FOR RELEASE ON **10 September 2019**

("IP Group" or "the Group" or "the Company")

Half-yearly results

Cash realisations trend continues, strong balance sheet, positive developments in portfolio

IP Group plc (LSE: IPO), the developer of intellectual property-based businesses, today announces its half-yearly results for the six months ended 30 June 2019.

HALF-YEAR HIGHLIGHTS

Portfolio highlights

- Fair value of portfolio broadly stable at £1,127.0m (FY18: £1,128.2m; HY18: £1,148.2m)
- Net portfolio fair value reduction of £36.7m, approximately 3% (HY18: gain of £0.7m; FY18: (£48.4m))
- Capital provided to portfolio companies and projects: £39.0m (HY18: £46.9m; FY18: £100.9m)
- Portfolio cash realisations: £7.1m (HY18: £2.5m; FY18: £29.5m)
- Oxford Nanopore more than doubled revenue and orders in 2018 to $43.7m and $60.6m respectively and this year opened a new factory to support rapid growth in demand for nanopore sequencing technology
- Ceres Power and Japan's Miura announced a first fuel cell product launch using Ceres technology
- First Light Fusion's 'Machine 3' fully operational and management targeting demonstration of fusion in 2019
- Successful funding rounds for Inivata (£40m), Featurespace (£25m) and Azuri Technologies (£20m)

Financial and operational update

- Hard NAV[1] of £1,171.8m or 110.6p per share (FY18: £1,217.5m, 115.0p; HY18: £1,283.0m, 121.1p)
- Net assets of £1,172.4m (FY18: £1,218.2m; HY18: £1,489.8m)
- Return on Hard NAV[2] of negative £46.9m (HY18: (£13.1m); FY18: (£75.6m))
- Strong liquidity with gross cash and deposits at 30 June 2019 of £161.1m (FY18: £219.0m; HY18: £258.5m;) and net cash of £71.0m (FY18: £121.2m; HY18: £156.0m)
- Integration cost savings now complete following return of technology transfer operations to Imperial College, run rate savings of £8m per annum secured (0.7% of Hard NAV)
- Board strengthened through appointment of two additional independent non-executive directors

Post period-end update

- Further portfolio cash realisations of £38.8m since 30 June, a total of £45.9m for the year to date and already significantly in excess of the £29.5m total for FY18
- Istesso announced positive outcome from P2a study of MBS2320 for rheumatoid arthritis
- Ceres Power announced £8m collaboration and licensing agreement with Korea's Doosan and stated FY results to exceed forecasts driven by strong commercial performance
- MOBILion completed third-party investment resulting in reclassification from a subsidiary to a portfolio company, with an associated c. £10m fair value gain
- Mirriad Advertising completed £14m fundraising

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

"The Group has made good operational and strategic progress, notwithstanding the significant decline in the Group's share price during the period. In particular, as the portfolio matures our business is approaching self-sustainability. In the year to date, the Group has achieved cash realisations totalling £45.9m, which exceeds the £29.5m for full year 2018. This, combined with a continued focus and rationalisation of our portfolio, tight cost control, and a strong cash position, enables the Group to fund its current priorities from existing capital resources. It is particularly encouraging in the current environment to see that our portfolio companies, which have an aggregate total value of around £5bn, have raised approximately £240m in the first half of the year from a broad range of investors.

We are pleased with our ongoing containment of cost through the integration process, which is now delivering an ongoing benefit to NAV. At the same time, we continue to rationalise our portfolios and are particularly pleased with the progress made in three of our most valuable holdings during the period, Oxford Nanopore, Istesso and Ceres Power. Internationally, we see significant upside opportunities in the US as a source of both IP and potential returns from a maturing portfolio, and in Australasia and the wider Asian region where there are significant opportunities to work closely with local long-term capital providers.

IP Group remains confident in the prospects for its maturing portfolio, which is both geographically and sectorally diverse. We look forward to updating on progress and developments in the second half."

[1] Hard NAV is defined as Total Equity, excluding Goodwill and Other Intangible Assets (see below).
[2] Return on Hard NAV is defined as the (loss)/profit for the period, excluding amortisation of intangible assets, share-based payment charge and IFRS3 charge in respect of acquisition of subsidiary (see below).

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

Interim management report

Summary

In the first six months of 2019 and the period since, the Group, through many of its portfolio companies, made good progress but also faced a number of challenges. Importantly, three of the Group's most valuable portfolio company holdings, Oxford Nanopore, Istesso and Ceres Power, announced significant technical and/or commercial developments in recent months, while management at First Light Fusion remain confident of demonstrating fusion during 2019. In challenging market conditions for our sector, the Group continued to invest capital cautiously, primarily into its most compelling 'focus' opportunities. The Group prioritised maintaining strong liquidity and our targeted disposals programme has resulted in more cash realisations in the year to date (£45.9m) than for full year 2018 (£29.5m).

Market sentiment towards the sector in which the Group operates was impacted by the well-publicised difficulties experienced by Woodford Investment Management ("WIM"), one of the sector's longest-standing supporters. In some cases, this has adversely impacted valuations and constrained funding availability. Funds managed by WIM remain the Group's second largest shareholder. WIM-managed funds have holdings in 12 of the Group's portfolio companies, which make up 34% of the Group's total portfolio value. The largest commonly-held company by value is Oxford Nanopore, which represents 24% of the Group's portfolio by value, with the remaining 11 companies representing 10% of the Group's portfolio.

There were fewer large-scale capital raises by the Group's portfolio companies in the first half of 2019 compared to 2018, however many companies did successfully raise significant capital. The Group's broad co-investor network was again demonstrated, evidenced by the fact that less than 3% of the £239m total capital raised by portfolio companies in the first half of 2019 was from parties with a shareholding of 1% or more in IP Group (FY18: 6% of £717m total capital raised). Further details of co-investors across the portfolio and the significant co-investors in our 20 most valuable holdings are set out in the *portfolio review* below.

The financial priorities for the Group this year remain focused on the actions required to secure a strong return on Hard NAV over the investment cycle, continuing to generate realisations and managing the Group's Net Overheads. In terms of geography, the UK, which continues to represent more than 90% of the Group's assets, is in a consolidation and realisation phase. The team directs time and resources primarily to the focus assets that are considered the most likely to have a meaningful impact on Group NAV in the short to medium term. The US operation gives the Group access to the world's most prolific producer of university research and an increasing network of local commercial and financing partners. The Group's Australasian operation, which is in its second full year of operation, is focused on creating a small group of initial spin-outs and identifying and working with significant pools of long-term, strategically aligned capital across Asia.

During the six months to 30 June 2019, the fair value of the Group's portfolio remained broadly stable at £1,127.0m (FY18: £1,128.2m; HY18: £1,148.2m). This reflects net portfolio fair value reductions of 3.3% or £36.7m (HY18: £0.7m gain; FY18: £48.4m loss) during the period, of which £20.4m resulted from reductions in the quoted portfolio and £16.3m resulted from reductions in the private portfolio (FY18: £99.7m quoted loss, £51.3m private gain; HY18: £23.0m quoted loss, £23.7m private gain). Including Net Overheads, the overall Return on Hard NAV for the period was negative £46.9m (HY18: (£13.1m); FY18: (£75.6m)), or around 4p per share, with the Group finishing the period with Hard NAV per share of 110.6p (FY18: 115.0p; HY18: 121.1p).

As noted above, there has been excellent commercial progress from a number of our most valuable company holdings. In July, the Group's most valuable therapeutic development holding, Istesso, announced a positive outcome from its Phase 2a study of MBS2320. Cleantech asset Ceres Power announced a number of key milestones, including its first product launch, having jointly developed a fuel cell heat and power system with Miura Co. Ltd, Japan's largest industrial boiler company, as well as an £8m collaboration and licensing agreement with South Korea's Doosan. Oxford Nanopore meanwhile confirmed a more than doubling of revenues in 2018 to $43.7m and orders to $60.6m alongside opening a new factory in Oxfordshire this year to support rapid growth in demand for nanopore sequencing technology. While the successful Phase 2a study led to an increase in the fair value of the Group's interests in Istesso, the absence of any new market-based transaction data for Oxford Nanopore meant that the Group continued to base its fair value on the price of the primary and secondary transactions completed during 2018 and early 2019. In the event of a further financing round for Oxford Nanopore during the second half of 2019, the possibility of which has been reported, we would review our valuation in light of that financing round. Also reported during this year has been the company's intention to explore a stock market listing, an action that we support. Further details of the valuation bases adopted by the Group for its portfolio companies are set out in the *portfolio review* below.

Elsewhere in Life Sciences, Diurnal Group plc announced it was on track to submit a Marketing Authorisation Application ("MAA") for Chronocort® (modified release hydrocortisone) in Q4 2019 based upon the existing clinical data, including data to support Orphan Drug Status in the treatment of Congenital Adrenal Hyperplasia. Cell Medica and Pulmocide both generated promising data in areas of severe unmet need, being neuroblastoma and fungal infections in lung transplant respectively. However, clinical and technical setbacks at PsiOxus, Topivert, and Creavo Medical resulted in fair value reductions totalling £28.1m for the Group's holdings in these companies.

In Technology and Cleantech, many of the largest assets in the portfolio, including Ultrahaptics, Featurespace and Garrison, successfully completed large funding rounds during 2018 or early 2019 and have been focused on deploying that capital to achieve commercial progress. One of these, Ultrahaptics, completed the acquisition of Silicon Valley based Leap Motion, which further improves the potential for the company to become one of the defining players in the rapidly evolving field of human machine interaction. It was also pleasing to see Azuri, the provider of pay-as-you-go solar home solutions to off-grid households across Africa, close a new investment of US$26m (£20m), led by Fortune Global 500 company, Marubeni Corporation. Azuri was one of three IP Group portfolio companies to feature in this year's The Sunday Times Tech Track 100, alongside Oxford Nanopore and Featurespace.

Further information on the performance of the Group's portfolio businesses is provided in the *portfolio review* below.

Parkwalk Advisors

Parkwalk, the Group's specialist EIS fund management subsidiary, celebrated its ten-year anniversary by winning the EIS Association's 'Best Fund Manager' for the third year in a row. Parkwalk now has assets under management of almost £300m including alumni funds managed in conjunction with the universities of Oxford, Cambridge and Bristol and was the largest EIS Fund (by monies raised) in the 2018/2019 tax year. Its funds deployed £35.1m in the university spin-out sector during the period (HY18: £33.9m; FY18: £64.3m), backing companies from plant genetics to graphene production through to AI driven insurance platforms and genomics. Global Data named them seventh in the global top ten IoT venture capital investors in 2018 alongside an impressive list of VC firms around the world. Beauhurst also named Parkwalk the most active investor into venture deals in 2018 and the most prolific investor into AI deals in the UK since 2011.

North America

In North America, IP Group, Inc. and its portfolio companies continued to make progress, achieving a number of financial and developmental milestones. These include securing investment rounds for two portfolio companies – Exyn Technologies (University of Pennsylvania) and MOBILion (Pacific Northwest National Laboratory) with strategic investors, for a total of $31m, of which 74% was from parties external to the Group. The investment into MOBILion will result in this company no longer being treated as a subsidiary of the Group in the second half, which will give rise to a fair value gain of c. £10m. Optimeos Life Sciences (Princeton University) signed a commercial agreement with an undisclosed pharmaceutical company, marking their third commercial deal to date; Chip Diagnostics (University of Pennsylvania) was awarded the Johnson & Johnson ("J&J") Quickfire Challenge and will be collaborating with J&J on cancer diagnostics; and Carisma Therapeutics (University of Pennsylvania) was selected as a top 10 spin-out for 2018 by Nature Biotechnology.

The team also continued to attract strategic local investment into the business, securing a further minority investment from a second US-based blue-chip family office. This provides further evidence of the attractiveness of the North American opportunity, business model and team.

Australasia

In Australasia, the Group has now completed five investments and continues to build on the strong pipeline of opportunities arising from its partnership with the Group of Eight universities in Australia and the University of Auckland in New Zealand. Investments completed in the period were AMSL Aero, Additive Assurance and GroWave. The Group continues to work with Hostplus, one of Australia's largest superannuation funds with over AU$34bn in funds under management, through the AU$100m IP Group Hostplus Innovation Fund.

Greater China

Having announced the launch of its Greater China Office in Hong Kong in September 2018, the Group has now established a rep office in Hong Kong and relocated two full-time employees there. The team focuses on market entry, business partnership and investment discussions with partners covering a number of major cities in mainland China and we anticipate that the office will be broadly cost-neutral to the Group. In October 2019, the third annual "IP Group Global Deep Tech Forum" will be held in Beijing to continue building on the successes of the previous two events by developing and enhancing the relationships with relevant Chinese partners at the portfolio as well as the Group level. We have seen increasing interest in the Group's portfolio from Chinese investors and commercial partners, with China Construction Bank's participation in the most recent Oxford Nanopore financing and Ceres Power's partnership with, and investment from, Weichai being two significant examples of this interest.

Board changes

The Board was delighted to announce the appointment of two additional independent Non-executive Directors, Dr Caroline Brown and Aedhmar Hynes, with effect from 1 July 2019 and 1 August 2019 respectively. Dr Brown is currently Chair of NAHL Group plc and is also a non-executive director of Georgia Capital plc and Luceco plc. Her early career was spent in corporate finance with Merrill Lynch (New York), UBS and HSBC, advising global corporations and governments and she is also experienced in managing early-stage companies and divisions of FTSE100 groups in the energy and technology sectors. She holds a First-Class degree and PhD in Natural Sciences from the University of

Cambridge, a Master of Business Administration from the Cass Business School, London and is a Fellow of the Chartered Institute of Management Accountants.

Ms. Hynes was Chief Executive Officer of Text100, a digital communications agency with 22 offices and over 600 consultants across Europe, North America and Asia. Through her consulting work she has advised and supported many of the world's most important brands through digital transformation and technology disruption. Ranked among the 50 most powerful communications professionals in the world, according to PRWeek, she is Chairman of the Board of Trustees of The Page Society, the preeminent industry body for Chief Communications Officers of Fortune 500 companies. In 2016, she was appointed to the Advisory Council of the MIT Media Lab, a leading technology research institute addressing many of the world's biggest challenges. She also serves as a Board Director of Technoserve, helping entrepreneurs emerge from poverty in the developing world. She is on the US Foundation Board of the National University of Ireland, Galway and is a Henry Crown Fellow at The Aspen Institute.

Outlook

IP Group's purpose is to evolve great ideas into world-changing businesses that achieve a positive impact on the environment and society as well as a financial return. While the listed technology commercialisation sector in the UK continues to experience some headwinds, many of the Group's 61 'focus' portfolio companies that represent almost 90% of the value are now beginning to fulfil their potential.

While the UK and its economy continue to face uncertainty with regard to Brexit and this may impact on specific funding rounds and valuations for some of our companies in the short term, the nature of the opportunities addressed by our companies are often global in nature. The Board believes that the achievement of key inflection points at portfolio companies, including First Light Fusion and Oxford Nanopore, will enable development capital and realisation opportunities at attractive valuations across the portfolio.

The Board continues to believe the Group has a balanced and diverse portfolio that will deliver significant benefits for all stakeholders over time.

Portfolio review

Overview

As at 30 June 2019, the value of the Group's portfolio was £1,127.0m (FY18: £1,128.2m; HY18: £1,148.2m), reflecting net investment offset by portfolio losses of £36.7m (HY18: gain £0.7m; FY18: loss £48.4m). The portfolio consists of interests in 61 'focus' companies, representing almost 90% of the portfolio value, and 76 other companies. Of these, 109 are based in the UK, 23 in the US and 5 in Australasia. In addition, the Group has holdings in two multi-sector platform businesses as well as a further 54 *de minimis* holdings and 44 organic holdings. (HY18: 133,22,0,3,38,40; FY18: 122,23,2,3,44,47).

During the first half of 2019, the Group provided pre-seed, seed and post-seed capital totalling £39.0m to its portfolio companies (HY18: £46.9m, FY18: £100.9m). The Group deployed capital into seven new companies or projects during the period (HY18: two, FY18: nine), two of which were sourced from the UK, two from the US and three from Australasia (HY18: two, nil, nil, FY18: five, two, two).

The Group exited its interest in four companies (HY18: one; FY18: three) and realised total cash proceeds during the period of £7.1m (HY18: £2.5m; FY18: £29.5m), largely in relation to the Group's realisation of its full holding in Ixico plc and partial realisation of its holding in Concirrus Limited.

Performance summary

A summary of the Income Statement gains and losses that are directly attributable to the portfolio is as follows:

	Six months ended 30 June 2019 £m	Six months ended 30 June 2018 £m	Year ended 31 December 2018 £m
Unrealised gains on the revaluation of investments	**54.0**	46.0	99.7
Unrealised losses on the revaluation of investments	**(91.3)**	(47.5)	(153.1)
Effects of movement in exchange rates	**0.3**	1.6	3.0
Change in fair value of equity and debt investments	**(37.0)**	0.1	(50.4)
Gain on disposals of equity investments	**0.3**	0.6	2.0
Net portfolio gains/(losses)	**(36.7)**	0.7	(48.4)

The largest contributors to unrealised gains on the revaluation of investments were Istesso Limited (£24.7m) and First Light Fusion Limited (£10.4m). These unrealised gains were principally offset by unrealised losses on the revaluation of PsiOxus Therapeutics Limited (£10.9m), Topivert Limited (£10.7m), AIM-quoted Circassia Pharmaceuticals plc (£8.4m), Impression Technologies Limited (£7.2m), Autifony Therapeutics Limited (£7.1m) and Creavo Medical Technologies Limited (£6.5m)[3].

Investments and realisations

The Group deployed a total of £39.0m across 34 new and existing projects during the period (HY18: £46.9m, 41, FY18: £100.9m, 77 projects), and the average level of capital deployed per company remained relatively consistent, at £1.1m, compared to £1.3m in 2018.

[3] Of the fair value gains/losses noted above, the following amounts are attributable to the third-party limited partners in the consolidated fund, IP Venture Fund II: Creavo Medical Technologies Limited: loss of £1.2m.

Cash invested by company focus was as follows:

Cash investment analysis by company focus	**Six months ended 30 June 2019 £m**	Six months ended 30 June 2018 £m	Year ended 31 December 2018 £m
Top 20 by value	**12.8**	10.7	26.0
Focus	**15.3**	16.7	41.6
Other (including companies exited during the period)	**4.9**	10.4	19.4
Total United Kingdom	**33.0**	37.8	87.0
United States[1]	**4.4**	9.1	13.2
Australasia	**1.6**	—	0.7
Total purchase of equity and debt investments	**39.0**	46.9	100.9
Less cash proceeds from sales of equity investments	**(7.1)**	(2.5)	(29.5)
Net investment	**31.9**	44.4	71.4

[1] United States investment total includes £0.7m (2018: £1.1m) invested in Uniformity Labs, Inc., one of the Top 20 holdings by value.

Co-investment analysis

Including the £39m invested by the Group, the Group's portfolio raised a total of £239m during the half year to 30 June 2019 (HY18: £353m; FY18: £717m). Co-investment in HY19 came from more than 65 different investors, excluding individuals, and less than 3% of the funding came from parties with a greater than 1% shareholding in IP Group plc. An analysis of this co-investment by source is as follows:

Portfolio capital raised	**Six months ended 30 June 2019**		**Six months ended 30 June 2018**		**Year ended 31 December 2018**	
	£m	**%**	**£m**	**%**	**£m**	**%**
IP Group	**39.0**	**16.3%**	46.9	13.3%	100.9	14.1%
Funds managed by Parkwalk Advisors	**0.8**	**0.3%**	9.9	2.8%	20.8	2.9%
IP Group plc shareholders (>1% holdings)	**6.7**	**2.8%**	16.5	4.7%	43.1	6.0%
Institutional investors	**91.9**	**38.4%**	180.0	51.0%	291.6	40.7%
Corporate, other EIS, individuals, universities and other	**52.8**	**22.1%**	97.8	27.7%	234.6	32.7%
Capital into multi-sector platforms	**48.1**	**20.1%**	2.0	0.5%	26.0	3.6%
Total	**239.3**	**100.0%**	353.1	100.0%	717.0	100.0%

Portfolio analysis by focus

At 30 June 2019, the Group's portfolio fair value of £1,127.0m was distributed across the portfolio as follows:

Fair value analysis by company stage	**As at 30 June 2019**				As at 31 December 2018			
	Fair value		**Number**		Fair value		Number	
	£m	**%**		**%**	£m	%		%
Top 20 by value	**747.7**	**69%**	**20**	**14%**	732.5	68%	20	13%
Focus	**197.3**	**18%**	**41**	**30%**	204.4	19%	41	27%
Other	**137.3**	**13%**	**78**	**56%**	147.7	13%	89	60%
Total	**1,082.3**	**100%**	**139**	**100%**	1,084.6	100%	150	100%
De minimis and organic holdings	**6.5**				8.3			
Total Portfolio	**1,088.8**				1,092.9			
Attributable to third parties[i]	**38.2**				35.3			
Gross Portfolio	**1,127.0**				1,128.2			

[i] In the above table, the amount attributable to third parties consists of £17.8m attributable to minority interests represented by third party limited partners in the consolidated fund, IP Venture Fund II, £5.7m attributable to minority interests represented by third party limited partners in the consolidated US portfolio, £11.7m attributable to Imperial College London and £3.0m attributable to other third parties (FY 2018: £18.7m, £5.5m, £8.1m and £3.0m).

Top 20 investments consist of the 20 most valuable holdings in the Group's portfolio by the period-end value. Focus investments are those investments that are not within the 20 most valuable, but on which the life sciences and technology teams focus a significant proportion of their resources and capital. These investments typically, although not exclusively, fall within the 100 most valuable portfolio company holdings by period-end value, and they comprise 87% of the portfolio by value (FY18: 84%). Outside of these companies, the portfolio contains a broad selection of potentially exciting opportunities, categorised as 'other'. Many of these opportunities are at an early stage, and they typically receive a lower level of capital and management resource.

Companies which are at a very early stage or in which the Group's holding is of minimal value, but remain as operating businesses, are classed as *de minimis* holdings. Organic holdings are investments in which the Group has acquired a shareholding upon creating the company as a result of our technology transfer relationship with Imperial College London, but in which we have not actively invested.

The total value of the Group's portfolio companies (excluding multi-sector platforms, organic investments and *de minimis* holdings), calculated by reference to the Group's holding in such companies and grossed up to reflect their total value, is now £5bn.

Portfolio analysis by sector

The Group funds spin-out companies based on a wide variety of scientific research emerging from leading research-intensive institutions and does not limit itself to funding companies from particular areas of science. The Group splits its core opportunity evaluation, investment and business-building team into two specialist divisions, Life Sciences and Technology. Where the Group invests in businesses that cannot be classified within these divisions, primarily those portfolio companies which also invest in other opportunities, they are recorded as multi-sector platforms. An update on the two primary operating segments is included in the financial review below.

	As at 30 June 2019				As at 31 December 2018			
	Fair value		**Number**		Fair value		Number	
Fair value analysis by sector	**£m**	**%**		**%**	£m	%		%
Life Sciences	**626.9**	**58%**	**55**	**40%**	624.5	57%	64	43%
Technology	**392.3**	**36%**	**82**	**59%**	396.9	37%	83	55%
Multi-sector platforms	**63.1**	**6%**	**2**	**1%**	63.2	6%	3	2%
Total	**1,082.3**	**100%**	**139**	**100%**	1,084.6	100%	150	100%
De minimis and organic holdings	**6.5**				8.3			
Total Portfolio	**1,088.8**				1,092.9			
Attributable to third parties[i]	**38.2**				35.3			
Gross Portfolio	**1,127.0**				1,128.2			

[i] The amount attributable to third parties consists of £17.8m attributable to minority interests represented by third party limited partners in the consolidated fund, IP Venture Fund II, £5.7m attributable to minority interests represented by third party limited partners in the consolidated US portfolio, £11.7m attributable to Imperial College London and £3.0m attributable to other third parties (FY 2018: £18.7m, £5.5m, £8.1m and £3.0m).

The following table lists information on the 20 most valuable portfolio company investments, which represent 68% of the total portfolio value (HY18: 66%, FY18: 63%). Additional detail on the performance of these companies is included in the Life Sciences and Technology portfolio reviews.

Company name (sector)	**Description**	**Significant named co-investors at 30 June 2019**	**Primary valuation basis at 30 June 2019**	**Group Stake at 30 June 2019[I] %**	**Fair value of Group holding at 31 Dec 2018 £m**	**Net investment/ (divestment) £m**	**Fair value movement and fees settled in equity £m**	**Fair value of Group holding at 30 June 2019 £m**
Oxford Nanopore Technologies Limited (Life Sciences)	Enabling the analysis of any living thing, by any person, in any environment	Amgen, CCB, GIC, Hostplus, Invesco, Lansdowne, WIM	Recent financing (within 12-18 months)	*18.2*	274.1	-	-	**274.1**
Istesso Limited (Life Sciences)	Reprogramming metabolism to treat autoimmune disease	Not disclosed	DCF / third-party valuation	*56.4*	57.9	-	24.7	**82.6**
Oxford Sciences Innovation plc (Multi-sector)	University of Oxford preferred IP partner under 15-year framework agreement	Blue Pool, Fosun Pharma, Invesco, Lansdowne, Redmile, Sequoia, Temasek, Tencent, Willis Towers Watson	Post-balance sheet transaction	*7.6*	55.5	-	0.5	**56.0**
Ceres Power Holdings plc (Technology)	Cheaper, cleaner power for a changing world	Bosch, Lansdowne, Oceanwood, Weichai Power	Quoted (bid price)	*18.8*	47.1	-	0.8	**47.9**
Featurespace Limited (Technology)	Leading predictive analytics company	Highland Europe, Insight, Invoke, MissionOG, TTV Capital, Robert Sansom	Recent financing (within 0-6 months)	*22.3*	25.2	4.1	-	**29.3**
Garrison Technology Limited (Technology)	Anti-malware solutions for enterprise cyber defences	BGF, Dawn Capital, NM Capital	Recent financing (within 6-12 months)	*23.4*	28.8	-	-	**28.8**
First Light Fusion Limited (Technology)	Solving fusion with the simplest possible machine	OSI	Third-party valuation	*35.9*	17.9	-	10.4	**28.3**
Ultrahaptics Holdings Limited (Technology)	Contactless haptic technology "feeling without touching"	Cornes, Dolby Ventures, Hostplus, Mayfair Partners	Recent financing (within 6-12 months)	*23.8*	27.5	-	-	**27.5**
Inivata Limited (Life Sciences)	Transforming clinical cancer care with liquid biopsy	Cancer Research, CIC, J&J Innovation, RT Partners, WIM	Recent financing (within 0-6 months)	*28.2*	18.9	4.1	1.0	**24.0**
Autifony Therapeutics Limited (Life Sciences)	Developing high value, novel medicines to treat serious diseases of the central nervous system	Pfizer, SV Health Investors	DCF	*27.6*	25.6	-	(7.1)	**18.5**
Wave Optics Limited (Technology)	Novel optical waveguides and modules for augmented reality displays	Bosch Venture Capital, Gobi Partners, GoerTek Inc., Octopus	Recent financing (within 6-12 months)	*19.9*	15.2	-	-	**15.2**
Actual Experience plc (Technology)	Optimising the human experience of networked applications	Allianz, Lombard Odier, M&G, Michael Edge, Queen Mary University of London	Quoted (bid price)	*22.1*	19.9	-	(5.0)	**14.9**
Cell Medica Limited (Life Sciences)	Engineered CAR-NKT cell therapies for the treatment of cancer	Invesco, WIM	Third-party valuation	*24.6*	13.9	-	-	**13.9**
Uniformity Labs, Inc. (Technology)	Equipment, materials and software for additive manufacturing	Not disclosed	Recent financing (within 12-18 months)	*22.8*	13.1	0.7	0.1	**13.9**
Mission Therapeutics Limited (Life Sciences)	Targeting deubiquitylating enzymes for the treatment of CNS and mitochondrial disorders	Pfizer, Roche, Sofinnova Partners, SR one, WIM	Third-party valuation	*20.6*	13.7	-	-	**13.7**
YoYo Wallet Limited (Technology)	Mobile payments with integrated loyalty schemes	Hard Yaka, LeadX Capital	Recent financing (within 12-18 months)	*39.8*	13.7	-	-	**13.7**
Crescendo Biologics Limited (Life Sciences)	Biologic therapeutics eliciting the immune system against solid tumours	Andera Partners, Astellas, EMBL Ventures, Quan Capital, Sofinnova Partners, Takeda,	Recent financing (within 12-18 months)	*19.0*	12.3	-	-	**12.3**
PsiOxus Therapeutics Limited (Life Sciences)	Gene and viral therapies for cancer	Invesco, Lundbeckfonden, Mercia, SR one, WIM,	Third-party valuation	*25.3*	22.6	-	(10.9)	**11.7**
Creavo Medical Technologies Limited (Life Sciences)	Next generation cardiac diagnostic device platform bringing magnetocardiography to the point of care	Puhua Capital, University of Leeds	Financing (18-24 months) adjusted downwards	*39.3*	14.4	2.0	(5.3)	**11.1**
Diurnal Group plc	Novel products for the treatment of rare endocrine disorders	Finance Wales, Polar Capital, Oceanwood Capital Management	Quoted (bid price)	*41.7*	5.6	2.0	2.7	**10.3**
Other companies (**119** companies)					361.7	18.7	(45.8)	**334.6**
De minimis and organic investments					8.3	(1.0)	(0.8)	**6.5**
Value not attributable to equity holders [II]					35.3	0.4	2.5	**38.2**
Total					**1,128.2**	**31.0**	**(32.2)**	**1,127.0**

I. Represents the Group's undiluted beneficial economic equity interest (excluding debt) including only the portion of IPVFII's stake attributable to the Group rather than a fully-consolidated basis. Voting interest is below 50%.

II. Includes £6.7m increase in revenue share to Imperial College London, with a corresponding increase in revenue share liability resulting in no net fair value movement.

Portfolio review: Life Sciences

IP Group's Life Sciences portfolio comprises holdings in 55 companies valued at £626.9m as at 30 June 2019.

Oxford Nanopore

The Group's largest holding, Oxford Nanopore, continues to make excellent technical and commercial progress and, in July, announced that both revenues and orders in 2018 were approximately 2.5 times those achieved in 2017. Revenues for 2018 totalled $43.7m compared with $17.8m in 2017 while orders were $60.6m in 2018 compared with $24.5m in 2017. This notwithstanding, in the absence of more recent market transaction data, the Group has continued to fair value Oxford Nanopore based on the primary and secondary transactions completed during 2018 and early 2019 and so recorded no fair value uplift during the period.

A significant milestone was reached as Oxford Nanopore started high-tech, automated manufacturing processes at its new factory in Oxford. The MinION building is a bespoke, state-of-the-art, high-tech manufacturing facility that brings new, highly automated production processes to the manufacturing of consumable flow cells for Oxford Nanopore's novel, real-time DNA/RNA sequencing devices. Full, end-to-end production will be phased in over the coming months. The factory, located on the Harwell Campus in Oxford, will support a significantly increased production capability, exceeding 1 million flow cells/year in four to five years.

In June, the company announced that China's GrandOmics is using the company's new ultra-high throughput device, PromethION 48, to sequence 100,000 genomes for the analysis of important structural variation – a type of genetic variant that is well-resolved with nanopore technology*.* The project aims to sequence 20,000 human genomes in 2019, with a goal of 50,000 by the end of 2020 and total of 100,000 by the end of 2021. The project will explore viable opportunities for the development of clinical applications, with a view to ultimately providing clinical genetic diagnosis services in the future.

Oxford Nanopore announced that the performance of its PromethION sequencing device has now accelerated sufficiently to allow the generation of >7Tb of sequence data on human samples using a complete set of 48 flow cells – the equivalent, when averaged, of 86Gb of real time sequencing data per hour or approximately one human genome at 30X coverage per hour. The company also reported a marked improvement in accuracy with its latest R10 nanopore delivering 99.999% consensus accuracy (known as 'Q50') in a small genome in internal company experiments. R10 was released in mid-July to a number of early access customers.

In May, Oxford Nanopore hosted its fifth annual 'London Calling' event with over 600 attendees from 41 countries gathering to hear the latest research and scientific discoveries made possible using nanopore sequencing. The event, which, for the first time, took place over an extended 2.5 days, saw 87 leading scientists present their work. This year, the agenda included a number of scientists presenting work in translational/diagnostic usages of nanopore sequencing, as well as population-scale sequencing, environmental analysis and, importantly, continued development of analysis tools that improve data analysis or insight generation.

Following a successful early access programme, in March, Oxford Nanopore also started shipping its Flongle product. Flongle is a flow cell adapter for the portable MinION and benchtop GridION enabling even more cost-effective analysis of smaller, routine sequencing tests and assays. The company's MinION Mk1C, which is suitable for any environment from laboratories to remote field-based applications, is also now available to pre-order with deliveries expected in Q3 2019.

Finally, the first half of 2019 also saw the first three announcements of Nanopore sequencing being used in regulated environments: one in food and two in clinical laboratories. Clear Labs, a leading food safety company, announced that it had integrated the high-throughput, benchtop GridION nanopore sequencing device into its automated Clear Safety pathogen testing workflow while Guy's and St Thomas' Hospital in London have developed a test for Huntingdon's disease.

Other significant portfolio company updates

The overall performance of the Life Sciences portfolio has been somewhat disappointing, driven by negative share price movement in listed companies and some clinical/technical event-led fair value reductions in the private portfolio, coupled with no change in the valuation of Oxford Nanopore. Most notably, the failure of Topivert's Phase 2b study to meet primary endpoints for its drug for the treatment of dry-eye disease resulted in a £10.7m (80%) write-down in our holding value of the company, while Bristol-Myers Squibb's decision to hand back the rights to PsiOxus' oncolytic virus NG-348 led to a £10.9m (48%) fair value reduction. Disappointing trial results for Creavo's instrument for detection of acute coronary syndrome led to a £6.5m (37%) fair value reduction, while an ongoing assessment of Autifony's programme led to a £7.1m fair value reduction.

In the public portfolio, Circassia, Tissue Regenix, hVIVO and Intelligent Ultrasound declined in value by an aggregate £13m and the Group took the opportunity to exit in full its remaining Circassia shareholding, generating proceeds of £4.4m in July.

In terms of encouraging progress made elsewhere within the portfolio but not yet fully captured in value, Diurnal has confirmed that, following advice from the EMA, it will submit a Marketing Authorisation Application for Chronocort® in Q4 2019 based on existing data and without the need to conduct a supplemental study to its 2018 Phase 3 trial which did not meet its primary endpoint. Cell Medica and Pulmocide both generated very exciting data in areas of severe unmet need (Cell Medica in neuroblastoma and Pulmocide for fungal infections in lung transplant).

Finally, on 15 July 2019, Istesso announced positive headline results from its Phase 2a study of its investigational drug, MBS2320, for the treatment of rheumatoid arthritis ("RA"). The study was a randomised, double-blind, placebo-controlled trial for which the primary objective was to assess the safety and tolerability of MBS2320 over 12 weeks of treatment in patients receiving background methotrexate therapy. This primary objective was met, with MBS2320 being generally well-tolerated with no drug-related serious adverse events. Amongst secondary objectives, there was evidence of clinical benefit as assessed by the American College of Rheumatology 20% response (ACR20) and Disease Activity Score (DAS28-CRP). Evidence of benefit was also seen in exploratory end points of responder criteria, MRI imaging and the acute-phase reactant, C-reactive protein (CRP). MBS2320 is the subject of an R&D alliance and global option and licence agreement with Janssen Biotech, Inc.

Portfolio review: Technology

IP Group's Technology portfolio comprises holdings in 82 companies valued at £392.3m as at 30 June 2019.

Technology

Many of the largest assets in the portfolio, including Ultrahaptics, Featurespace and Garrison, successfully completed large funding rounds during 2018 or early 2019 and are now therefore focused on deploying that capital to build commercial progress.

In order to build the most powerful and advanced technology stack available for gesture-based computer input and feedback, Ultrahaptics acquired the Silicon Valley company Leap Motion, which owns a broad portfolio of fundamental patents relating to hand tracking. The Leap Motion technology, which is already embedded in Ultrahaptics' own products, can very accurately recognise human hand gestures. We believe that acquisition presents an opportunity for Ultrahaptics to become one of the defining players in the rapidly evolving field of human machine interaction.

Despite positive news from Actual Experience plc of a tripling of revenue growth, "significant customer deployments" and a successful evaluation with Vodafone, the shares fell 25%. Mirriad plc, which has experienced a volatile share price since joining AIM in 2017 rose in value as the market reacted positively to news of the company's two-year 'breakthrough' agreement with Tencent Video following proactive management of the asset by IP Group that precipitated a fundamental change in leadership team and strategy last year.

Following increased acquisition interest in the first half of 2019 at several of our portfolio companies, we took the opportunity to realise £3.6m of our holding in Concirrus to a strategic investor.

Cleantech

It has been a productive six months for the Cleantech portfolio with commercial success and new funding, and there have been notable successes for four portfolio companies: Ceres Power, First Light Fusion, Azuri and C-Capture, as detailed below. Growing interest in this sector reflects increasing motivation to address the Climate Crisis, including the adoption of a 2050 net zero target by the UK Government. Meanwhile, four smaller portfolio companies experienced fair value reductions: Modern Water plc and Seren Photonics issued going concern statements, while seed-stage businesses 8power and Eight19 missed commercial milestones.

Ceres Power, the world-leading developer of low-cost, next-generation fuel cell technology, exceeded market expectations by announcing annual revenues of approximately £16.5 million, a 135% increase on the previous year. This was driven by continued strong progress across existing contracts with its OEM partners, including Bosch and Weichai Power. Ceres also announced its first product launch, having jointly developed a fuel cell heat and power system with Miura Co. Ltd, Japan's largest industrial boiler company. Miura is expected to launch the product in Japan in the second half of 2019. This is a major milestone for Ceres as its breakthrough technology is now being incorporated into commercial offerings in one of the world's largest fuel cell markets. Ceres is also in the process of establishing a new £8m manufacturing facility in Redhill, UK as a reference plant both to serve its growing customer needs and act as a blueprint model for licensee manufacturing partners.

During the first half, First Light Fusion announced that it had successfully completed the building and testing of its unique pulsed power device, dubbed Machine 3. Machine 3 is the biggest pulsed power machine in the world dedicated to researching fusion energy and is capable of discharging up to 200,000 volts and in excess of 14 million ampere – the equivalent of nearly 500 simultaneous lightning strikes – within two microseconds. The commissioning of the machine is another major milestone for the company since its last financing was agreed in 2015 and First Light's management team has stated its confidence in demonstrating fusion using Machine 3 in 2019. As a result of this progress and considering the significant time elapsed since the last financing round was agreed, the Group increased the fair value of its 35.9% holding in First Light by £10.4m to £28.3m.

In June, Azuri Technologies announced a strategic investment of US$26m (£20m) led by Fortune Global 500 company, Marubeni Corporation. Azuri provides solar-powered systems to off-grid consumers in sub-Saharan Africa on a pay-as-you-go basis. Its products enable households without access to the grid to benefit from modern conveniences, from electric lights to satellite TV and internet access via smartphones. The capital infusion will enable Azuri to accelerate expansion in existing sub-Saharan Africa markets and roll-out its solar lighting, TV and additional services into new markets, with a focus on enhancing the lives of millions living without access to the grid.

C-Capture, which has world-leading capture technology for carbon dioxide removal, has continued to secure material support from the UK Government, winning a £5m grant for a two-year programme of work in partnership with the Drax Group to progress their bioenergy and carbon capture and storage ("BECCS") project at Drax Power Station. The funding will be used to further develop understanding of how C-Capture's technology could be scaled up at Drax, to become the world's first negative emissions power station in the 2020s – effectively removing the greenhouse gas carbon dioxide from atmosphere at the same time as electricity is being produced.

Portfolio review: Multi-sector platforms

The Group has shareholdings in two multisector platform companies, Oxford Sciences Innovation plc ("OSI") and Cambridge Innovation Capital plc ("CIC"). During the year to date, the Group has reduced its exposure to OSI and CIC and has exited its small holding in AIM-quoted Frontier IP Group plc, generating total proceeds of £34.9m. As at the date of this report, IP Group has a 3.3% holding in OSI valued at £23.9m and a 1.7% holding in CIC valued at £4.8m.

As a result of its 15-year framework agreement with the University of Oxford, OSI is the preferred intellectual property partner for the provision of capital to, and development of, Oxford spin-out companies and is entitled to 50% of the university's founder equity in spin-out companies. In 2019 OSI has continued to support its existing portfolio, with one further investment being made and OSI leading on 33 investments. The number of investments now stands at 70 with a total portfolio value of £244m and cash and deposits of £444m. Net asset value per share has remained relatively stable, rising from 116.1p to 116.9p.

CIC is a preferred investor for the University of Cambridge for the commercialisation of intellectual property created at the University under a 10-year memorandum of understanding, and a Cambridge-based investor in technology and healthcare companies from the Cambridge Cluster. Since its inception, CIC has secured £275m of investment, invested £140m, and its current portfolio of 27 investments is held at £198m.

Financial and operational review

The Group recorded a loss for the period of £49.5m (HY18: £21.6m loss; FY18: £293.8m loss) and a negative Return on Hard NAV, i.e. on the Group's net assets excluding goodwill and intangible assets, of £46.9m (HY18: (£13.1m); FY18: (£75.6m)). Net assets at 30 June 2019 were £1,172.4m (HY18: £1,489.8m; FY18: £1,218.2m) and Hard NAV totalled 1,171.8m at 30 June 2019 (HY18: £1,283.0m; FY18: £1,217.5m), representing 110.6p per share (HY18: 121.1p; FY18: 115.0p).

Consolidated statement of comprehensive income

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

	Six months ended 30 June 2019 £m	Six months ended 30 June 2018 £m	Year ended 31 December 2018 £m
Net portfolio gains	**(36.7)**	0.7	(48.4)
Change in fair value of limited and limited liability partnership interests	**0.7**	(0.8)	2.3
Net overheads	**(11.7)**	(9.7)	(26.0)
Administrative expenses – consolidated portfolio companies	**(1.9)**	(1.3)	(2.6)
Administrative expenses –share-based payments charge	**(0.9)**	(1.2)	(1.9)
IFRS3 charge in respect of acquisition of subsidiary	**(1.6)**	(1.4)	(3.3)
Carried interest plan provision release/(charge)	**3.6**	(0.7)	1.1
Amortisation of intangible assets	**(0.1)**	(5.9)	(9.9)
Goodwill impairment	**—**	—	(203.2)
Net finance (expense)	**(0.9)**	(1.3)	(1.8)
Taxation	**—**	—	(0.1)
Loss for the period	**(49.5)**	(21.6)	(293.8)
Other comprehensive income	**—**	—	(0.1)
Total comprehensive loss for the period	**(49.5)**	(21.6)	(293.9)
Exclude:			
Amortisation of intangible assets	**0.1**	5.9	9.9
Goodwill impairment	**—**	—	203.2
Share-based payment charge	**0.9**	1.2	1.9
IFRS3 charge in respect of acquisition of subsidiary	**1.6**	1.4	3.3
Return on Hard NAV	**(46.9)**	(13.1)	(75.6)

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

Net overheads

	Six months ended 30 June 2019 £m	Six months ended 30 June 2018 £m	Year ended 31 December 2018 £m
Other income	**3.8**	4.6	9.9
Administrative expenses – all other expenses	**(15.5)**	(14.3)	(34.5)
Administrative expenses – annual incentive scheme	**—**	—	(1.4)
Net overheads	**(11.7)**	(9.7)	(26.0)

Other income comprises fund management fees, licensing and patent income, corporate finance fees as well as consulting and similar fees typically chargeable to portfolio companies for services including executive search and selection as well as legal and administrative support. Other income for the period totalled £3.8m (HY18: £4.6m; FY18: £9.9m); the decline from the previous half year was largely as a result of lower corporate finance fees due to reduced portfolio company fundraise activity.

Other central administrative expenses totalled £15.5m (HY18: £14.3m; FY18: £34.5m). Of these costs, £2.0m relates to the Group's Technology Transfer Office prior to its transfer to Imperial College on 28 February 2019, including associated transfer costs, and so will not be incurred by the Group in future periods. £3.0m relates to the cost of the Group's US and Australasian operations (HY18: £1.9m; FY18: £5.8m). Following the TTO transfer and the surrender of the lease on Touchstone Innovations' head office in Central London, the Group's ongoing cost base now reflects cost synergies of £8m compared to IP Group and Touchstone's combined pre-acquisition net operating cost base as described in the 2018 annual report.

No current period cost has been recognised in respect of the Group's Annual Incentive Scheme, as the majority of performance criteria against Group, Team and Individual targets have not yet been met (HY18: £nil; FY18: £1.4m).

Other income statement items

The share-based payments charge of £0.9m (HY18: £1.2m; FY18: £1.9m) reflects the accounting charge for the Group's Long-Term Incentive Plan and Deferred Bonus Share Plan. This non-cash charge reflects the fair value of services received from employees, measured by reference to the fair value of the share-based payments at the date of award, but has no net impact on the Group's total equity or net assets.

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

The carried interest plan release of £3.6m (HY18: £0.7m charge; FY18: £1.1m release) relates to the recalculation of liabilities under the Group's carry schemes, which include a scheme for the combined UK investment teams, as well as historic IP Group and Touchstone schemes. No payments are due to scheme members until sufficient asset realisations in excess of a performance hurdle have occurred.

Costs of £1.6m (HY18: £1.4m; FY18: £3.3m) were recognised in relation to deferred and contingent consideration payable to the sellers of Parkwalk Advisors Limited deemed under IFRS3 to be a payment for post-acquisition services.

Consolidated statement of financial position

A summary analysis of the Group's assets and liabilities is provided below:

	30 June 2019 £m	30 June 2018 £m	31 December 2018 £m
Goodwill and other intangible assets	**0.6**	206.8	0.7
Portfolio	**1,127.0**	1,148.2	1,128.2
Other non-current assets	**24.1**	14.9	18.8
Cash and deposits	**161.1**	258.5	219.0
EIB debt facility	**(90.1)**	(102.5)	(97.8)
Other net current liabilities	**(20.8)**	(2.6)	(9.9)
Other non-current liabilities	**(29.5)**	(33.5)	(40.8)
Total Equity or Net Assets	**1,172.4**	1,489.8	1,218.2
Exclude:			
Goodwill and other intangible assets	**(0.6)**	(206.8)	(0.7)
Hard NAV	**1,171.8**	1,283.0	1,217.5
Hard NAV per share	**110.6p**	121.1p	115.0p

The composition of, and movements in, the Group's portfolio are described in the *Portfolio review* above.

Portfolio Valuation Basis

	30 June 2019 £m	30 June 2018 £m	31 December 2018 £m
Quoted	**113.1**	204.7	133.2
Recent financing (<12 months)	**264.6**	649.3	657.3
Recent financing (>12 months)	**438.9**	151.5	197.9
Other valuation methods	**274.6**	107.0	106.7
Debt	**35.8**	35.7	33.1
Total portfolio	**1,127.0**	1,148.2	1,128.2

The table above summarises the valuation basis for the Group's portfolio. Further details on the Group's valuation policy can be found in note 3, and in the 2018 Annual Report and Accounts. The Group seeks to use observable market data as the primary basis for determining asset fair values where appropriate. Other valuation methods include: market-derived valuations adjusted to reflect considerations including (inter alia) technical measures, financial measures and market and sales measures; discounted cash flows and price-earnings multiples. The Group engages third party valuation specialists to provide valuation support where required.

Other Assets/Liabilities

The majority of non-current assets relate to holdings in LP and LLP funds. The most valuable of these is the Group's £17.9m holding in UCL Technology Fund LP, a fund formed to create and fund spin-outs from University College London (FY18: £13.2m; HY18: £8.8m), alongside investments in Technikos LLP, Apollo Therapeutics LLP, and IP Venture Fund. These funds provide the Group with an economic interest, and direct investment opportunities, in a portfolio of early stage companies as well as relationships with institutional co-investors.

The Group has debt facilities with the European Investment Bank ("EIB"), total borrowings under which totalled £90.1m at the period end (HY18: £102.5m, FY18: £97.8m). Of these facilities, £15.4m is due to be repaid within twelve months of the period end (HY18: £12.4m, FY18: £15.4m). The facilities provide the Group with an additional source of long-term capital to support its future growth and development.

The largest item within other non-current liabilities represents loans from limited partners of (i.e. investors in) limited partnership ("LP") funds. The Group consolidates the assets of two LP funds, which meet the control definition set out in IFRS10 since the Group has management control over, and significant economic interest in, these funds. The two funds are our co-investment fund with the EIF, IP Venture Fund II LP, and IPG Cayman LP, which was created in 2018 to facilitate third party investment into the Group's US portfolio. Loans from third parties of consolidated funds represent loans into these partnerships from investors other than the Group, one of the most common methods of providing finance to LP venture capital funds. These loans are repayable to limited partners only from the realisations of assets held by such LP funds.

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

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

	Six months ended 30 June 2019 £m	Six months ended 30 June 2018 £m	Year ended 31 December 2018 £m
Net Cash used in operating activities	**(15.4)**	(19.1)	(24.9)
Net Cash (used in)/generated by investing activities (excluding cash flows from deposits)	**(37.4)**	(47.1)	(76.0)
Repayment/Drawdown of debt facility	**(7.7)**	(1.6)	(6.3)
Other financing activities	**2.6**	—	—
Effect of foreign exchange rate changes	—	—	(0.1)
Movement during period	**(57.9)**	(67.8)	(107.3)

At 30 June 2019, the Group's Cash totalled £161.1m, a decrease of £57.9m from a total of £219.0m at 31 December 2018, predominantly due to investing activities of £37.4m and £15.4m of cash outflow from operations.

A categorisation of the Group's Cash is provided below:

	Six months ended 30 June 2019 £m	Six months ended 30 June 2018 £m	Year ended 31 December 2018 £m
Held within Group subsidiaries	**149.6**	257.2	199.6
Held by consolidated funds – US portfolio	**8.6**	—	15.7
Held by consolidated funds – all other funds	**0.2**	0.3	1.8
Held by consolidated portfolio companies	**2.7**	1.0	1.9
Total Cash	**161.1**	258.5	219.0

Under the terms of its term loans with the EIB, the Group is required to maintain a minimum cash balance of £30m. The Group is also required to hold six months of debt service costs (interest and capital repayments) in a separate bank account, which totalled £9.4m at 30 June 2019 (FY18: £9.4m; HY18: £6.3m).

Taxation

The Group's business model seeks to deliver long-term value to its stakeholders through the commercialisation of fundamental research carried out at its partner universities. To date, this has been largely achieved through the formation of, and provision of services and development capital to, spin-out companies formed around the output of such research. The Group primarily seeks to generate capital gains from its holdings in spin-out companies over the longer term but has historically made annual net operating losses from its operations from a UK tax perspective. Capital gains achieved by the Group would ordinarily be taxed upon realisation of such holdings; however since the Group typically holds in excess of 10% in its portfolio companies and those companies are themselves trading, the directors continue to believe that the majority of its holdings will qualify for the Substantial Shareholdings Exemption ("SSE"). This exemption provides that gains arising on the disposal of qualifying holdings are not chargeable to UK corporation tax and, as such, the Group has continued not to recognise a provision for deferred taxation in respect of uplifts in value on those equity holdings that meet the qualifying criteria. Gains arising on sales of non-qualifying holdings would ordinarily give rise to taxable profits for the Group, to the extent that these exceed the Group's operating losses from time to time.

Alternative Performance Measures ('APMs')

The Group discloses alternative performance measures, such as Hard NAV and Return on Hard NAV, in this half-yearly report. The Directors believe that these APMs assist in providing additional useful information on the underlying trends, performance and position of the Group. Further information on APMs utilised in the Group is set out in note 27 of the Group's 2018 Annual Report and Accounts.

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 2018 Annual Report and Accounts. The principal risks and uncertainties are summarised as follows:

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

The Group reviewed its operational, strategic and principal risk registers in the period including considering the risks posed by WIM's current difficulties, noting their potential impact from a reputational and shareholder perspective and concluded that it did not currently result in any significant changes in the nature of the Group's principal risks.

Additionally, while not a significant change in the Group's risk profile, the review also considered that given current reporting trends and the potential threat of cyber security in the industry in general, that it may choose to report on cyber and IT security threats as a separate principal risk in the 2020 annual report.

The Group has concluded that it is not aware of any significant changes in the nature of the principal risks that would affect the next six months of the financial year, and thus the Group believes the risks noted above remain applicable to the forthcoming six months.

Condensed consolidated statement of comprehensive income
For the six months ended 30 June 2019

	Note	**Unaudited six months ended 30 June 2019 £m**	Unaudited six months ended 30 June 2018 £m	Audited year ended 31 December 2018 £m
Portfolio return and revenue				
Change in fair value of equity and debt investments	3	**(37.0)**	0.1	**(50.4)**
Gain on disposal of equity investments		**0.3**	0.6	**2.0**
Change in fair value of limited and limited liability partnership interests	7	**0.7**	(0.8)	**2.3**
Revenue from services and other income		**3.8**	4.6	**9.9**
		(32.2)	4.5	**(36.2)**
Administrative expenses				
Carried interest plan release / (charge)		**3.6**	(0.7)	**1.1**
Share-based payment charge		**(0.9)**	(1.2)	**(1.9)**
Goodwill impairment	6	**—**	—	**(203.2)**
Amortisation of intangible assets	5	**(0.1)**	(5.9)	**(9.9)**
Other administrative expenses		**(19.0)**	(17.0)	**(41.8)**
		(16.4)	(24.8)	**(255.7)**
Operating loss		**(48.6)**	(20.3)	**(291.9)**
Finance income – interest receivable		**0.6**	0.6	**1.2**
Finance income – interest payable		**(1.5)**	(1.9)	**(3.0)**
Loss before taxation		**(49.5)**	(21.6)	**(293.7)**
Taxation		**—**	—	**(0.1)**
Loss for the period		**(49.5)**	(21.6)	**(293.8)**
Other comprehensive income				
Exchange differences on translating foreign operations		**—**	—	**(0.1)**
Total comprehensive loss for the period		**(49.5)**	(21.6)	**(293.9)**
Attributable to:				
Equity holders of the parent		**(47.1)**	(22.1)	**(293.8)**
Non-controlling interest		**(2.4)**	0.5	**(0.1)**
		(49.5)	(21.6)	**(293.9)**
Earnings per share				
Basic (p)	2	**(4.45)**	(2.09)	**(27.75)**
Diluted (p)	2	**(4.45)**	(2.09)	**(27.75)**

Condensed consolidated statement of financial position

As at 30 June 2019

	Note	**Unaudited 30 June 2019 £m**	Unaudited 30 June 2018 £m	Audited 31 December 2018 £m
ASSETS				
Non-current assets				
Intangible assets:				
Goodwill	6	**0.4**	202.5	0.4
Acquired intangible asset	5	**0.2**	4.3	0.3
Property, plant and equipment		**1.9**	2.0	1.5
Portfolio:				
Equity investments	3	**1,091.2**	1,116.5	1,095.1
Debt investments	3	**35.8**	31.7	33.1
Limited and limited liability partnership interests		**22.2**	12.9	17.3
Total non-current assets		**1,151.7**	1,369.9	1,147.7
Current assets				
Trade and other receivables		**7.1**	8.4	6.6
Deposits		**50.0**	80.0	90.0
Cash and cash equivalents		**111.1**	178.5	129.0
Total current assets		**168.2**	266.9	225.6
Total assets		**1,319.9**	1,636.8	1,373.3
EQUITY AND LIABILITIES				
Equity attributable to owners of the parent				
Called up share capital	4	**21.2**	21.1	21.2
Share premium account		**684.7**	683.1	684.7
Merger reserve		**372.6**	510.3	372.6
Retained earnings		**89.4**	270.8	135.8
Total equity attributable to equity holders		**1,167.9**	1,485.3	1,214.3
Non-controlling interest		**4.5**	4.5	3.9
Total equity		**1,172.4**	1,489.8	1,218.2
Current liabilities				
Trade and other payables		**12.4**	11.0	16.5
EIB debt facility		**15.4**	12.4	15.4
Non-current liabilities				
EIB debt facility		**74.7**	90.1	82.4
Carried interest plan liability		**3.3**	8.6	6.8
Loans from limited partners of consolidated funds		**25.9**	13.1	23.0
Provisions for liabilities and charges		**15.8**	11.8	11.0
Total equity and liabilities		**1,319.9**	1,636.8	1,373.3

Condensed consolidated statement of cash flows

For the six months ended 30 June 2019

	Unaudited six months ended 30 June 2019 £m	Unaudited six months ended 30 June 2018 £m	Audited year ended 31 December 2018 £m
Operating activities			
Operating loss	**(48.6)**	(20.3)	(291.9)
Adjusted for:			
Change in fair value of equity and debt investments	**37.0**	(0.1)	50.4
Change in fair value of limited and limited liability partnership interests	**(0.7)**	0.8	(2.3)
Gain on disposal of equity investments	**(0.3)**	(0.6)	(2.0)
Depreciation of property, plant and equipment	**1.5**	0.5	1.2
Amortisation of intangible non-current assets	**0.1**	5.9	9.9
Goodwill Impairment	—	—	203.2
Long term incentive carry scheme plan (release) / charge	**(3.6)**	0.7	(1.1)
IFRS3 charge in respect of acquisition of subsidiary – equity-settled	—	1.7	—
Fees settled in the form of equity	—	—	(0.3)
Share-based payment charge	**0.9**	1.2	1.9
Changes in working capital:			
(Increase)/decrease in trade and other receivables	**0.8**	(0.4)	1.5
Decrease in trade and other payables	**(4.6)**	(7.4)	(3.6)
Increase in non-current liabilities	**3.0**	—	9.9
Other operating cash flows:			
Net interest paid	**(0.9)**	(1.1)	(1.7)
Net cash outflow from operating activities	**(15.4)**	(19.1)	(24.9)
Investing activities			
Purchase of property, plant and equipment	**(1.3)**	—	(0.6)
Purchase of equity and debt investments	**(39.0)**	(46.9)	(100.9)
Investment in limited and limited liability partnerships	**(4.7)**	(2.9)	(4.8)
Distributions from limited partnership funds	**0.5**	0.2	0.8
Net cash flow from deposits	**40.0**	15.0	5.0
Proceeds from sale of equity investments	**7.1**	2.5	29.5
Net cash outflow from investing activities	**2.6**	(32.1)	(71.0)
Financing activities			
Proceeds from the issue of share capital	**3.2**	—	—
Lease principal payment	**(0.6)**	—	—
Repayment of EIB facility	**(7.7)**	(1.6)	(6.3)
Net cash outflow from financing activities	**(5.1)**	(1.6)	(6.3)
Net decrease in cash and cash equivalents	**(17.9)**	(52.8)	(102.2)
Cash and cash equivalents at the beginning of the period	**129.0**	231.3	231.3
Effect of foreign exchange rate changes	—	—	(0.1)
Cash and cash equivalents at the end of the period	**111.1**	178.5	129.0

Condensed consolidated statement of changes in equity
For the six months ended 30 June 2019

	Attributable to equity holders of the parent						
	Share capital £m	Share premium £m	Merger reserve £m	Retained earnings £m	Total £m	Non-controlling interest £m	Total equity £m
At 31 December 2017 (audited)	21.1	683.1	508.6	291.7	1,504.5	4.0	1,508.5
Issue of equity	—	—	1.7	—	1.7	—	1.7
Comprehensive income	—	—	—	(22.1)	(22.1)	0.5	(21.6)
Equity-settled share-based payments	—	—	—	1.2	1.2	—	1.2
At 30 June 2018 (unaudited)	21.1	683.1	510.3	270.8	1,485.3	4.5	1,489.8
Issue of equity	0.1	1.6	(1.7)	—	—	—	—
Comprehensive income	—	—	—	(271.7)	(271.7)	(0.6)	(272.3)
Transfer between reserves on impairment of subsidiaries	—	—	(136.0)	136.0	—	—	—
Equity-settled share-based payments	—	—	—	0.7	0.7	—	0.7
At 31 December 2018 (audited)	**21.2**	**684.7**	**372.6**	**135.8**	**1,214.3**	**3.9**	**1,218.2**
Comprehensive income	**—**	**—**	**—**	**(47.1)**	**(47.1)**	**(2.4)**	**(49.5)**
Issue of equity by consolidated portfolio company	**—**	**—**	**—**	**—**	**—**	**3.0**	**3.0**
Purchase of treasury stock	**—**	**—**	**—**	**(0.2)**	**(0.2)**	**—**	**(0.2)**
Equity-settled share-based payments	**—**	**—**	**—**	**0.9**	**0.9**	**—**	**0.9**
At 30 June 2019 (unaudited)	**21.2**	**684.7**	**372.6**	**89.4**	**1,167.9**	**4.5**	**1,172.4**

Notes to the half-yearly condensed set of financial statements

1. Operating segments

For each of the periods referenced below, the Group's revenue and profit/loss before taxation were derived almost entirely from its principal activities within the UK. For management reporting purposes, the Group is currently organised into two operating segments: (i) the commercialisation of intellectual property via the formation of long-term partner relationships with universities; (ii) the management of EIS and venture funds focusing on early-stage UK technology companies. Consideration has been given to whether the UK Life sciences and Technology partnerships or the US and Australasian operations represent separate reporting segments. In light of the Executive level management of several strategic assets in the portfolio, the involvement of the Board in the investment approval process for larger investments and following consideration of the criteria for aggregation of operating segments, we conclude that this is not the case.

Six months ended 30 June 2019 (unaudited)	University partnership business £m	Venture capital fund management £m	Consolidated £m
STATEMENT OF COMPREHENSIVE INCOME			
Portfolio return and revenue			
Change in fair value of equity and debt investments	(37.0)	—	(37.0)
Gain on disposal of equity investments	0.3	—	0.3
Change in fair value of limited and limited liability partnership investments	0.7	—	0.7
Revenue from services and other income	1.4	2.4	3.8
	(34.6)	2.4	(32.2)
Administrative expenses			
Carried interest plan charge	3.6	—	3.6
Share-based payment charge	(0.9)	—	(0.9)
Amortisation of intangible assets	(0.1)	—	(0.1)
Other administrative expenses	(17.3)	(1.7)	(19.0)
	(14.7)	(1.7)	(16.4)
Operating (loss)/profit	(49.3)	0.7	(48.6)
Finance income – interest receivable	0.6	—	0.6
Finance income – interest payable	(1.5)	—	(1.5)
(Loss)/profit before taxation	(50.2)	0.7	(49.5)
Taxation	—	—	—
(Loss)/profit for the period	(49.5)	0.7	(49.5)
STATEMENT OF FINANCIAL POSITION			
Assets	1,299.2	20.7	1,319.9
Liabilities	(138.4)	(9.2)	(147.6)
Net assets	1,160.9	11.5	1,172.4
Other segment items			
Capital expenditure	1.3	—	1.3
Depreciation	(1.5)	—	(1.5)

Six months ended 30 June 2019 (unaudited)	UK £m	Non-UK £m	Consolidated £m
STATEMENT OF COMPREHENSIVE INCOME BY GEOGRAPHY			
Portfolio return and revenue	(34.9)	2.7	(32.2)
Administrative expenses	(11.1)	(5.3)	(16.4)
Operating (loss)/ profit	(46.0)	(2.6)	(48.6)
Net interest	(0.9)	—	(0.9)
(Loss)/ profit before taxation	(46.9)	(2.6)	(49.5)
Taxation	—	—	—
(Loss)/ profit for the year	(46.9)	(2.6)	(49.5)

Six months ended 30 June 2019 (unaudited)	UK £m	Non-UK £m	Consolidated £m
STATEMENT OF FINANCIAL POSITION BY GEOGRAPHY			
Current assets	152.7	15.5	168.2
Non-current assets	1,097.2	54.5	1,151.7
Current liabilities	(23.6)	(4.2)	(27.8)
Non-current liabilities	(110.0)	(9.7)	(119.7)
Total equity	1,116.3	56.1	1,172.4

Six months ended 30 June 2018 (unaudited)	University partnership business £m	Venture capital fund management £m	Consolidated £m
STATEMENT OF COMPREHENSIVE INCOME			
Portfolio return and revenue			
Change in fair value of equity and debt investments	0.1	—	0.1
Gain on disposal of equity investments	0.6	—	0.6
Change in fair value of limited and limited liability partnership investments	(0.8)	—	(0.8)
Revenue from services and other income	1.3	3.3	4.6
	1.2	3.3	4.5
Administrative expenses			
Carried interest plan charge	(0.7)	—	(0.7)
Share-based payment charge	(1.2)	—	(1.2)
Amortisation of intangible assets	(5.9)	—	(5.9)
Other administrative expenses	(15.2)	(1.8)	(17.0)
	(23.0)	(1.8)	(24.8)
Operating (loss)/profit	(21.8)	1.5	(20.3)
Finance income – interest receivable	0.6	—	0.6
Finance income – interest payable	(1.9)	—	(1.9)
(Loss)/profit before taxation	(23.1)	1.5	(21.6)
Taxation	—	—	—
(Loss)/profit for the period	(23.1)	1.5	(21.6)
STATEMENT OF FINANCIAL POSITION			
Assets	1,618.6	18.2	1,636.8
Liabilities	(139.8)	(7.2)	(147.0)
Net assets	1,478.8	11.0	1,489.8
Other segment items			
Capital expenditure	—	—	—
Depreciation	(0.5)	—	(0.5)

Six months ended 30 June 2018 (unaudited)	UK £m	Non-UK £m	Consolidated £m
STATEMENT OF COMPREHENSIVE INCOME BY GEOGRAPHY			
Portfolio return and revenue	(5.1)	9.6	4.5
Administrative expenses	(21.5)	(3.3)	(24.8)
Operating (loss)/ profit	(26.6)	6.3	(20.3)
Net interest	(1.3)	—	(1.3)
(Loss)/ profit before taxation	(27.9)	6.3	(21.6)
Taxation	—	—	—
(Loss)/ profit for the year	(27.9)	6.3	(21.6)

Six months ended 30 June 2018 (unaudited)	UK £m	Non-UK £m	Consolidated £m
STATEMENT OF FINANCIAL POSITION BY GEOGRAPHY			
Current assets	265.5	1.4	266.9
Non-current assets	1,341.2	28.7	1,369.9
Current liabilities	(22.2)	(1.2)	(23.4)
Non-current liabilities	(123.6)	—	(123.6)
Total equity	1,460.9	28.9	1,489.8

Year ended 31 December 2018 (audited)	University partnership business £m	Venture capital fund management £m	Consolidated £m
STATEMENT OF COMPREHENSIVE INCOME			
Portfolio return and revenue			
Change in fair value of equity and debt investments	(50.4)	—	(50.4)
Gain on disposal of equity investments	2.0	—	2.0
Change in fair value of limited and limited liability partnership investments	2.3	—	2.3
Revenue from services and other income	3.4	6.5	9.9
	(42.7)	6.5	(36.2)
Administrative expenses			
Carried interest plan charge	1.1	—	1.1
Share-based payment charge	(1.9)	—	(1.9)
Goodwill impairment	(201.1)	(2.1)	(203.2)
Amortisation of intangible assets	(9.2)	(0.7)	(9.9)
Other administrative expenses	(34.3)	(7.5)	(41.8)
	(245.4)	(10.3)	(255.7)
Operating (loss)/profit	(288.1)	(3.8)	(291.9)
Finance income – interest receivable	1.2	—	1.2
Finance income – interest payable	(3.0)	—	(3.0)
(Loss)/profit before taxation	(289.9)	(3.8)	(293.7)
Taxation	(0.1)	—	(0.1)
(Loss)/profit for the period	(290.0)	(3.8)	(293.8)
STATEMENT OF FINANCIAL POSITION			
Assets	1,351.0	20.5	1,373.3
Liabilities	(145.2)	(8.1)	(155.1)
Net assets	1,205.8	12.4	1,218.2
Other segment items			
Capital expenditure	0.6	—	0.6
Depreciation	(1.2)	—	(1.2)

Year ended 31 December 2018 (audited)	UK £m	Non-UK £m	Consolidated £m
STATEMENT OF COMPREHENSIVE INCOME BY GEOGRAPHY			
Portfolio return and revenue	(50.4)	14.2	(36.2)
Administrative expenses	(247.7)	(8.0)	(255.7)
Operating (loss)/ profit	(298.1)	6.2	(291.9)
Net interest	(1.8)	—	(1.8)
(Loss)/ profit before taxation	(299.9)	6.2	(293.7)
Taxation	(0.1)	—	(0.1)
(Loss)/ profit for the year	(300.0)	6.2	(293.8)

Year ended 31 December 2018 (audited)	UK £m	Non-UK £m	Consolidated £m
STATEMENT OF FINANCIAL POSITION BY GEOGRAPHY			
Current assets	207.4	18.2	225.6
Non-current assets	1,099.8	47.9	1,147.7
Current liabilities	(24.4)	(7.5)	(31.9)
Non-current liabilities	(107.5)	(15.7)	(123.2)
Total equity	1,175.3	42.9	1,218.2

2. Earnings per share

Earnings	**Unaudited six months ended 30 June 2019 £m**	Audited six months ended 30 June 2018 £m	Audited year ended 31 December 2018 £m
Earnings for the purposes of basic and dilutive earnings per share	**(47.1)**	(22.1)	(293.8)

Number of shares	**Unaudited six months ended 30 June 2019 Number of shares**	Audited six months ended 30 June 2018 Number of shares	Audited year ended 31 December 2018 Number of shares
Weighted average number of ordinary shares for the purposes of basic earnings per share	**1,059,144,595**	1,058,205,661	1,058,678,987
Effect of dilutive potential ordinary shares: Options or contingently issuable shares	-	-	-
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**1,059,144,595**	1,058,205,661	1,058,678,987

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

3. Investment portfolio

The accounting policies in regard to valuations in these half-yearly results are the same as those applied by the Group in its audited consolidated financial statements for the year ended 31 December 2018 and which will form the basis of the 2019 Annual Report and Accounts. Investments are designated as fair value through profit or loss and are initially recognised at fair value and any gains or losses arising from subsequent changes in fair value are presented in profit or loss in the statement of comprehensive income in the period in which they arise.

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

Level 1 – Quoted prices in active markets

Level 2 – Inputs other than quoted prices that are observable, such as prices from market transactions

Level 3 – One or more inputs that are not based on observable market data

As an additional disclosure, we present a further analysis of Level 3, reflecting the following categories:

Level 3a equity — Equity investments where prices have been determined from recent investments in the last twelve months

Level 3b — Equity investments using valuation techniques that are not supported by observable market prices or rates. This includes where prices have been determined from the most recent market transaction, but that transaction occurred more than twelve months prior to the balance sheet date, and a variety of other valuation techniques

	Level 1	Level 3			
		Level 3a	Level 3b		
	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 unquoted spin-out companies £m	Total £m
At 31 December 2017 (audited)	225.0	308.2	42.3	524.3	1,099.8
Investments during the period	0.5	32.8	8.2	5.4	46.9
Transaction-based reclassifications during the period	4.7	9.2	(14.8)	0.9	—
Other transfers between hierarchy levels during the period	—	281.1	—	(281.1)	—
Disposals during the period	(2.6)	—	—	(0.7)	(3.3)
Fees settled via equity	—	—	—	—	—
Change in revenue share	0.2	—	—	4.5	4.7
Change in fair value in the period	(23.1)	18.0	—	5.2	0.1
At 30 June 2018 (unaudited)	204.7	649.3	35.7	258.5	1,148.2
Investments during the period	10.7	35.2	8.1	—	54.0
Transaction-based reclassifications during the period	—	2.7	(2.2)	(0.5)	—
Other transfers between hierarchy levels during the period	—	(70.7)	—	70.7	—
Disposals during the period	(5.3)	(1.4)	(8.0)	(9.5)	(24.2)
Fees settled via equity	—	0.2	—	—	0.2
Change in revenue share	(0.2)	0.4	—	0.3	0.5
Change in fair value in the period	(76.7)	41.6	(0.5)	(14.9)	(50.5)
At 31 December 2018 (audited)	**133.2**	**657.3**	**33.1**	**304.6**	**1,128.2**
Investments during the period	**3.4**	**15.8**	**14.0**	**5.8**	**39.0**
Transaction-based reclassifications during the period	—	**4.4**	**(6.6)**	**2.2**	—
Other transfers between hierarchy levels during the period	**(3.5)**	**(413.4)**	**(1.0)**	**417.9**	—
Disposals during the period	**(0.1)**	**(2.9)**	—	**(3.8)**	**(6.8)**
Change in revenue share	—	—	—	**3.6**	**3.6**
Change in fair value in the period	**(19.9)**	**3.4**	**(3.7)**	**(16.8)**	**(37.0)**
At 30 June 2019 (unaudited)	**113.1**	**264.6**	**35.8**	**713.5**	**1,127.0**

Fair values of unquoted spin-out companies classified as Level 3b in the fair value hierarchy have been determined in part or in full by valuation techniques that are not supported by observable market prices or rates. Investments in 160 (HY18: 166, FY18: 190) companies have been classified as Level 3b and the individual valuations for each of these have been arrived at using the following valuation method:

Where fair values are based upon the most recent market transaction, but that transaction occurred more than twelve months prior to the balance sheet date, the investments are classified as Level 3b in the fair value hierarchy. Due to the nature of the investments, observable market inputs are not commonly available, therefore consideration of indicators of a change in fair value focus on the companies' performance and achievement of technical and commercial milestones.

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

If the fair value of all Level 3b equity investments were to decrease by 10%, the net assets figure would decrease by £71.4m (HY18: £25.8m, FY18: £30.5m), with a corresponding increase if the unobservable inputs were to increase by 10%.

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

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

Transfers between Level 3a and 1 occur when a previously unquoted investment undertakes an initial public offering, resulting in its equity becoming quoted on an active market. In the current period, there were no transfers of this nature.

Transfers between Level 1 and Level 3a would occur when a quoted investment's market becomes inactive. There have been no such instances in the current period.

Transfers between Level 3b and Level 3a occur when an investment, for which the penultimate funding round occurred more than twelve months before the prior period end, undertakes an investment round during the period that results in an observable market price. In the current period, transfers of this nature amounted to £57.5m (HY18: £366.1m, FY18: £471.9m).

Transfers between Level 3a and Level 3b occur when the balance sheet date becomes more than twelve months after an investment's most recent funding round, at which point the price is deemed to be unobservable. In the current period, transfers of this nature amounted to £493.4 (HY18: £85.0m, FY18: £164.6m).

The fair value changes in Level 3b investments have amounted to a loss of £20.2m in the period (HY18: gain £5.2m, FY18: gain £23.6m), recognised as change in fair value of equity and debt investments in the condensed consolidated statement of comprehensive income.

4. Share capital

	Unaudited 30 June 2019 £m	Unaudited 30 June 2018 £m	Audited 31 December 2018 £m
Issued and fully paid:			
1,059,144,595 ordinary shares of 2p each (HY18: 1,058,205,661; FY18: 1,059,144,595)	**21.2**	21.1	21.2

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

5. Intangible assets

	Total £m
Cost	
At 1 January 2018 (audited)	30.6
Additions	-
At 30 June 2018 (unaudited)	30.6
Additions	-
At 31 December 2018 (audited)	30.6
Additions	**-**
At 30 June 2019 (unaudited)	**30.6**

Accumulated amortisation	**Total £m**
At 1 January 2018 (audited)	20.4
Charge for the period	5.9
At 30 June 2018 (unaudited)	26.3
Charge for the period	4.0
At 31 December 2019 (audited)	30.3
Charge for the period	0.1
At 30 June 2019 (unaudited)	**30.4**

Net book value	Total £m
At 30 June 2018 (unaudited)	4.3
At 31 December 2018 (audited)	0.3
At 30 June 2019 (unaudited)	**0.2**

The intangible assets represent contracts with customers and other contractual arrangements with UK universities acquired through acquisition of subsidiaries. The contractual arrangements have fixed terms and, consequently, the intangible assets have a finite life which align with the remaining terms which, at the end of the period, range from two months to 29 months. The individual contractual arrangements are amortised in a straight line over the remainder of their terms with the expense being presented directly on the primary statements.

6. Goodwill

	£m
At 1 January 2018 (audited)	202.5
At 30 June 2018 (unaudited)	202.5
Recognised on buyout of minority interest in US platform	1.1
Impairment of Goodwill	(203.2)
31 December 2018 (audited)	0.4
At 30 June 2019 (unaudited)	**0.4**

7. Related party transactions

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

a) Limited partnerships

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

Income statement	**Unaudited six months ended 30 June 2019 £m**	Unaudited six months ended 30 June 2018 £m	Audited year ended 31 December 2018 £m
Revenue from services	**0.1**	0.3	0.5

Statement of financial position	**Unaudited 30 June 2019 £m**	Unaudited 30 June 2018 £m	Audited 31 December 2018 £m
Investment in limited partnerships	**4.4**	2.9	5.8
Amounts due from related parties	**0.1**	0.8	1.2

b) Key management transactions

The following key management held shares in the following spin-out companies as at 30 June 2019:

Director/ PDMR	Company name	Number of shares held at 1 January 2019	Number of shares acquired/ (disposed of) in the period	Number of shares held at 30 June 2019	%
Alan Aubrey	Accelercomm Limited	638	—	638	0.24%
	Alesi Surgical Limited	18	—	18	0.14%
	Amaethon Limited — A Shares	104	—	104	3.12%
	Amaethon Limited — B Shares	11,966	—	11,966	1.04%
	Amaethon Limited — Ordinary shares	21	—	21	0.32%
	Avacta Group plc	191,334	—	191,334	0.16%
	Boxarr Limited	1,732	—	1,732	0.24%
	Capsant Neurotechnologies Limited	11,631	—	11,631	0.81%
	Crysalin Limited	1,447	—	1,447	0.13%
	Deep Matter Group plc	2,172,809	—	2,172,809	0.30%
	Ditto AI Limited	170,968,596	—	170,968,596	12.21%
	Diurnal Group plc	15,000	—	15,000	<0.1%
	EmDot Limited	15	—	15	0.87%
	Getech Group plc	15,000	—	15,000	<0.1%
	hVivo plc	37,160	—	37,160	<0.1%
	Ilika plc	14,476	—	14,476	<0.1%
	Istesso Limited	1,185,150	—	1,185,150	1.50%
	Itaconix plc	88,890	—	88,890	<0.1%
	Karus Therapeutics Limited	223	—	223	<0.1%
	Microbiotica Limited	10,000	—	10,000	<0.1%
	Mirriad Advertising plc	33,333	—	33,333	<0.1%
	Modern Water plc	519,269	—	519,269	0.46%
	Oxbotica Limited	16	13	29	<0.1%
	Oxford Advanced Surfaces Limited	1	—	1	<0.1%
	Oxford Nanopore Technologies Limited	101,208	—	101,208	0.35%
	Perachem Holdings plc	108,350	—	108,350	0.29%
	Salunda Limited	53,639	—	53,639	<0.1%
	Structure Vision Limited	212	(212)	0	0.00%
	Surrey Nanosystems Limited	453	—	453	0.22%
	Tissue Regenix Group plc	2,389,259	—	2,389,259	0.20%
	Xeros Technology Group plc	22,847	—	22,847	<0.1%
	Zeetta Networks Limited	424	—	424	0.13%
Mike Townend	Amaethon Limited — A Shares	104	—	104	3.12%
	Amaethon Limited — B Shares	11,966	—	11,966	1.04%
	Amaethon Limited — Ordinary shares	21	—	21	0.32%
	Applied Graphene Materials plc	22,619	—	22,619	<0.1%
	Avacta Group plc	20,001	—	20,001	<0.1%
	Capsant Neurotechnologies Limited	11,282	—	11,282	0.79%
	Creavo Technologies Limited	117	—	117	<0.1%
	Crysalin Limited	1,286	—	1,286	0.11%
	Deep Matter Group plc	932,944	—	932,944	0.13%
	Ditto AI Limited	613,048	—	613,048	<0.1%
	Diurnal Group plc	15,000	—	15,000	<0.1%
	EmDot Limited	14	—	14	0.81%
	Getech Group plc	20,000	—	20,000	<0.1%
	Istesso Limited	1,185,150	—	1,185,150	1.50%
	Ilika plc	10,000	—	10,000	<0.1%
	Itaconix plc	64,940	—	64,940	<0.1%
	Mirriad Advertising plc	25,000	—	25,000	<0.1%
	Modern Water plc	575,000	—	575,000	0.51%
	Oxbotica Limited	0	26	26	<0.1%
	Oxford Advanced Surfaces Limited	1	—	1	<0.1%
	Oxford Nanopore Technologies Limited	30,967	—	30,967	0.11%
	Perachem Holdings plc	113,222	—	113,222	0.30%
	Structure Vision Limited	212	(212)	0	0.00%
	Surrey Nanosystems Limited	404	—	404	0.20%
	Tissue Regenix Group plc	1,950,862	—	1,950,862	0.17%
	Ultrahaptics Holdings Limited	1,224	—	1,224	<0.1%
	Xeros Technology Group plc	35,499	—	35,499	<0.1%
Greg Smith	Alesi Surgical Limited	2	—	2	<0.1%
	Avacta Group plc	3,904	—	3,904	<0.1%
	Capsant Neurotechnologies Limited	896	—	896	<0.1%
	Crysalin Limited	149	—	149	<0.1%
	Ditto AI Limited	144,248	—	144,248	<0.1%
	Diurnal Group plc	15,000	—	15,000	<0.1%
	EmDot Limited	4	—	4	0.23%
	Getech Group plc	8,000	—	8,000	<0.1%
	hVivo plc	61,340	—	61,340	<0.1%
	Istesso Limited	313,425	—	313,425	0.40%
	Itaconix plc	4,500	—	4,500	<0.1%
	Perachem Holdings plc	4,830	—	4,830	<0.1%

Director/ PDMR	Company name	Number of shares held at 1 January 2019	Number of shares acquired/ (disposed of) in the period	Number of shares held at 30 June 2019	%
Greg Smith (cont.)	Mirriad Advertising plc	16,667	—	16,667	<0.1%
	Modern Water plc	7,250	—	7,250	<0.1%
	Oxbotica Limited	8	—	8	<0.1%
	Oxford Nanopore Technologies Limited	1,581	—	1,581	<0.1%
	Surrey Nanosystems Limited	88	—	88	<0.1%
	Tissue Regenix Group plc	50,000	—	50,000	<0.1%
	Xeros Technology Group plc	1,392	—	1,392	<0.1%
David Baynes	Alesi Surgical Limited	4	—	4	<0.1%
	Arkivum Limited	377	—	377	<0.1%
	Creavo Technologies Limited	46	—	46	<0.1%
	Diurnal Group plc	73,000	—	73,000	<0.1%
	Mirriad Advertising plc	16,667	—	16,667	<0.1%
	Oxford Nanopore Technologies Limited	174	—	174	<0.1%
	Ultrahaptics Holdings Limited	2,600	—	2,600	<0.1%
	Zeetta Networks Limited	424	—	424	0.13%
Mark Reilly	Actual Experience plc	65,500	—	65,500	0.15%
	Ceres Power Holdings plc	5,697	—	5,697	<0.1%
	Diurnal Group plc	7,500	—	7,500	<0.1%
	Mirriad Advertising plc	33,333	—	33,333	<0.1%
	Oxbotica Limited	8	—	8	<0.1%
	Ultrahaptics Holdings Limited	1,700	—	1,700	<0.1%
	Wave Optics Limited	308	—	308	<0.1%
Sam Williams	Accelercomm Limited	127	—	127	<0.1%
	Alesi Surgical Limited	1	—	1	<0.1%
	Creavo Medical Technologies Limited	23	—	23	<0.1%
	Diurnal Group plc	52,248	—	52,248	<0.1%
	Genomics plc	333	—	333	<0.1%
	Istesso Limited	7,048,368	—	7,048,368	8.89%
	Microbiotica Limited	7,000	—	7,000	<0.1%
	Mirriad Advertising plc	3,333	—	3,333	<0.1%
	Oxehealth Limited	0	27	27	<0.1%
	Oxford Nanopore Technologies Limited	340	—	340	<0.1%
	Topivert Limited	0	1,000	1,000	<0.1%
	Ultrahaptics Holdings Limited	558	—	558	<0.1%

c) Portfolio companies

i) Services

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

Statement of comprehensive income	Unaudited six months ended 30 June 2019 £m	Unaudited six months ended 30 June 2018 £m	Audited Year ended 31 December 2018 £m
Revenue from services	**0.2**	1.1	4.3

Statement of financial position	Unaudited 30 June 2019 £m	Unaudited 30 June 2018 £m	Audited 31 December 2018 £m
Trade receivables	**0.2**	0.3	0.9

ii) Investments

The Group makes investments in the equity and debt of unquoted and quoted investments where it does not have control but may be able to participate in the financial and operating policies of that company. It is presumed that it is possible to exert significant influence when the equity holding is greater than 20%. The Group has taken the investment entity exception as permitted by IFRS 10 and has not equity accounted for these investments, in accordance with IAS 28, but they are related parties. The total amounts included for investments where the Group has significant influence but not control are as follows:

Statement of comprehensive income	**Unaudited six months ended 30 June 2019 £m**	Unaudited six months ended 30 June 2018 £m	Audited Year ended 31 December 2018 £m
Net gains/(losses) on disposals	**0.4**	—	1.1
Change in fair value of equity and debt investments	**(12.5)**	22.8	(21.6)

Statement of financial position	**Unaudited 30 June 2019 £m**	Audited 30 June 2018 £m	Audited 31 December 2018 £m
Equity and debt investments	**595.8**	689.9	618.1

d) Subsidiary companies

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

	Unaudited 30 June 2019 £m	Unaudited 30 June 2018 £m	Audited 31 December 2018 £m
Intercompany balances with other Group companies	**7.8**	3.4	3.6

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

8. June 2018 restatement

On 17 October 2017 the Group acquired control of 100% of the ordinary shares in Touchstone Innovations plc. The Group recognised the assets and liabilities acquired in accordance with IFRS 3 'Business Combinations'. Certain assets, primarily holdings in unlisted portfolio companies which were accounted for using non-market-based valuation techniques, were provisionally determined and for a 12-month measurement period post-acquisition, adjustments are made to these assets to the extent that new information was obtained about facts and circumstances that were in existence at the acquisition date.

As at the 31 December 2018, an adjustment of £30.4m (which comprises £30.8m portfolio valuation decrease, £0.4m decrease in other assets and £0.8m decrease in non-current liabilities) was made to net assets acquired. The 30 June 2018 figures have been restated to reflect this adjustment.

9. Events after the reporting period

On 15 July 2019, portfolio company Istesso Limited announced positive headline results from its Phase 2a study of its investigational drug, MBS2320, for the treatment of rheumatoid arthritis ("RA"). The study was a randomised, double-blind, placebo-controlled trial for which the primary objective was to assess the safety and tolerability of MBS2320 over 12 weeks of treatment in patients receiving background methotrexate therapy. This primary objective was met, with MBS2320 being generally well-tolerated with no drug-related serious adverse events.

On 1 July 2019, the Group's consolidated portfolio company MOBILion, Inc. completed a second close of its H1 2019 equity fundraise, bringing the total third-party funds raised to $8.5m. As a result of the fundraise, IP Group is no longer deemed to control MOBILion, and will reclassify the company from a subsidiary to a portfolio company investment in H2 2019. This is anticipated to result in a c. £10m fair value gain on deconsolidation.

Since 30 June 2019, the Group has generated a further £38.8m of disposal proceeds on the sale of equity investments, most notably from the partial sale of two of the Group's multi sector platform holdings (£34.4m) and the full exit of the Group's holding in Circassia Pharmaceuticals plc (£4.4m).

General information

The comparative financial information presented herein for the year ended 31 December 2018 does not constitute full statutory accounts within the meaning of the Companies Act 2006. The Group's Annual Report and Accounts for the year ended 31 December 2018 have been delivered to the Registrar of Companies. The Group's independent auditor's report on those accounts was unqualified, did not include references to any matters to which the auditor drew attention by way of emphasis without qualifying their report and did not contain a statement under Section 498(2) or 498(3) of the Companies Act 2006.

Accounting policies

Basis of preparation

The financial information presented in these half-yearly results constitutes the condensed consolidated financial statements of IP Group plc, a company incorporated in Great Britain and registered in England and Wales, and its subsidiaries (together, the "Group") for the six months ended 30 June 2019.

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 2018, which have been prepared in accordance with International Financial Reporting Standards as adopted for use in the EU ("IFRS"). The financial information in these half-yearly results, which were approved by the Board and authorised for issue on 9 September 2019, is unaudited but has been subject to a review by the Group's independent auditor.

Accounting estimates and judgements

The preparation of the half-yearly results requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Estimates and judgements are continually evaluated and are based on historical experience and other factors, such as expectations of future events, and are believed to be reasonable under the circumstances. Actual results may differ from these estimates. In preparing these half-yearly results, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the audited consolidated financial statements for the year ended 31 December 2018.

Going concern

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for a period of at least 12 months from the date of approval of these consolidated half-year financial statements. Accordingly, they continue to adopt the going concern basis in preparing the condensed consolidated half-year financial statements.

Accounting policies

The accounting policies applied by the Group in these half-yearly results are the same as those applied by the Group in its audited consolidated financial statements for the year ended 31 December 2018 and which will form the basis of the 2019 Annual Report and Accounts. None of the new standards that have become effective in the period are expected to have a material effect on the Group's future financial statements.

Statement of Directors' responsibilities

The Directors confirm to the best of their knowledge that:

a. the half-yearly results have been prepared in accordance with IAS 34 as adopted by the European Union; and

b. the interim management report includes a fair review of the information required by the FCA's Disclosure and Transparency Rules (4.2.7 R and 4.2.8 R).

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

By order of the Board

Sir Douglas Flint	**Alan Aubrey**
Chairman	**Chief Executive Officer**
9 September 2019	

INDEPENDENT REVIEW REPORT TO IP GROUP PLC

Conclusion

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 2019 which comprises Condensed consolidated statement of comprehensive income, condensed consolidated statement of financial position, condensed consolidated statement of cash flows, condensed consolidated statement of changed in equity and the related explanatory notes.

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 2019 is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU and the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA").

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) 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.

The impact of uncertainties due to the UK exiting the European Union on our review

Uncertainties related to the effects of Brexit are relevant to understanding our review of the condensed financial statements. Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. An interim review cannot be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Directors' responsibilities

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

The annual financial statements of the group are prepared in accordance with International Financial Reporting Standards as adopted by the EU. The directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 as adopted by the EU.

Our responsibility

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

The purpose of our review work and to whom we owe our responsibilities

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

Jonathan Martin

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

9 September 2019