



IP Group plc

Half-yearly report 2010

IP Group plc **develops intellectual property (“IP”) based businesses.**

We invest from our balance sheet and also from funds that we manage on behalf of others.

Our aims

- » To identify compelling intellectual property based opportunities in our key target sectors
- » To develop these opportunities into a diversified portfolio of robust businesses
- » To grow our assets and those we manage on behalf of third parties
- » To provide our shareholders with quoted access to venture returns

“Overall, the technical and commercial progress made by the Group’s portfolio companies towards key milestones has been strong in the period to date with commercial validation by industry having been particularly encouraging. The valuation of the portfolio has remained broadly stable despite a challenging financing and operating environment for small capitalisation technology based businesses. This valuation has benefited from the completion of a number of further external financings, including the first two portfolio companies joining AIM since 2007, although this has been offset by downward pressure on valuations of other holdings. Cash balances remain strong, our pipeline of activity is healthy and this, coupled with the portfolio’s progress to date, continues to give us confidence that the Group will generate long-term returns for shareholders.”

ALAN AUBREY
CHIEF EXECUTIVE

How we work

Proprietary deal flow

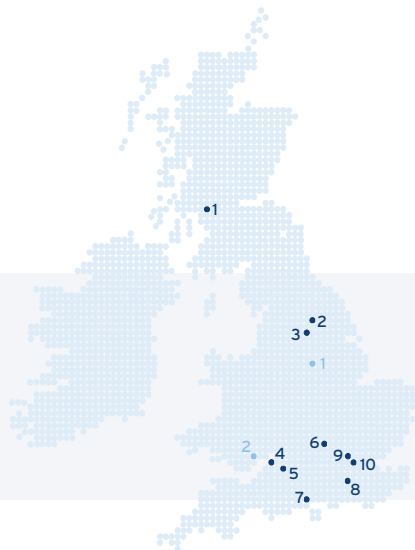
IP Group plc partnerships

1. Glasgow
2. York
3. Leeds
4. Bristol
5. Bath
6. Oxford
7. Southampton

8. Surrey
9. King’s College London
10. Queen Mary, London

Fusion IP plc partnerships

1. Sheffield
2. Cardiff



Financial and operational highlights

- » Net assets at 30 June 2010: £167.4m (HY09: £169.5m; FY09: £171.0m)

- » Investment in portfolio companies increased to £3.1m (HY09: £1.6m; FY09: £5.7m)

- » Portfolio realisations increased to £0.7m (HY09: £0.1m; FY09: £0.5m)

- » Revenue from services increased to £1.1m (HY09: £0.8m; FY09: £1.5m)

- » Net cash and deposits at 30 June 2010: £23.9m (HY09: £30.6m; FY09: £28.1m)

- » Launch of £25m North East Technology Fund managed by the Group in January 2010

Portfolio highlights

- » Fair value of investment portfolio: £101.3m (HY09: £97.1m; FY09: £101.3m)

- » Value of ten largest holdings: £74.2m (HY09: £73.1m; FY09: £72.9m)

- » Tissue Regenix Group plc and Ilika plc achieve listings on AIM, raising £4.5m and £5.2m respectively

- » Oxford Nanopore Technologies Limited completes further £17.4m private financing

- » Further industry validation for portfolio companies' technology in the form of direct investment and commercial partnerships

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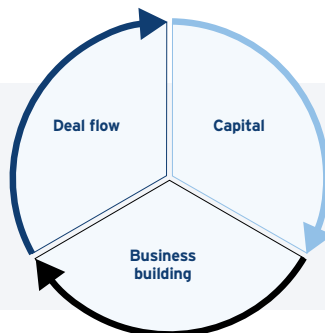
Forward looking statements

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

IP Group's core elements

Capital

- » IP Group balance sheet
- » IP Venture Fund
- » North East Technology Fund
- » Top Technology Ventures IV



Overview

IP Group's core business is the commercialisation of intellectual property primarily originating from leading research intensive universities. We seek to provide our companies with more than just capital, providing access to networks, experience, methodology and support.

At 30 June 2010, the value of the Group's portfolio was stable at £101.3m (HY09: £97.1m; FY09: £101.3m), after net investment and the fair value movements set out below, and consisted of interests in 64 companies (HY09: 65; FY09: 63). During the period the Group made total investments of £3.1m, increased from £1.6m for the equivalent period in 2009, and realised a total of £0.7m cash proceeds (HY09: £0.1m; FY09: £0.5m).

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

	For the six months ended 30 June 2010 £m	For the six months ended 30 June 2009 £m	For the year ended 31 December 2009 £m
Unrealised gains on the revaluation of investments	8.3	9.8	15.3
Unrealised losses on the revaluation of investments	(10.6)	(12.4)	(16.7)
Net fair value losses	(2.3)	(2.6)	(1.4)
Gains/(losses) on disposals of equity investments	0.1	(0.1)	(0.8)
Change in fair value of limited partnership investments	0.1	(0.1)	(0.1)
Total	(2.1)	(2.8)	(2.3)

Unrealised gains on the revaluation of investments principally arose from share price increases of Oxford Catalysts Group plc (£1.5m) and Tissue Regenix plc (£3.9m), the latter following its reversal onto AIM in June and concurrent £4.5m placing. In addition, in January, Oxford Nanopore Technologies Limited raised £17.4m resulting in a £2.2m fair value gain and valuing the Group's 24.6% shareholding at £25.6m. This financing round included two new US based technology investors, illustrating the global interest in Oxford Nanopore's technology.

Unrealised losses on the revaluation of investments included the impact of the negative share price performance of a number of the Group's quoted companies, including Modern Water plc (£1.9m), Oxford Advanced Surfaces Group plc (£1.7m) and Proximagen Group plc (£1.4m). Ilika plc achieved the first cleantech IPO on AIM in 2010, raising £5.2m, however the price at which the IPO was achieved resulted in a fair value loss for the Group of £2.0m.

Since the period end, movements in the share prices of a number of quoted portfolio companies have resulted in a net fair value increase for the portfolio of £5.1m.

Investments and realisations

During the period, the Group's rate of investment has increased, with a total of £3.1m being invested as follows:

	For the six months ended 30 June 2010 £m	For the six months ended 30 June 2009 £m	For the year ended 31 December 2009 £m
Cash investment analysis by company stage			
Incubation projects	0.1	0.3	0.3
Seed businesses	0.7	0.5	1.2
Post-seed businesses	1.3	0.6	0.8
Quoted businesses	1.0	0.2	3.4
Total	3.1	1.6	5.7
Proceeds from sales of equity investments	0.7	0.1	0.5

During the period to date, the Group has invested in 17 projects (HY09: 14; FY09: 20). Five new incubation projects received initial funding (HY09: three; FY09: three) and three incubation projects received new seed financing (HY09: two; FY09: two). These projects included two opportunities from the Group's co-investment agreement with Fusion IP plc, which was established in November 2009. The average investment per company increased to £180,000 from £110,000 for the equivalent period in 2009.

Seed businesses are those which have received financing from the Group, generally up to £0.5m in total, while post-seed businesses are those which have received some level of further funding from co-investors external to the Group, with total funding generally having exceeded £0.5m. Quoted businesses consist of those which are quoted on either AIM or PLUS Markets.

The Group realised £0.7m of cash during the period, increased from £0.1m during the corresponding six months in 2009, and, as its portfolio businesses continue to mature, will pursue and assess further opportunities to realise cash when market conditions and/or specific circumstances make it attractive to do so. Following the period end, COE Group plc, which specialises in bringing innovative products to the video surveillance market, announced it had reached agreement on a recommended cash offer by Digital Barriers plc, valuing COE at £3.3m, and had received irrevocable undertakings in respect of 62.9% of its shares. The Group is expected to receive cash proceeds of £1.2m from the sale of its 34.8% equity holding in COE upon completion of the transaction.

Portfolio analysis - by investment stage

At 30 June 2010, the Group's portfolio fair value of £101.3m is distributed across investment stage as follows:

Company stage	As at 30 June 2010				As at 31 December 2009			
	Fair value		Number		Fair value		Number	
	£m	%		%	£m	%		%
Incubation projects	0.5	0%	11	17%	1.0	1%	11	17%
Seed businesses	2.9	3%	9	14%	1.9	2%	7	11%
Post-seed businesses	54.5	54%	27	42%	57.1	56%	30	48%
Quoted businesses	43.4	43%	17	27%	41.3	41%	15	24%
All portfolio businesses	101.3	100%	64	100%	101.3	100%	63	100%

Quoted businesses

Further details of the Group's holdings in quoted businesses at 30 June 2010 are as follows:

Company name	Description	Group stake at 30 June 2010 %	Fair value of Group holding at 31 December 2009 £m	Six months to 30 June 2010		Fair value of Group holding at 30 June 2010 £m
				Net investment/ (divestment) £m	Fair value movement £m	
Modern Water plc	Technologies to address the world's water crisis	23.2%	11.2	–	(1.9)	9.3
Tissue Regenix Group plc	Regenerative dCELL® tissue implants	15.4%	1.9	0.3	3.9	6.1
Oxford Advanced Surfaces Group plc	ONTO™ surface modification technologies	15.4%	5.7	–	(1.7)	4.0
Oxford Catalysts Group plc	Speciality catalysts for the generation of clean fuels	8.6%	3.2	(0.7)	1.5	4.0
Proximagen Group plc	Neuroscience therapeutic developer	8.2%	4.9	–	(1.4)	3.5
Fusion IP plc	University intellectual property commercialisation	19.8%	3.5	–	(0.6)	2.9
Green Chemicals plc	Environmentally friendly chemicals	24.3%	3.0	–	(0.2)	2.8
Avacta Group plc	Specialist contract analysis and research services	17.9%	2.7	–	–	2.7
Tracsis plc	Crew scheduling software for the transport industry	19.4%	1.8	–	0.1	1.9
Ilika plc	Advanced cleantech materials discovery	9.2%	3.5	0.3	(2.0)	1.8
Synairgen plc	Developing respiratory disease therapeutics	10.8%	2.1	–	(0.7)	1.4
Syntopix Group plc	Topical antimicrobials for healthcare and pharmaceuticals	18.7%	1.1	0.4	(0.3)	1.2
Other quoted company holdings valued at less than £1.0m			2.1	–	(0.3)	1.8
Total			46.7	0.3	(3.6)	43.4

Modern Water plc, which was created by the Group in 2006 to address the problem of the economic availability of fresh water, announced the extension of the trial of its proprietary manipulated osmosis desalination technology, first developed at the University of Surrey, at the Al-Khalouf plant in Oman. Modern Water is also generating revenues from its online water toxicity monitor and has positive trial results from its electro coagulation water decontamination application.

Tissue Regenix Group plc achieved admission to AIM by way of a reverse takeover of Oxeco plc in June 2010. Tissue Regenix has developed dCELL® Technology which removes cells and other components from animal and human tissue allowing it to be used without anti-rejection drugs to replace worn out or diseased body parts. The potential applications of this process are diverse and address many critical clinical needs such as vascular disease, heart valve replacement and knee repair. In August 2010, the company announced it had received European CE Marking for its first product, the dCELL® Vascular Patch, granting approval for it to commence sales.

Proximagen Group plc, a spin-out from King's College, London which completed a £50m placing in 2009 and has subsequently made three acquisitions of complementary therapeutic programmes with a strategy of further developing those programmes before achieving an early out-licence, has announced the completion of the partnering of both of the programmes acquired through the acquisition of Minster Pharmaceuticals plc.

In addition to its AIM IPO and £5.2m placing during the period, Ilika plc, an advanced cleantech materials discovery company from the University of Southampton, announced a number of further commercial developments, including the progression of a transport fuel cell programme with a major vehicle manufacturer from a contract research relationship to a joint development partnership and an agreement with Taiwan's Industrial Technology Research Institute, to scale-up and commercialise jointly the next generation of fuel cell catalysts.

Synaigen plc, a respiratory therapeutic development company formed from the University of Southampton, announced the commencement of Phase II trials on its lead asthma and COPD programmes, the grant of a European patent in relation to the lead compound (following US grant in 2009) and data demonstrating the potential wider application of this compound in the treatment of influenza.

Syntopix Group plc, a spin-out from the University of Leeds focused on topical anti-microbial therapeutics, announced a collaboration with Sinclair Pharma following the completion of a £2.0m placing in March 2010.

Five largest holdings in post-seed businesses

Company name	Description	Group stake at 30 June 2010 %	Fair value of Group holding at 31 December 2009 £m	Six months to 30 June 2010		Fair value of Group holding at 30 June 2010 £m
				Net investment £m	Fair value movement £m	
Oxford Nanopore Technologies Limited	Single molecule detection and analysis using nanopore technology	24.6%	22.7	0.7	2.2	25.6
Photopharmica (Holdings) Limited	Photodynamic wound treatment	49.9%	13.0	–	–	13.0
Revolmer Limited	Novel polymers e.g. "Removable Chewing Gum"	11.1%	3.0	–	–	3.0
Surrey Nanosystems Limited	Low temperature carbon nanotube growth	22.5%	1.3	–	0.1	1.4
Retroscreen Virology Limited	Specialist virology contract research organisation	18.0%	1.3	–	–	1.3

Oxford Nanopore Technologies Limited, a spin-out from the University of Oxford's chemistry department, is developing a revolutionary technology for direct, electrical detection and analysis of single molecules. The company is currently focused on the development of a DNA sequencing technology which combines a protein nanopore with a processive enzyme multiplexed on a silicon chip. This electronic system has the potential to provide a broader range of researchers and clinicians with more powerful DNA sequence information. The platform technology also has applications in protein analysis for diagnostics and drug development. The company raised a further £17.4m in January 2010 and has a commercialisation agreement with Nasdaq-listed Illumina Inc., one of the world leaders in the DNA sequencing market, for its exonuclease-based sequencing approach.

Photopharmica (Holdings) Limited, based on technology from the University of Leeds, is developing photosensitiser-based technology currently undergoing Phase IIb clinical trials. The company announced in March that recruitment for the Phase IIb chronic leg ulcer trial for its PPA904 programme and PPA Lux 680 light source had reached the 25% milestone and that interim results are expected in Q3 2010. The final results of the trial are anticipated during Q2 2011 and the company will seek to enter into a licensing or co-development agreement with an appropriate partner should the trial complete successfully.

Revolmer Limited designs, develops and formulates novel polymers for a wide range of consumer products and is based on technology from the University of Bristol. The company announced in July 2010 that it had successfully completed the "GRAS" regulatory approval process which will allow the sale of its proprietary removable and degradable chewing gum in the United States. With food approval expected to progress through final stages in Europe, Revolmer intends for its chewing gum to be on shop shelves on both sides of the Atlantic in 2011 and has also announced the development of further applications for its polymers in the personal care market.

Portfolio analysis - by sector

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

Sector	As at 30 June 2010				As at 31 December 2009			
	Fair value		Number		Fair value		Number	
	£m	%		%	£m	%		%
Energy & Renewables	16.0	16%	11	17%	16.8	17%	10	16%
Chemicals & Materials	16.8	17%	16	25%	20.3	20%	16	25%
Medical Equipment & Supplies	38.0	37%	15	23%	31.0	31%	15	24%
Pharma & Biotech	22.6	22%	9	14%	24.8	24%	10	16%
IT & Communications	5.0	5%	12	19%	4.9	5%	11	17%
Multiple sectors	2.9	3%	1	2%	3.5	3%	1	2%
	101.3	100%	64	100%	101.3	100%	63	100%

Outside of the Group's largest post-seed holdings, a number of portfolio companies have continued technical and commercial progress or announced further financings in which the Group and/or IP Venture Fund, managed by the Group, has participated. By way of example:

- » Chamelic Limited, a high performance surface treatment provider from the University of Leeds where the Group's co-investor was Syngenta Ventures;
- » Karus Therapeutics Limited, a spin-out from the University of Southampton developing a range of small molecule therapeutics for the treatment of inflammation and cancer where the Group's co-investors included Esperante Ventures; and
- » Mode Diagnostics Limited, a consumer diagnostic product developer from the University of Glasgow, alongside Scottish Enterprise.

The pipeline of new disclosures is healthy and the Group continues to incubate early opportunities through key technical and commercial milestones. This includes supporting the development of projects before formation into a company and leveraging sources of translation funding. In addition to opportunities from partner universities, the Group announced in August that it had led the first investment round into Amantys Limited, a spin-out company from the University of Cambridge that is developing power electronics products and whose board consists of a number of former senior members of ARM Holdings plc's management team.

Income statement

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

	For the six months ended 30 June 2010 £m	For the six months ended 30 June 2009 £m	For the year ended 31 December 2009 £m
Net portfolio losses	(2.1)	(2.8)	(2.3)
Other income	1.1	0.8	1.5
Administrative expenses – Modern Biosciences	(0.3)	(0.3)	(0.7)
Administrative expenses – all other businesses	(2.6)	(3.0)	(5.6)
Finance income	0.1	0.4	0.6
Taxation	–	0.3	0.4
Loss and total comprehensive income for the period	(3.8)	(4.6)	(6.1)

Portfolio losses are analysed in detail in the portfolio review above.

The Group continues to control its cost base, maintaining the lower levels of administrative expenses established following the reorganisation undertaken in late 2008 and early 2009. As reported in the Group's 2009 Annual Report and Accounts, limited investment has continued to be made in the therapeutic programmes owned by the Group's drug discovery subsidiary, Modern Biosciences plc. Results from the company's Phase Ia trial for Rimcazole, which seeks to address the significant market for age-related macular degeneration ("AMD"), are expected in the second half of the year.

Other income, derived principally from fund management activity, dividends and consultancy services, including private placement fees generated by the Group's Capital Markets team, increased to £1.1m (HY09: £0.8m; FY09: £1.5m), primarily due to fees from the Group commencing management of the £25m Finance for Business North East Technology Fund. The Fund commenced investing in May 2010 and is progressing a promising pipeline of opportunities. As anticipated, the continued low interest rate environment in the UK saw finance income decrease to £0.1m (HY09: £0.4m; FY09: £0.6m).

Consolidated statement of financial position

The Group continues to have a strong balance sheet with cash and cash equivalents and fixed term deposits of £23.9m (HY09: £30.6m; FY09: £28.1m), no borrowings and a diversified portfolio of investments in private and publicly-listed companies across five distinct sectors. The overall value of the Group's portfolio remains stable at £101.3m (HY09: £97.1m; FY09: £101.3m).

As has been described in the Group's previous Annual Report and Accounts, the Oxford Equity Rights asset, representing the Group's right to 50% of the initial equity in any spin-out company created from the University of Oxford's Chemistry Department, is currently held on the balance sheet at its cost of £19.9m. This contract expires in November 2015, by which time the corresponding asset will have been written off by way of impairment or fair value reduction through the income statement.

Cash and cash equivalents and deposits ("Cash")

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

	For the six months ended 30 June 2010 £m	For the six months ended 30 June 2009 £m	For the year ended 31 December 2009 £m
Net cash used in operating activities	(1.7)	(1.0)	(2.7)
Net cash used in investing activities	(2.5)	(1.7)	(2.5)
Movement during period	(4.2)	(2.7)	(5.2)

As described above, the Group's rate of investment was increased during the period, with a total of £3.1m being invested (HY09: £1.6m; FY09: £5.7m, the latter including the Group's £2.9m investment in Fusion IP plc which was financed by a vendor placing and is therefore not reflected in the cash flow statement). A further £0.1m was committed to IP Venture Fund (HY09: £0.2m; FY09: £0.2m), which in turn invested £1.5m across eight portfolio companies. Primarily as a result of a reduction in interest received of £0.7m compared to the equivalent period in 2009, cash used in operating activities increased to £1.7m (HY09: £1.0m; FY09: £2.7m).

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 does not recognise a provision for deferred taxation in respect of uplifts in value on its equity holdings in portfolio businesses.

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 2009 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, fund management contracts 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 although, as described above, as the Oxford University contract nears its conclusion in November 2015, the corresponding value of the equity rights asset will be reduced from its current holding at cost through impairment or fair value reduction through the income statement.

Summary and outlook

The Group has had a solid first half in difficult market conditions for smaller companies. Despite this environment, during the period to date, the Group's portfolio companies have continued to announce the attainment of key technical and commercial milestones, and have raised external finance from a range of sources. Whilst the Group believes that its portfolio companies will be able to maintain this level of progress, it is expected that the financing and operating environment for portfolio companies will remain challenging in the short term.

The Group continues to believe that the longer-term macro-economic environment is likely to favour its operations. For example, there is now agreement across the major political parties that technology businesses must play an important role in the growth of the UK economy, with the Conservative Party recently stating that it sought to make the British government the most technology-friendly in the world. The Board considers that the Group's portfolio of companies is well positioned to contribute to this, and that significant value can be created for the Group's shareholders, investors and partners as a result.

For the six months ended 30 June 2010

	Note	Unaudited six months ended 30 June 2010 £m	Unaudited six months ended 30 June 2009 £m	Audited year ended 31 December 2009 £m
Portfolio return and revenue				
Change in fair value of equity and debt investments		(2.3)	(2.6)	(1.4)
Gain/(loss) on disposal of equity investments		0.1	(0.1)	(0.8)
Change in fair value of limited partnership investments		0.1	(0.1)	(0.1)
Other portfolio income		-	-	-
Revenue from services		1.1	0.8	1.5
		(1.0)	(2.0)	(0.8)
Administrative expenses				
Employee bonus costs		-	(0.2)	(0.3)
Research and development expenses		(0.2)	(0.2)	(0.5)
Share-based payment charge		(0.2)	(0.3)	(0.6)
Other administrative expenses		(2.5)	(2.6)	(4.9)
		(2.9)	(3.3)	(6.3)
Operating loss				
		(3.9)	(5.3)	(7.1)
Finance income - interest receivable		0.1	0.4	0.6
Loss before taxation				
		(3.8)	(4.9)	(6.5)
Taxation		-	0.3	0.4
Loss and total comprehensive income for the period				
		(3.8)	(4.6)	(6.1)
Loss and total comprehensive income attributable to:				
Equity owners of the parent		(3.8)	(4.6)	(6.1)
		(3.8)	(4.6)	(6.1)
Earnings per share (p)				
Basic and diluted	2	(1.49)	(1.84)	(2.45)

As at 30 June 2010

	Notes	Unaudited 30 June 2010 £m	Unaudited 30 June 2009 £m	Audited 31 December 2009 £m
ASSETS				
Non-current assets				
Intangible assets:				
- goodwill		18.4	18.4	18.4
- acquired intangible asset		-	0.1	-
Property, plant and equipment		0.3	0.4	0.4
Equity rights and related acquisition costs		20.2	20.2	20.1
Investment portfolio:				
- equity investments	3	98.7	94.9	99.0
- debt investments	3	2.6	2.2	2.3
Other financial asset		1.1	1.1	1.1
Investment in limited partnerships		1.7	1.4	1.5
Total non-current assets		143.0	138.7	142.8
Current assets				
Trade and other receivables		0.9	0.7	0.8
Deposits		15.0	15.0	15.0
Cash and cash equivalents		8.9	15.6	13.1
Total current assets		24.8	31.3	28.9
Total assets		167.8	170.0	171.7
EQUITY AND LIABILITIES				
Equity attributable to equity holders				
Called up share capital		5.1	5.0	5.1
Share premium account		99.3	96.7	99.3
Merger reserve		12.8	12.8	12.8
Retained earnings		50.2	55.0	53.8
		167.4	169.5	171.0
Non-controlling interest		-	-	-
Total equity		167.4	169.5	171.0
Current liabilities				
Trade and other payables		0.4	0.5	0.7
Total equity and liabilities		167.8	170.0	171.7

For the six months ended 30 June 2010

	Unaudited six months ended 30 June 2010 £m	Unaudited six months ended 30 June 2009 £m	Audited year ended 31 December 2009 £m
Operating activities			
Loss before taxation	(3.8)	(4.9)	(6.5)
Adjusted for:			
Finance income - interest receivable	(0.1)	(0.4)	(0.6)
Change in fair value of equity and debt investments	2.3	2.6	1.4
Depreciation of property, plant and equipment	0.1	0.1	0.1
Amortisation of intangible non-current assets	-	0.1	0.2
Change in fair value of limited partnership investments	(0.1)	0.1	0.1
(Gain)/loss on disposal of equity investments	(0.1)	0.1	0.8
Non-cash employee bonus costs	-	0.2	0.3
Share-based payment charge	0.2	0.3	0.6
Other portfolio income classified as investing activities cash flows	-	-	-
Changes in working capital:			
Increase in trade and other receivables	(0.1)	-	(0.2)
Decrease in trade and other payables	(0.2)	(0.3)	(0.2)
Operating cash flows:			
Research and development tax credits received	-	0.3	0.3
Interest received	0.1	0.8	1.0
Net cash outflow from operating activities	(1.7)	(1.0)	(2.7)
Investing activities			
Purchase of property, plant and equipment	-	-	-
Purchase of equity and debt investments	(3.1)	(1.6)	(2.8)
Investment in limited partnership funds	(0.1)	(0.2)	(0.2)
Proceeds from sale of equity investments	0.7	0.1	0.5
Other portfolio income received	-	-	-
Net cash outflow from investing activities	(2.5)	(1.7)	(2.5)
Financing activities			
Net cash flow to deposits	-	(15.0)	(15.0)
Net cash outflow from financing activities	-	(15.0)	(15.0)
Net decrease in cash and cash equivalents	(4.2)	(17.7)	(20.2)
Cash and cash equivalents at the beginning of the period	13.1	33.3	33.3
Cash and cash equivalents at the end of the period	8.9	15.6	13.1

For the six months ended 30 June 2010

	Share capital £m	Share premium £m	Merger reserve £m	Retained earnings £m	Total equity £m
At 1 January 2009 (audited)	5.0	96.7	12.8	59.3	173.8
Credit to equity for equity-settled share-based payments	–	–	–	0.3	0.3
Total comprehensive income for the period ended 30 June 2009	–	–	–	(4.6)	(4.6)
At 30 June 2009 (unaudited)	5.0	96.7	12.8	55.0	169.5
Issue of equity	0.1	2.6	–	–	2.7
Credit to equity for equity-settled share-based payments	–	–	–	0.3	0.3
Total comprehensive income for the period ended 31 December 2009	–	–	–	(1.5)	(1.5)
At 31 December 2009 (audited)	5.1	99.3	12.8	53.8	171.0
Credit to equity for equity-settled share-based payments	–	–	–	0.2	0.2
Total comprehensive income for the period ended 30 June 2010	–	–	–	(3.8)	(3.8)
At 30 June 2010 (unaudited)	5.1	99.3	12.8	50.2	167.4

1. Operating segments

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

Six months ended 30 June 2010 (unaudited)	University partnership business £m	Venture capital fund management £m	In-licensing activity £m	Consolidated £m
Income Statement				
Change in fair value of equity and debt investments	(2.3)	-	-	(2.3)
Gain on disposals of equity investments	0.1	-	-	0.1
Change in fair value of limited partnership investments	0.1	-	-	0.1
Revenue from advisory services	0.2	-	-	0.2
Revenue from fund management services	-	0.9	-	0.9
Administrative expenses	(2.2)	(0.4)	(0.3)	(2.9)
Operating (loss)/profit	(4.1)	0.5	(0.3)	(3.9)
Finance income - interest receivable	0.1	-	-	0.1
(Loss)/profit before taxation	(4.0)	0.5	(0.3)	(3.8)
Taxation	-	-	-	-
(Loss)/profit and total comprehensive income for the period	(4.0)	0.5	(0.3)	(3.8)

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

1. Operating segments (continued)

Year ended 31 December 2009 (audited)	University partnership business £m	Venture capital fund management £m	In-licensing activity £m	Consolidated £m
Income Statement				
Change in fair value of equity and debt investments	(1.4)	–	–	(1.4)
Loss on disposal of equity investments	(0.8)	–	–	(0.8)
Change in fair value of limited partnership investments	(0.1)	–	–	(0.1)
Revenue from advisory services	0.4	0.1	–	0.5
Revenue from fund management services	–	1.0	–	1.0
Administrative expenses	(4.9)	(0.7)	(0.7)	(6.3)
Operating (loss)/profit	(6.8)	0.4	(0.7)	(7.1)
Finance income - interest receivable	0.6	–	–	0.6
(Loss)/profit before taxation	(6.2)	0.4	(0.7)	(6.5)
Taxation	–	–	0.4	0.4
(Loss)/profit and total comprehensive income for the year	(6.2)	0.4	(0.3)	(6.1)

2. Earnings per share

The basic earnings per share has been calculated by dividing the loss for the period of £3.8m (for the six month period ended 30 June 2009: loss £4.6m; for the year ended 31 December 2009: loss £6.1m) by the weighted average number of shares of 255,763,664 in issue during the six month period ended 30 June 2010 (for the six month period ended 30 June 2009: 250,291,965 shares; and for the year ended 31 December 2009: 250,711,712).

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

3. Investment portfolio

	Equity investments in quoted spin-out companies £m	Equity investments in unquoted spin-out companies £m	Unquoted debt investments in spin-out companies £m	Equity investments in other companies £m	Total £m
At 1 January 2009	38.0	58.1	1.9	0.4	98.4
Investments during the period	0.1	0.9	0.6	–	1.6
Reclassifications during the period	0.2	(0.2)	–	–	–
Disposal during the period	(0.2)	–	–	–	(0.2)
Change in fair value in the period	(1.7)	(0.5)	(0.3)	(0.1)	(2.6)
Equity allocated to staff in the period	–	(0.1)	–	–	(0.1)
At 30 June 2009 (unaudited)	36.4	58.2	2.2	0.3	97.1
Investments during the period	3.1	0.6	0.4	–	4.1
Reclassifications during the period	–	0.1	(0.1)	–	–
Disposals during the period	(0.7)	(0.3)	–	–	(1.0)
Change in fair value in the period	1.7	(0.3)	(0.2)	–	1.2
Equity allocated to staff in the period	–	(0.1)	–	–	(0.1)
At 31 December 2009	40.5	58.2	2.3	0.3	101.3
Investments during the period	1.0	1.7	0.4	–	3.1
Reclassifications during the period	5.4	(5.3)	(0.1)	–	–
Disposals during the period	(0.5)	(0.1)	–	–	(0.6)
Change in fair value in the period	(3.7)	1.4	–	–	(2.3)
Equity allocated to staff in the period	(0.1)	(0.1)	–	–	(0.2)
At 30 June 2010 (unaudited)	42.6	55.8	2.6	0.3	101.3

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 six months ended 30 June 2010 £m	Unaudited six months ended 30 June 2009 £m	Audited year ended 31 December 2009 £m
Income statement			
Revenue from services	0.8	0.4	0.8
Balance sheet			
Investment in limited partnerships	1.7	1.4	1.5
Amounts due from related parties	–	–	–

4. Related party transactions (continued)

b) Key management transactions

The key management had investments with the following spin-out companies as at 30 June 2010:

Director	Company name	Number of shares held at 1 January 2010	Number of shares acquired/ (disposed) in the period	Number of shares held at 30 June 2010	%
Alan Aubrey	Activotec SPP Limited ¹	1,500	–	1,500	0.9%
	Amaethon Limited - A ordinary shares	104	–	104	3.1%
	Amaethon Limited - B ordinary shares	11,966	–	11,966	1.0%
	Amaethon Limited - ordinary shares	21	–	21	0.3%
	Avacta Group plc	13,276,113	–	13,276,113	1.0%
	Bioniqs Limited ¹	1,063	(1,063)	–	0.0%
	Capsant Neurotechnologies Limited	11,631	–	11,631	0.8%
	Chamelic Limited	26	–	26	1.6%
	COE Group plc	357,204	–	357,204	1.0%
	Crysalin Limited	1,447	–	1,447	0.4%
	Dispersia Limited	416	–	416	1.0%
	EmDot Limited	15	–	15	0.9%
	Getech Group plc	15,000	–	15,000	<0.1%
	Green Chemicals plc	108,350	–	108,350	1.3%
	Icona Solutions Limited	1,674	–	1,674	1.2%
	Ilika plc ²	1,175	116,325	117,500	0.3%
	Karus Therapeutics Limited	223	–	223	0.7%
	Leeds Lithium Power Limited ¹	178	(178)	–	0.0%
	Leeds Reproductive Biosciences Limited	18	–	18	1.1%
	Mode Diagnostics Limited	1,863	–	1,863	1.2%
	Modern Biosciences plc	1,185,150	–	1,185,150	2.1%
	Modern Water plc	575,000	–	575,000	1.0%
	Overlay Media Limited	32	–	32	1.2%
	Oxford Advanced Surfaces Group plc	2,172,809	–	2,172,809	1.2%
	Oxford Catalysts Group plc	254,749	(47,350)	207,399	0.3%
	Oxford Nanopore Technologies Limited	11,442	–	11,442	0.8%
	Oxford RF Sensors Limited	53,639	–	53,639	0.8%
	Oxtox Limited	25,363	–	25,363	0.6%
	Pharminox Limited	685	–	685	0.3%
	Photopharmica (Holdings) Limited	37,020	–	37,020	1.0%
	Plexus Planning Limited	1,732	–	1,732	0.8%
	ReactivLab Limited ³	50	(50)	–	0.0%
	Retroscreen Virology Limited	1,858	–	1,858	0.5%
	Revolymer Limited	2,963	–	2,963	0.4%
	Simulstrat Limited - A preference shares	24,063	–	24,063	2.8%
	Simulstrat Limited - ordinary shares	2,255	–	2,255	1.3%
Structure Vision Limited	212	–	212	1.0%	
Surrey Nanosystems Limited	393	–	393	0.9%	
Sustainable Resource Solutions Limited	25	–	25	1.3%	
Syntopix Group plc	76,731	–	76,731	0.7%	
Tissue Regenix Group plc ⁴	89	2,389,170	2,389,259	0.5%	
Tracsis plc	203,400	–	203,400	1.0%	
Xanic Limited ¹	16	(16)	–	0.0%	
Xeros Limited	241	–	241	1.0%	

1 Company in administration or dissolved.

2 Ilika plc acquired the entire issued share capital of Ilika Technologies Limited. Ilika Technologies Limited shareholders received 100 Ilika plc shares as consideration for each Ilika Technologies Limited share. Ilika plc then joined AIM by IPO.

3 ReactivLab Limited was acquired by Avacta Group plc. The ReactivLab ordinary shareholders received no initial consideration but they may receive future contingent consideration in the form of Avacta Group plc shares.

4 Tissue Regenix Group plc joined AIM after it completed a reverse takeover of Oxeco plc and raised £4.5m through a placing.

4. Related party transactions (continued)

b) Key management transactions (continued)

Director	Company name	Number of shares held at 1 January 2010	Number of shares acquired/ (disposed) in the period	Number of shares held at 30 June 2010	%
Alison Fielding	Activotec SPP Limited ¹	300	–	300	0.2%
	Amaethon Limited - A ordinary shares	105	–	105	3.2%
	Amaethon Limited - B ordinary shares	12,049	–	12,049	1.0%
	Amaethon Limited - ordinary shares	21	–	21	0.3%
	Avacta Group plc	7,664,105	–	7,664,105	0.6%
	Bioniqs Limited ¹	1,063	(1,063)	–	0.0%
	Capsant Neurotechnologies Limited	7,847	–	7,847	0.5%
	Chamelic Limited	21	–	21	1.3%
	COE Group plc	468,314	–	468,314	1.3%
	Crysalin Limited	1,447	–	1,447	0.4%
	Dispersia Limited	342	–	342	0.8%
	EmDot Limited	14	–	14	0.8%
	Green Chemicals plc	126,181	–	126,181	1.6%
	Icona Solutions Limited	1,419	–	1,419	1.0%
	Ilika plc ²	328	32,472	32,800	<0.1%
	Karus Therapeutics Limited	43	–	43	0.1%
	Leeds Lithium Power Limited ¹	172	(172)	–	0.0%
	Leeds Reproductive Biosciences Limited	17	–	17	1.0%
	Mode Diagnostics Limited	1,632	–	1,632	1.1%
	Modern Biosciences plc	1,057,343	–	1,057,343	1.9%
	Modern Water plc	276,000	(55,000)	221,000	0.4%
	Overlay Media Limited	28	–	28	1.1%
	Oxford Advanced Surfaces Group plc	611,042	–	611,042	0.3%
	Oxford Catalysts Group plc	84,196	(15,649)	68,547	0.1%
	Oxford Nanopore Technologies Limited	5,721	–	5,721	0.4%
	Oxford RF Sensors Limited	15,085	–	15,085	0.2%
	Oxtox Limited	16,601	–	16,601	0.4%
	Pharminox Limited	274	–	274	0.1%
	Photopharmica (Holdings) Limited	27,350	–	27,350	0.7%
	Plexus Planning Limited	480	–	480	0.2%
	ReactivLab Limited ³	48	(48)	–	0.0%
	Retroscreen Virology Limited	1,216	–	1,216	0.3%
	Revolymmer Limited	1,198	–	1,198	0.2%
	Simulstrat Limited - A preference shares	15,750	–	15,750	1.8%
Simulstrat Limited - ordinary shares	1,476	–	1,476	0.9%	
Structure Vision Limited	195	–	195	0.9%	
Surrey Nanosystems Limited	323	–	323	0.8%	
Sustainable Resource Solutions Limited	25	–	25	1.3%	
Syntopix Group plc	35,477	–	35,477	0.3%	
Tissue Regenix Group plc ⁴	85	2,279,575	2,279,660	0.5%	
Tracsis plc	197,750	–	197,750	1.0%	
Xanic Limited ¹	15	(15)	–	0.0%	
Xeros Limited	197	–	197	0.8%	

1 Company in administration or dissolved.

2 Ilika plc acquired the entire issued share capital of Ilika Technologies Limited. Ilika Technologies Limited shareholders received 100 Ilika plc shares as consideration for each Ilika Technologies Limited share. Ilika plc then joined AIM by IPO.

3 ReactivLab Limited was acquired by Avacta Group plc. The ReactivLab ordinary shareholders received no initial consideration but they may receive future contingent consideration in the form of Avacta Group plc shares.

4 Tissue Regenix Group plc joined AIM after it completed a reverse takeover of Oxeco plc and raised £4.5m through a placing.

4. Related party transactions (continued)

b) Key management transactions (continued)

Director	Company name	Number of shares held at 1 January 2010	Number of shares acquired/ (disposed) in the period	Number of shares held at 30 June 2010	%
Magnus Goodlad	Activotec SPP Limited ¹	627	–	627	0.4%
	Amaethon Limited - A ordinary shares	31	–	31	0.9%
	Amaethon Limited - B ordinary shares	3,616	–	3,616	0.3%
	Amaethon Limited - ordinary shares	6	–	6	<0.1%
	Avacta Group plc	2,439,472	–	2,439,472	0.2%
	Bioniqs Limited ¹	533	(533)	–	0.0%
	Capsant Neurotechnologies Limited	7,772	–	7,772	0.5%
	Chamelic Limited	20	–	20	1.2%
	COE Group plc	246,094	–	246,094	0.7%
	Crysalin Limited	1,125	–	1,125	0.3%
	Dispersia Limited	324	–	324	0.8%
	EmDot Limited	14	–	14	0.8%
	Green Chemicals plc	21,534	–	21,534	0.3%
	Icona Solutions Limited	1,355	–	1,355	1.0%
	Ilika plc ²	260	25,740	26,000	<0.1%
	Karus Therapeutics Limited	105	–	105	0.3%
	Leeds Lithium Power Limited ¹	61	(61)	–	0.0%
	Leeds Reproductive Biosciences Limited	6	–	6	0.4%
	Mode Diagnostics Limited	1,549	–	1,549	1.0%
	Modern Biosciences plc	998,601	–	998,601	1.8%
	Modern Water plc	476,200	–	476,200	0.8%
	Overlay Media Limited	26	–	26	1.0%
	Oxford Advanced Surfaces Group plc	425,857	–	425,857	0.2%
	Oxford Catalysts Group plc	74,684	(13,880)	60,804	<0.1%
	Oxford Nanopore Technologies Limited	5,721	–	5,721	0.4%
	Oxford RF Sensors Limited	29,735	–	29,735	0.4%
	Oxtox Limited	16,601	–	16,601	0.4%
	Pharminox Limited	274	–	274	0.1%
	Photopharmica (Holdings) Limited	21,340	–	21,340	0.6%
	Plexus Planning Limited	444	–	444	0.2%
	ReactivLab Limited ³	45	(45)	–	0.0%
	Retroscreen Virology Limited	1,216	–	1,216	0.3%
Revolymer Limited	1,228	–	1,228	0.2%	
Simulstrat Limited - A preference shares	15,750	–	15,750	1.8%	
Simulstrat Limited - ordinary shares	1,476	–	1,476	0.9%	
Structure Vision Limited	83	–	83	0.4%	
Surrey Nanosystems Limited	306	–	306	0.7%	
Sustainable Resource Solutions Limited	23	–	23	1.2%	
Syntopix Group plc	13,312	–	13,312	0.1%	
Tissue Regenix Group plc ⁴	31	1,950,831	1,950,862	0.4%	
Tracsis plc	113,000	–	113,000	0.6%	
Xanic Limited ¹	14	(14)	–	0.0%	
Xeros Limited	187	–	187	0.8%	

¹ Company in administration or dissolved.

² Ilika plc acquired the entire issued share capital of Ilika Technologies Limited. Ilika Technologies Limited shareholders received 100 Ilika plc shares as consideration for each Ilika Technologies Limited share. Ilika plc then joined AIM by IPO.

³ ReactivLab Limited was acquired by Avacta Group plc. The ReactivLab ordinary shareholders received no initial consideration but they may receive future contingent consideration in the form of Avacta Group plc shares.

⁴ Tissue Regenix Group plc joined AIM after it completed a reverse takeover of Oxeco plc and raised £4.5m through a placing.

4. Related party transactions (continued)

b) Key management transactions (continued)

Director	Company name	Number of shares held at 1 January 2010	Number of shares acquired/ (disposed) in the period	Number of shares held at 30 June 2010	%
Mike Townend	Amaethon Limited - A ordinary shares	104	-	104	3.1%
	Amaethon Limited - B ordinary shares	11,966	-	11,966	1.0%
	Amaethon Limited - ordinary shares	21	-	21	0.3%
	Capsant Neurotechnologies Limited	11,282	-	11,282	0.8%
	Chamelic Limited	23	-	23	1.4%
	Crysalin Limited	1,286	-	1,286	0.4%
	Dispersia Limited	370	-	370	0.9%
	EmDot Limited	14	-	14	0.8%
	Green Chemicals plc	113,222	-	113,222	1.4%
	Icona Solutions Limited	1,515	-	1,515	1.1%
	Leeds Lithium Power Limited ¹	178	(178)	-	0.0%
	Leeds Reproductive Biosciences Limited	18	-	18	1.1%
	Mode Diagnostics Limited	1,756	-	1,756	1.1%
	Modern Biosciences plc	1,185,150	-	1,185,150	2.1%
	Modern Water plc	575,000	-	575,000	1.0%
	Overlay Media Limited	29	-	29	1.1%
	Oxford Advanced Surfaces Group plc	932,994	-	932,994	0.5%
	Oxford Nanopore Technologies Limited	3,490	-	3,490	0.2%
	Oxtox Limited	25,363	-	25,363	0.6%
	Photopharmica (Holdings) Limited	37,020	-	37,020	1.0%
	ReactivLab Limited ²	51	(51)	-	0.0%
	Retroscreen Virology Limited	1,858	-	1,858	0.5%
	Revolymr Limited	1,198	-	1,198	0.2%
	Simulstrat Limited - A preference shares	24,063	-	24,063	2.8%
	Simulstrat Limited - ordinary shares	2,255	-	2,255	1.3%
	Structure Vision Limited	212	-	212	1.0%
	Surrey Nanosystems Limited	350	-	350	0.8%
Sustainable Resource Solutions Limited	25	-	25	1.3%	
Tissue Regenix Group plc ³	89	1,950,773	1,950,862	0.4%	
Tracsis plc	84,750	-	84,750	0.4%	
Xanic Limited ¹	16	(16)	-	0.0%	
Xeros Limited	213	-	213	0.9%	
Graham Richards	Getech Group plc	30,000	-	30,000	0.1%
	Summit Corporation plc	662,958	-	662,958	0.4%
	Tissue Regenix Group plc ³	-	200,000	200,000	<0.1%
Bruce Smith	Capsant Neurotechnologies Limited	20,724	-	20,724	1.4%
	Getech Group plc	15,000	-	15,000	<0.1%
	iQur Limited	2,000	-	2,000	0.8%
	Nanotecture Group plc	50,000	-	50,000	0.5%
	Oxford Catalysts Group plc	10,000	-	10,000	<0.1%
	Synairgen plc	200,000	-	200,000	0.3%
	Syntopix Group plc	15,241	-	15,241	0.1%

¹ Company in administration or dissolved.

² ReactivLab Limited was acquired by Avacta Group plc. The ReactivLab ordinary shareholders received no initial consideration but they may receive future contingent consideration in the form of Avacta Group plc shares.

³ Tissue Regenix Group plc joined AIM after it completed a reverse takeover of Oxeco plc and raised £4.5m through a placing. In addition, Graham Richards owned 1,000,000 Oxeco plc shares prior to the takeover.

4. Related party transactions (continued)

b) Key management transactions (continued)

Director	Company name	Number of shares held at 1 January 2010	Number of shares acquired/ (disposed) in the period	Number of shares held at 30 June 2010	%
Roger Brooke	Activotec SPP Limited ¹	1,459	–	1,459	0.8%
	Avacta Group plc	661,318	–	661,318	<0.1%
	Bioniqs Limited ¹	1,000	(1,000)	–	0.0%
	Capsant Neurotechnologies Limited	2,667	–	2,667	0.2%
	Getech Group plc	30,000	–	30,000	0.1%
	Glycoform Limited	937	–	937	0.3%
	Inhibox Limited	500	–	500	<0.1%
	iQur Limited	1,400	–	1,400	0.6%
	Nanotecture Group plc	33,335	–	33,335	0.3%
	Oxford Nanopore Technologies Limited	3,481	–	3,481	0.2%
	Pharminox Limited	786	–	786	0.4%
	Proximagen Neuroscience plc	135,000	–	135,000	0.2%
	ReOx Limited	2,717	–	2,717	0.3%
	Revolymr Limited	1,351	–	1,351	0.2%
	Stratophase Limited	4,549	–	4,549	0.5%
	Summit Corporation plc	11,400	–	11,400	<0.1%
Syntopix Group plc	11,299	–	11,299	0.1%	

¹ Company in administration or dissolved.

General information

The comparative financial information presented herein for the year ended 31 December 2009 does not constitute full statutory accounts within the meaning of Sections 434 and 435 of the Companies Act 2006. The Group's Annual Report and Accounts for the year ended 31 December 2009 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 auditors 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 2010.

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 2009 which have been prepared in accordance with International Financial Reporting Standards as adopted for use in the European Union. The financial information in these half-yearly results, which were approved by the Board and authorised for issue on 25 August 2010, is unaudited but has been subject to a review by the Group's independent auditors.

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 2009.

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 2009 and which will form the basis of the 2010 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.

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 FSA's Disclosure and Transparency Rules (4.2.7 R and 4.2.8 R).

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

By order of the Board

Bruce Smith
Chairman
25 August 2010

Alan Aubrey
Chief Executive Officer

To IP Group plc

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2010 which comprises the condensed consolidated statement of comprehensive income, condensed consolidated statement of financial position, condensed consolidated statement of cash flows, condensed consolidated statement of changes in equity and the related notes.

We have read the other information contained in the half-yearly 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") 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 of 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 2010 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 LLP

Chartered Accountants and Registered Auditors
United Kingdom
25 August 2010

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

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) Dr Alison Margaret Fielding (Chief Technology Officer) Magnus James Goodlad (Chief Operating Officer) Michael Charles Nettleton Townend (Director of Capital Markets) Professor William Graham Richards, CBE (Senior Non-executive Director) Christopher Roger Ettrick Brooke (Non-executive Director) Francis Adam Wakefield Carpenter (Non-executive Director)
Company Secretary	Angela Leach
Brokers	Numis Securities Limited The London Stock Exchange Building 10 Paternoster Square London EC4M 7LT
Registrars	Capita IRG plc The Registry 34 Beckenham Road Beckenham Kent BR3 4TU
Bankers	Royal Bank of Scotland PO Box 333 Silbury House 300 Silbury Boulevard Milton Keynes MK9 2ZF
Solicitors	Pinsent Masons CityPoint One Ropemaker Street London EC2Y 9AH
Independent auditors	BDO LLP 55 Baker Street London W1U 7EU



ISO 14001
Produced at a mill that holds
ISO 14001 certification



Fully recyclable and
biodegradable



NAPM approved
recycled product



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