%
Activotec SPP Limited	1,500	-	1,500	-	1,500	-	1,500	0.9%
Amaethon Limited	-	21	21	-	21	-	21	0.3%
Amaethon Limited - A Ordinary shares	-	104	104	-	104	-	104	3.1%
Amaethon Limited - B Ordinary shares	-	11,966	11,966	-	11,966	-	11,966	1.0%
Avacta Group plc ⁽³⁾	12,173,419	-	12,173,419	788,438	12,961,857	-	12,961,857	1.6%
Bioniqs Limited	1,063	-	1,063	-	1,063	-	1,063	1.0%
Capsant Neurotechnologies Limited	162	9,796	9,958	-	9,958	-	9,958	1.2%
Cerogenix Limited	3,143	-	3,143	-	3,143	-	3,143	1.7%
Chamelic Limited	-	-	-	26	26	-	26	1.6%
COE Group plc	246,094	-	246,094	-	246,094	-	246,094	1.1%
Crysalin Limited	-	-	-	-	-	1,447	1,447	0.4%
Dispersia Limited	-	-	-	-	-	416	416	1.0%
GETECH Group plc	15,000	-	15,000	-	15,000	-	15,000	<0.1%
Green Chemicals plc ⁽¹⁾	108,350	-	108,350	-	108,350	-	108,350	1.4%
Icona Solutions Limited	-	-	-	1,674	1,674	-	1,674	2.0%
Ililka Technologies Limited	1,175	-	1,175	-	1,175	-	1,175	1.0%
Karus Therapeutics Limited	-	-	-	223	223	-	223	0.8%
Leeds Lithium Power Limited	-	178	178	-	178	-	178	1.2%
Leeds Reproductive Biosciences Limited	-	18	18	-	18	-	18	1.1%
Luto Research Limited	132	-	132	-	132	-	132	1.1%
Modern Biosciences plc ⁽⁵⁾	-	39,505	39,505	-	39,505	1,145,645	1,185,150	2.3%
Modern Water plc	-	575,000	575,000	-	575,000	-	575,000	1.0%
Overlay Media Limited	-	-	-	-	-	22	22	1.3%
Oxford Advanced Surfaces Group plc ⁽²⁾	1,425,000	-	1,425,000	932,994	2,357,994	(185,185)	2,172,809	1.2%
Oxford Catalysts Group plc	435,580	(100,000)	335,580	(80,831)	254,749	-	254,749	0.6%
Oxford Medical Diagnostics Limited ⁽³⁾	3,250	-	3,250	(3,250)	-	-	-	N/A
Oxford Nanopore Technologies Limited (formerly Oxford Nanolabs Limited)	11,442	-	11,442	-	11,442	-	11,442	1.2%
Oxford RF Sensors Limited	53,639	-	53,639	-	53,639	-	53,639	0.8%
Oxtox Limited	-	25,363	25,363	-	25,363	-	25,363	1.4%
Pharminox Limited	685	-	685	-	685	-	685	0.3%
Photopharmica (Holdings) Limited	-	3,702	3,702	33,318	37,020	-	37,020	1.0%
Reactivlab Limited	-	-	-	-	-	50	50	1.1%
Retroscreen Virology Limited	-	1,858	1,858	-	1,858	-	1,858	0.9%
Revolymer Limited	2,963	-	2,963	-	2,963	-	2,963	0.4%
Simulstrat Limited	-	2,255	2,255	-	2,255	-	2,255	1.3%
Simulstrat Limited - A Preference Shares	-	24,063	24,063	-	24,063	-	24,063	2.8%
Structure Vision Limited	-	212	212	-	212	-	212	1.4%
Syntopix Group plc	27,290	-	27,290	36,436	63,726	-	63,726	1.1%
Theragenetics Limited	3,150	-	3,150	-	3,150	-	3,150	0.7%
Tissue Regenix Limited	-	89	89	-	89	-	89	0.8%
Tracsis plc ⁽⁴⁾	146,900	-	146,900	56,500	203,400	-	203,400	1.2%
Wireless bioDevices Limited	-	-	-	-	-	1,863	1,863	1.2%
Xanic Limited	-	-	-	-	-	16	16	0.6%
Xeros Limited	-	-	-	86	86	-	86	0.7%

Continued

4. RELATED PARTY TRANSACTIONS *continued***b) Key management transactions *continued***

	No. of shares at 1 January 2007	No. of shares acquired (disposed) during the period to 30 June 2007	No. of shares at 30 June 2007	No. of shares acquired (disposed) during the period to 31 December 2007	No. of shares at 31 December 2007	No. of shares acquired (disposed) during the period to 30 June 2008	No. of shares at 30 June 2008	% of issued share capital held at 30 June 2008
Spin out company								
Alison Fielding								
Plexus Planning Limited (previously Acscian Limited)	480	-	480	-	480	-	480	0.2%
Activotec SPP Limited	300	-	300	-	300	-	300	0.2%
Amaethon Limited	-	21	21	-	21	-	21	0.3%
Amaethon Limited - A Ordinary shares	-	105	105	-	105	-	105	3.2%
Amaethon Limited - B Ordinary shares	-	12,049	12,049	-	12,049	-	12,049	1.0%
Avacta Group plc ⁽³⁾	7,522,403	-	7,522,403	-	7,522,403	-	7,522,403	0.9%
Bioniqs Limited	1,063	-	1,063	-	1,063	-	1,063	1.0%
Capsant Neurotechnologies Limited	60	6,412	6,472	-	6,472	-	6,472	0.8%
Cerogenix Limited	874	-	874	-	874	-	874	0.5%
Chamelic Limited	-	-	-	21	21	-	21	1.3%
Crysalin Limited	-	-	-	-	-	1,447	1,447	0.4%
Dispersia Limited	-	-	-	-	-	342	342	0.8%
COE Group plc	246,094	-	246,094	-	246,094	-	246,094	1.1%
Green Chemicals plc ⁽¹⁾	126,181	-	126,181	-	126,181	-	126,181	1.6%
Icona Solutions Limited	-	-	-	1,419	1,419	-	1,419	1.7%
Ilika Technologies Limited	328	-	328	-	328	-	328	0.3%
Karus Therapeutics Limited	43	-	43	-	43	-	43	0.2%
Leeds Lithium Power Limited	-	172	172	-	172	-	172	1.2%
Leeds Reproductive Biosciences Limited	-	17	17	-	17	-	17	1.0%
Luto Research Limited	132	-	132	-	132	-	132	1.1%
Modern Biosciences plc ⁽⁵⁾	-	25,782	25,782	-	25,782	747,678	773,460	1.5%
Modern Water plc	-	276,000	276,000	-	276,000	-	276,000	0.5%
Oxford Advanced Surfaces Group plc ⁽²⁾	-	-	-	611,042	611,042	-	611,042	0.3%
Oxford Catalysts Group plc	120,911	(10,000)	110,911	(26,715)	84,196	-	84,196	0.2%
Oxford Nanopore Technologies Limited (formerly Oxford Nanolabs Limited)	5,721	-	5,721	-	5,721	-	5,721	0.6%
Oxford RF Sensors Limited	15,085	-	15,085	-	15,085	-	15,085	0.2%
Oxtox Limited	-	16,601	16,601	-	16,601	-	16,601	0.9%
Overlay Media Limited	-	-	-	-	-	18	18	1.0%
Pharminox Limited	274	-	274	-	274	-	274	0.1%
Photopharmica (Holdings) Limited	-	2,735	2,735	24,615	27,350	-	27,350	0.7%
Reactivlab Limited	-	-	-	-	-	48	48	1.1%
Retroscreen Virology Limited	-	1,216	1,216	-	1,216	-	1,216	0.6%
Revolmyer Limited	434	-	434	-	434	764	1,198	0.2%
Simulstrat Limited	-	1,476	1,476	-	1,476	-	1,476	0.9%
Simulstrat Limited - A Preference Shares	-	15,750	15,750	-	15,750	-	15,750	1.8%
Structure Vision Limited	-	195	195	-	195	-	195	1.2%
Syntopix Group plc	27,290	-	27,290	220	27,510	-	27,510	0.5%
Theragenetics Limited	1,260	-	1,260	-	1,260	-	1,260	0.3%
Tissue Regenix Limited	-	85	85	-	85	-	85	0.8%
Tracsis plc	141,250	-	141,250	56,500	197,750	-	197,750	1.1%
Wireless bioDevices Limited	-	-	-	-	-	1,632	1,632	1.1%
Xanic Limited	-	-	-	-	-	15	15	0.5%
Xeros Limited	-	-	-	70	70	-	70	0.5%

Continued

4. RELATED PARTY TRANSACTIONS *continued***b) Key management transactions *continued***

	No. of shares at 1 January 2007	No. of shares acquired (disposed) during the period to 30 June 2007	No. of shares at 30 June 2007	No. of shares acquired (disposed) during the period to 31 December 2007	No. of shares at 31 December 2007	No. of shares acquired (disposed) during the period to 30 June 2008	No. of shares at 30 June 2008	% of issued share capital held at 30 June 2008
Spin out company								
David Norwood								
Plexus Planning Limited (previously Acsian Limited)	1,732	-	1,732	-	1,732	-	1,732	0.8%
Activotec SPP Limited	1,500	-	1,500	-	1,500	-	1,500	0.9%
Amaethon Limited	-	15	15	-	15	-	15	0.2%
Amaethon Limited - A Ordinary shares	-	76	76	-	76	-	76	2.3%
Amaethon Limited - B Ordinary shares	-	8,703	8,703	-	8,703	-	8,703	0.8%
Avacta Group plc ⁽³⁾	4,522,403	-	4,522,403	788,438	5,310,841	-	5,310,841	0.6%
Bioniqs Limited	1,063	-	1,063	-	1,063	-	1,063	1.0%
Capsant Neurotechnologies Limited	162	7,125	7,287	-	7,287	-	7,287	0.9%
Cerogenix Limited	3,143	-	3,143	-	3,143	-	3,143	1.7%
Chamelix Limited	-	-	-	13	13	-	13	0.8%
COE Group plc	246,094	-	246,094	-	246,094	-	246,094	1.1%
Crysalin Limited	-	-	-	-	-	1,283	1,283	0.3%
Dispersia Limited	-	-	-	-	-	208	208	0.5%
Green Chemicals plc ⁽¹⁾	113,222	(113,222)	-	-	-	-	-	N/A
Icona Solutions Limited	-	-	-	718	718	-	718	0.9%
Ilika Technologies Limited	1,175	-	1,175	-	1,175	-	1,175	1.0%
Karus Therapeutics Limited	223	-	223	-	223	-	223	0.8%
Leeds Lithium Power Limited	-	129	129	-	129	-	129	0.9%
Leeds Reproductive Biosciences Limited	-	13	13	-	13	-	13	0.8%
Luto Research Limited	119	-	119	-	119	-	119	1.0%
Modern Biosciences plc ⁽⁵⁾	-	28,693	28,693	-	28,693	832,097	860,790	1.7%
Modern Water plc	-	418,200	418,200	-	418,200	-	418,200	0.7%
Oxford Advanced Surfaces Group plc ⁽²⁾	9,075,003	-	9,075,003	678,671	9,753,674	-	9,753,674	5.5%
Oxford Catalysts Group plc	285,580	-	285,580	(68,788)	216,792	-	216,792	0.5%
Oxford Medical Diagnostics Limited ⁽³⁾	3,250	-	3,250	(3,250)	-	-	-	N/A
Oxford Nanopore Technologies Limited (formerly Oxford Nanolabs Limited)	17,442	-	17,442	-	17,442	2,002	19,444	2.0%
Oxford RF Sensors Limited	53,639	-	53,639	-	53,639	-	53,639	0.8%
Oxtox Limited	-	18,446	18,446	-	18,446	-	18,446	1.0%
Overlay Media Limited	-	-	-	-	-	11	11	0.6%
Pharminox Limited	950	-	950	-	950	-	950	0.4%
Photopharmica (Holdings) Limited	-	2,037	2,037	18,333	20,370	-	20,370	0.5%
Reactivlab Limited	-	-	-	-	-	25	25	0.6%
Retroscreen Virology Limited	-	1,352	1,352	-	1,352	-	1,352	0.6%
Revolymex Limited	2,963	-	2,963	-	2,963	-	2,963	0.4%
Simulstrat Limited	-	1,640	1,640	-	1,640	-	1,640	1.0%
Simulstrat Limited - A Preference Shares	-	17,500	17,500	-	17,500	-	17,500	2.0%
Structure Vision Limited	-	154	154	-	154	-	154	1.0%
Syntopix Group plc	27,290	-	27,290	56,497	83,787	-	83,787	1.5%
Theragenetics Limited	3,150	-	3,150	-	3,150	-	3,150	0.7%
Tissue Regenix Limited	-	65	65	-	65	-	65	0.6%
Tracsis plc ⁽⁴⁾	129,950	-	129,950	-	129,950	-	129,950	0.7%
Wireless bioDevices Limited	-	-	-	-	-	932	932	0.6%
Xanic Limited	-	-	-	-	-	7	7	0.2%
Xeros Limited	-	-	-	43	43	-	43	0.3%

Continued

4. RELATED PARTY TRANSACTIONS *continued***b) Key management transactions *continued***

	No. of shares at 1 January 2007	No. of shares acquired (disposed) during the period to 30 June 2007	No. of shares at 30 June 2007	No. of shares acquired (disposed) during the period to 31 December 2007	No. of shares at 31 December 2007	No. of shares acquired (disposed) during the period to 30 June 2008	No. of shares at 30 June 2008	% of issued share capital held at 30 June 2008
Spin out company								
Magnus Goodlad								
Plexus Planning Limited (previously Acscian Limited)	444	-	444	-	444	-	444	0.2%
Activotec SPP Limited	627	-	627	-	627	-	627	0.4%
Amaethon Limited	-	6	6	-	6	-	6	<0.1%
Amaethon Limited - A Ordinary shares	-	31	31	-	31	-	31	0.9%
Amaethon Limited - B Ordinary shares	-	3,616	3,616	-	3,616	-	3,616	0.3%
Avacta Group plc ⁽³⁾	1,691,279	-	1,691,279	606,491	2,297,770	-	2,297,770	0.3%
Bioniqs Limited	533	-	533	-	533	-	533	0.5%
Capsant Neurotechnologies Limited	60	6,412	6,472	-	6,472	-	6,472	0.8%
Cerogenix Limited	651	-	651	-	651	-	651	0.3%
Chamelic Limited	-	-	-	20	20	-	20	1.3%
COE Group plc	246,094	-	246,094	-	246,094	-	246,094	1.1%
Crysalin Limited	-	-	-	-	-	1,125	1,125	0.3%
Dispertia Limited	-	-	-	-	-	324	324	0.8%
Green Chemicals plc ⁽¹⁾	43,067	-	43,067	-	43,067	-	43,067	0.5%
Icona Solutions Limited	-	-	-	1,355	1,355	-	1,355	1.6%
Ilika Technologies Limited	260	-	260	-	260	-	260	0.2%
Karus Therapeutics Limited	105	-	105	-	105	-	105	0.4%
Leeds Lithium Power Limited	-	61	61	-	61	-	61	0.4%
Leeds Reproductive Biosciences Limited	-	6	6	-	6	-	6	0.4%
Luto Research Limited	30	-	30	-	30	-	30	0.3%
Modern Biosciences plc ⁽⁵⁾	-	25,782	25,782	-	25,782	747,678	773,460	1.5%
Modern Water plc	-	476,200	476,200	-	476,200	-	476,200	0.8%
Oxford Advanced Surfaces Group plc ⁽²⁾	-	-	-	611,042	611,042	(185,185)	425,857	0.2%
Oxford Catalysts Group plc	98,381	-	98,381	(23,697)	74,684	-	74,684	0.2%
Oxford Medical Diagnostics Limited ⁽³⁾	2,500	-	2,500	(2,500)	-	-	-	N/A
Oxford Nanopore Technologies Limited (formerly Oxford Nanolabs Limited)	2,231	-	2,231	-	2,231	3,490	5,721	0.6%
Oxford RF Sensors Limited	29,735	-	29,735	-	29,735	-	29,735	0.4%
Oxtox Limited	-	16,601	16,601	-	16,601	-	16,601	0.9%
Overlay Media Limited	-	-	-	-	-	17	17	1.0%
Pharminox Limited	274	-	274	-	274	-	274	0.1%
Photopharmica (Holdings) Limited	-	2,134	2,134	19,206	21,340	-	21,340	0.6%
Reactivlab Limited	-	-	-	-	-	45	45	1.0%
Retroscreen Virology Limited	-	1,216	1,216	-	1,216	-	1,216	0.6%
Revolymr Limited	666	-	666	-	666	562	1,228	0.2%
Simulstrat Limited	-	1,476	1,476	-	1,476	-	1,476	0.9%
Simulstrat Limited - A Preference Shares	-	15,750	15,750	-	15,750	-	15,750	1.8%
Structure Vision Limited	-	83	83	-	83	-	83	0.5%
Syntopix Group plc	13,312	-	13,312	-	13,312	-	13,312	0.2%
Theragenetics Limited	1,260	-	1,260	-	1,260	-	1,260	0.3%
Tissue Regenix Limited	-	31	31	-	31	-	31	0.3%
Tracsis plc ⁽⁴⁾	33,900	-	33,900	79,100	113,000	-	113,000	0.6%
Wireless bioDevices Limited	-	-	-	-	-	1,549	1,549	1.0%
Xanic Limited	-	-	-	-	-	14	14	0.5%
Xeros Limited	-	-	-	67	67	-	67	0.5%

Continued

4. RELATED PARTY TRANSACTIONS continued**b) Key management transactions continued**

	No. of shares at 1 January 2007	No. of shares acquired (disposed) during the period to 30 June 2007	No. of shares at 30 June 2007	No. of shares acquired (disposed) during the period to 31 December 2007	No. of shares at 31 December 2007	No. of shares acquired (disposed) during the period to 30 June 2008	No. of shares at 30 June 2008	% of issued share capital held at 30 June 2008
Spin out company								
Mike Townend								
Amaethon Limited	-	21	21	-	21	-	21	0.3%
Amaethon Limited - A Ordinary shares	-	104	104	-	104	-	104	3.1%
Amaethon Limited - B Ordinary shares	-	11,966	11,966	-	11,966	-	11,966	1.0%
Capsant Neurotechnologies Limited	-	9,796	9,796	-	9,796	-	9,796	1.2%
Chamelic Limited	-	-	-	23	23	-	23	1.4%
Crysalin Limited	-	-	-	-	-	1,286	1,286	0.4%
Dispertia Limited	-	-	-	-	-	370	370	0.9%
Green Chemicals plc ⁽¹⁾	-	113,222	113,222	-	113,222	-	113,222	1.4%
Icona Solutions Limited	-	-	-	1,515	1,515	-	1,515	1.8%
Leeds Lithium Power Limited	-	178	178	-	178	-	178	1.2%
Leeds Reproductive Biosciences Limited	-	18	18	-	18	-	18	1.1%
Modern Biosciences plc ⁽⁵⁾	-	39,505	39,505	-	39,505	1,145,645	1,185,150	2.3%
Modern Water plc	-	575,000	575,000	-	575,000	-	575,000	1.0%
Oxford Advanced Surfaces Group plc ⁽²⁾	-	-	-	932,994	932,994	-	932,994	0.5%
Oxford Nanopore Technologies Limited (formerly Oxford Nanolabs Limited)	-	-	-	-	-	3,490	3,490	0.4%
Oxtox Limited	-	25,363	25,363	-	25,363	-	25,363	1.4%
Overlay Media Limited	-	-	-	-	-	19	19	1.1%
Photopharmica (Holdings) Limited	-	3,702	3,702	33,318	37,020	-	37,020	1.0%
Reactivlab Limited	-	-	-	-	-	51	51	1.2%
Retroscreen Virology Limited	-	1,858	1,858	-	1,858	-	1,858	0.9%
Revolymr Limited	-	-	-	-	-	1,198	1,198	0.2%
Simulstrat Limited	-	2,255	2,255	-	2,255	-	2,255	1.3%
Simulstrat Limited - A Preference Shares	-	24,063	24,063	-	24,063	-	24,063	2.8%
Structure Vision Limited	-	212	212	-	212	-	212	1.4%
Tissue Regenix Limited	-	89	89	-	89	-	89	0.8%
Tracsis plc ⁽⁴⁾	-	-	-	84,750	84,750	-	84,750	0.5%
Wireless bioDevices Limited	-	-	-	-	-	1,756	1,756	1.1%
Xanic Limited	-	-	-	-	-	16	16	0.6%
Xeros Limited	-	-	-	76	76	-	76	0.6%
Graham Richards								
GETECH Group plc	30,000	-	30,000	-	30,000	-	30,000	0.1%
Summit Corporation plc	1,010,100	-	1,010,100	-	1,010,100	-	1,010,100	2.0%
Bruce Smith								
Capsant Neurotechnologies Limited	8,724	-	8,724	-	8,724	-	8,724	1.1%
GETECH Group plc	15,000	-	15,000	-	15,000	-	15,000	<0.1%
iQur Limited	2,000	-	2,000	-	2,000	-	2,000	0.8%
Nanotecture Group plc	50,000	-	50,000	-	50,000	-	50,000	0.5%
Offshore Hydrocarbon Mapping plc	79,519	-	79,519	(79,519)	-	-	-	N/A
Oxford Catalysts Group plc	10,000	-	10,000	-	10,000	-	10,000	<0.1%
Phonologica Limited	2,000	-	2,000	-	2,000	-	2,000	1.0%
Synairgen plc	200,000	-	200,000	-	200,000	-	200,000	0.9%
Syntopix Group plc	11,299	-	11,299	-	11,299	-	11,299	0.2%

Continued

4. RELATED PARTY TRANSACTIONS *continued***b) Key management transactions *continued***

	No. of shares at 1 January 2007	No. of shares acquired (disposed) during the period to 30 June 2007	No. of shares at 30 June 2007	No. of shares acquired (disposed) during the period to 31 December 2007	No. of shares at 31 December 2007	No. of shares acquired (disposed) during the period to 30 June 2008	No. of shares at 30 June 2008	% of issued share capital held at 30 June 2008
Spin out company								
Roger Brooke								
Activotec SPP Limited	1,459	-	1,459	-	1,459	-	1,459	0.8%
Avacta Group plc ⁽³⁾	-	-	-	-	-	330,659	330,659	<0.1%
Bioniqs Limited	1,000	-	1,000	-	1,000	-	1,000	0.9%
Capsant Neurotechnologies Limited	2,667	-	2,667	-	2,667	-	2,667	0.3%
GETECH Group plc	30,000	-	30,000	-	30,000	-	30,000	0.1%
Glycoform Limited	937	-	937	-	937	-	937	0.4%
Inhibox Limited	500	-	500	-	500	-	500	0.2%
iQur Limited	1,400	-	1,400	-	1,400	-	1,400	0.6%
Nanotecture Group plc	33,335	-	33,335	-	33,335	-	33,335	0.3%
Oxford Nanopore Technologies Limited (formerly Oxford Nanolabs Limited)	2,857	-	2,857	-	2,857	624	3,481	0.4%
Pharminox Limited	786	-	786	-	786	-	786	0.4%
Phonologica Limited	2,000	-	2,000	-	2,000	-	2,000	1.0%
Proximagen Neuroscience plc	180,000	-	180,000	(20,000)	160,000	-	160,000	0.8%
ReOx Limited	4,000	-	4,000	(1,283)	2,717	-	2,717	0.3%
Revolymer Limited	-	-	-	-	-	1,351	1,351	0.2%
Stratophase Limited	4,549	-	4,549	-	4,549	-	4,549	0.5%
Summit Corporation plc	11,400	-	11,400	-	11,400	-	11,400	<0.1%
Syntopix Group plc	-	-	-	-	-	11,299	11,299	0.2%
Zyentia Limited	3,766	-	3,766	-	3,766	(3,766)	-	N/A

- (1) In January 2007 Perachem Limited joined PLUS markets via a reverse acquisition of Primavera plc and subsequently changed name to Green Chemicals plc during 2007. Perachem Limited shareholders received 48.7 Primavera plc shares as consideration for each Perachem Limited share.
- (2) In December 2007, Oxford Advanced Surfaces Limited joined AIM via a reverse acquisition of Kanyon plc (subsequently renamed Oxford Advanced Surfaces Group plc). Oxford Advanced Surfaces Limited shareholders received 476 Kanyon plc shares as consideration for each Oxford Advanced Surfaces Limited share. In addition, Alan Aubrey and David Norwood were directors of Kanyon plc and owned 1,425,000 and 9,075,003 Kanyon plc shares as at 1 January 2007.
- (3) In December 2007, Avacta Group plc acquired the entire issued share capital of Oxford Medical Diagnostics Limited. Oxford Medical Diagnostic Limited shareholders received 250 Avacta Group plc shares as consideration for each Oxford Medical Diagnostics Limited share.
- (4) In November 2007, Tracsis plc (previously Tracsis Limited) joined AIM and subdivided its share capital by 5,650 : 1.
- (5) In April 2008, shareholders of Modern Biosciences plc received a bonus issue of 29 ordinary shares for each ordinary share held at that time.

All figures refer to ordinary shares unless indicated otherwise.

5. POST BALANCE SHEET EVENTS

Since 30 June 2008, the fair value of quoted spin-out companies in the Group's portfolio has decreased by £3.6m to a total fair value of £75.3m.

These financial statements are the unaudited condensed half-yearly consolidated financial statements (the "Half-Yearly 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 2008.

These Half-Yearly Financial Statements have been prepared in accordance with IAS 34, 'Interim Financial Reporting' and should be read in conjunction with the annual audited consolidated financial statements for the year ended 31 December 2007, which have been prepared in accordance with International Financial Reporting Standards. These interim financial statements were approved by the Board and authorised for issue on 28 August 2008.

The comparative figures for the full year ended 31 December 2007 are not the Group's full statutory accounts for that year. A copy of the Group's statutory accounts for that year has been delivered to the Registrar of Companies. The auditors' report on those accounts was unqualified, did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain a statement under section 237(2) or 237(3) of the Companies Act 1985. These Half-Yearly Financial Statements have been reviewed and not audited by the Group's independent auditors.

ACCOUNTING POLICIES

The accounting policies applied by the Group in these Half-Yearly Financial Statements are the same as those applied by the Group in its audited consolidated financial statements for the year ended 31 December 2007 and which will form the basis of the 2008 annual report. The new and revised International Financial Reporting Interpretation Committee interpretations effective in the period have had no impact on the accounting policies of the Group. The basis of consolidation is set out in the Group's accounting policies in those financial statements.

The preparation of the Half-Yearly Financial Statements 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 Financial Statements, 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 2007.

The directors confirm to the best of their knowledge that:

- a) the Half-Yearly Financial Statements 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 FSA's Disclosure and Transparency Rules (4.2.7 R and 4.2.8 R).

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

The directors of IP Group plc and their functions are listed on page 24.

By order of the Board

BRUCE SMITH
Chairman

ALAN AUBREY
Chief Executive Officer

27 August 2008

INTRODUCTION

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2008 which comprises the condensed consolidated income statement, condensed consolidated balance sheet, condensed consolidated cash flow statement, condensed consolidated statement of changes in shareholders' equity and the related notes.

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

DIRECTORS' RESPONSIBILITIES

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

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

OUR RESPONSIBILITY

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

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

SCOPE OF REVIEW

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2008 is not prepared, in all material respects, in accordance with International Accounting Standard 34, as adopted by the European Union, and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

BDO STOY HAYWARD LLP

Chartered Accountants and Registered Auditors
London

27 August 2008

Company number	4204490
Registered office	24 Cornhill London EC3V 3ND
Directors	Dr Bruce Gordon Smith, CBE (Non-Executive Chairman) Alan John Aubrey (Chief Executive Officer) David Robert Norwood (Special Projects Director) Dr Alison Margaret Fielding (Chief Technology Officer) Professor William Graham Richards, CBE (Senior Non-Executive Director) Michael Charles Nettleton Townend (Director of Capital Markets) Magnus James Goodlad (Chief Operating Officer) Christopher Roger Etrick Brooke (Non-Executive Director) Francis Adam Wakefield Carpenter (Non-Executive Director)
Company secretary	Angela Leach



ISO 14001
Produced at a mill that holds
ISO 14001 certification



Fully recyclable and
biodegradable



NAPM approved
recycled product

Printed on Revive 50, which contains at least 50% recovered fibre and is produced at a mill that holds the ISO 14001 certificate for environmental management. The pulp is bleached using a combination of Elemental Chlorine Free (ECF) and Totally Chlorine Free (TCF) methods.



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