

IP2IPO LIMITED

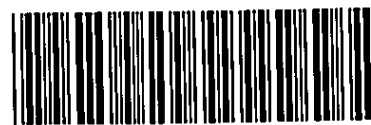
Report and Financial Statements

Year Ended

31 December 2010

Registered number 04072979

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IP2IPO LIMITED

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COMPANY INFORMATION

Directors	Alan Aubrey Mike Townsend Greg Smith Alison Fielding
Company Secretary	Angela Leach
Company number	04072979
Registered office	24 Cornhill London EC3V 3ND
Independent auditors	BDO LLP 55 Baker Street London W1U 7EU

IP2IPO LIMITED

DIRECTORS' REPORT

For the year ended 31 December 2010

The directors present their report and the financial statements for the year ended 31 December 2010

Business review and principal activities

The principal activity of IP2IPO Ltd ("the Company") during the period was commercialisation of intellectual property via the formation of long term partnerships with universities. The Company continues to provide business support services to its spin-out companies.

The directors are satisfied that the business has performed satisfactorily for the year under review.

Results and dividends

The results for the period are set out on page 6. The directors do not recommend payment of a dividend.

Future outlook

The directors believe the company will continue to trade for the foreseeable future.

Principal risks and uncertainties

The management of the business and the execution of the company's strategy are subject to a number of risks.

The key business risks and uncertainties affecting the Company are considered to relate to the protection of intellectual property and market risk in respect of its equity investments. Further discussion of these risks and uncertainties, in the context of the group as a whole, is provided in IP Group plc's annual report which does not form part of this report.

Key performance indicators ("KPIs")

The directors of IP Group plc manage the group's operations on a divisional basis. For this reason, the Company's directors believe that analysis using KPIs for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business of the Company. The development, performance and position of IP Group plc, which includes the Company, is discussed in IP Group plc's annual report which does not form part of this report.

Charitable and political contributions

During 2010 the company made no political or charitable donations (2009: £nil).

Directors

The following directors held office during the year:

Alan Aubrey

Greg Smith

Mike Townend

Alison Fielding (appointed 10 September 2010)

Magnus Goodlad (resigned 10 September 2010)

Payment of creditors

It is the company's current policy to establish payment terms with suppliers when agreeing terms of supply, to ensure that suppliers are made aware of the terms of payment, and to adhere to those terms. The company's average creditor payment period at 31 December 2010 was 19 days (31 December 2009: 13 days).

IP2IPO LIMITED

DIRECTORS' REPORT

For the year ended 31 December 2010

Financial instruments

The Company's primary exposure to financial instruments is in relation to the equity investments made in spin-out companies and loans received from fellow subsidiaries

The directors manage the risks inherent from investing in equity instruments through the establishment, at a group wide level, of investment appraisal processes and asset monitoring procedures which are subject to overall review by the Board. The group has also established a capital markets team dedicated to investor relations

While the intercompany loans are repayable on demand, the immediate and ultimate parent company, IP Group plc, has confirmed its financial support to the Company to providing funding to enable the Company to meet its obligations as they fall due for a period of not less than twelve months from the date of approval of these financial statements

Directors' responsibilities

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the entity will continue in business

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Disclosure of information to auditor

All of the current directors have taken the steps that they ought to have taken to make themselves aware of any information needed by the Company's auditor for the purposes of their audit and to establish that the auditor is aware of that information. The directors are not aware of any relevant audit information of which the auditor is unaware

IP2IPO LIMITED

DIRECTORS' REPORT

For the year ended 31 December 2010

Independent auditor

The auditor BDO LLP is deemed to have been re-appointed in accordance with section 487 of the Companies Act 2006

Signed on behalf of the board by

A handwritten signature in black ink, appearing to read 'G. Smith', written over a horizontal line.

Greg Smith
Director
28 September 2011

We have audited the financial statements of IP2IPO Limited for the year ended 31 December 2010 which comprise the profit and loss account, the balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's 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 and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2010 and of its profit for the period then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.



Neil Fung-On (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London

United Kingdom

28 September 2011

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

IP2IPO LIMITED

PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2010

	Notes	2010 £'000	2009 £'000
Turnover	2	570	565
Administrative expenses		(3,625)	(6,083)
Operating loss		(3,055)	(5,518)
Income from fixed asset investments		-	16
Interest receivable and similar income	8	234	607
Profit/(loss) on disposal of fixed asset investments	7	4,018	(1,028)
Profit/(loss) on ordinary activities before taxation	3	1,197	(5,923)
Taxation on loss on ordinary activities	9	-	-
Profit/(loss) on ordinary activities after taxation	20	1,197	(5,923)

The profit and loss account has been prepared on the basis that all operations are continuing operations

There are no recognised gains and losses other than those passing through the profit and loss account and therefore no separate statement of total recognised gains and losses has been presented

The profit/(loss) on ordinary activities before and after taxation has been computed on the historical cost basis

The notes on pages 8 to 23 form part of the financial statements

IP2IPO LIMITED
Registered number: 04072979
BALANCE SHEET
As at 31 December 2010

	Note	2010 £'000	2009 £'000
Fixed assets			
Intangible assets	10	10	11
Tangible assets	11	256	319
Investments			
Equity rights	12	15,336	15,361
Equity and debt investments	13	23,470	19,339
Subsidiary undertakings	14	4,820	728
Limited partnership investments	15	1,798	1,561
		45,424	36,989
		45,690	37,319
Current assets			
Debtors	16	7,808	7,674
Cash at bank and in hand		17,836	25,122
		25,644	32,796
Creditors: amounts falling due within one year	17	(1,077)	(922)
Net current assets		24,567	31,874
Total assets less current liabilities		70,257	69,193
Creditors: amounts falling due after more than one year	18	(72,417)	(72,667)
Net (liabilities) / assets		(2,160)	(3,474)
Capital and reserves			
Called up share capital	19	40	40
Share premium account	20	3,960	3,960
Profit and loss account	20	(6,160)	(7,474)
Shareholder's funds	21	(2,160)	(3,474)

The notes on pages 8 to 23 form part of these financial statements

The financial statements were approved by the board of directors and authorised for issue on 28 September 2011 and were signed on its behalf by



Greg Smith
Director

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with the Companies Act 2006

1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable United Kingdom accounting standards

1.3 Preparation of consolidated accounts

The financial statements contain information about IP2IPO Limited as an individual company and do not contain consolidated financial information as a parent of a group. The company is exempt by virtue of section 400 from the requirement to prepare group accounts on the basis that the parent company is included in the accounts of a larger group

1.4 Turnover

Turnover, comprising fees for various advisory services, is recognised in the profit and loss account when the related services are performed and when considered recoverable. All turnover is generated within the United Kingdom and is in sterling and is stated exclusive of value added tax

1.5 Equity bonuses

Staff bonuses are recognised in the profit and loss account in the period to which the bonus relates, in accordance with IP Group plc's bonus policy. Bonuses settled by way of equity in spin out companies are measured at historic cost

1.6 Intangible fixed assets – intellectual property rights

Intangible fixed assets are stated at historical cost less amortisation and provision for any impairment. Historical cost comprises the purchase price together with any incidental costs of acquisition. Amortisation is calculated so as to write off the cost of intangible fixed assets on a straight line basis over their expected useful lives

1.7 Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows

Fixtures, fittings and equipment	Over 3 to 5 years
Computer equipment	Over 3 to 5 years

1.8 Equity and limited partnership investments

Equity investments and limited partnership investments are stated at historic cost less any provision for impairment in value

Provisions are based upon an assessment of events or changes in circumstances that indicate that an impairment has occurred such as the performance and/or prospects (including the financial prospects) of the investee company being significantly below the expectations on which the investment was based, a significant adverse change in the markets in which the investee company operates or a deterioration in general market conditions

1.9 Equity rights

Equity rights represent sums paid to the University of Oxford between December 2000 and June 2001. The equity rights are held at cost, less any impairment in value, less any amounts transferred to equity investments on account of i) the acquisition of interests in spin out companies from the University of Oxford's chemistry department and ii) the successful exit of the spin out companies. Equity rights are treated in the balance sheet as a financial asset

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

The directors review the carrying value of the University of Oxford chemistry department equity rights at each period end by reference to the rate at which the relevant spin out companies are created, the pipeline of future opportunities at the time, historic cost of the Company's interest in such spin out companies, the performance of the spin out companies as evidenced by achieved, or expected, disposals or exits, overall market conditions and the remaining life of the Partnership

1.10 Acquisition costs

The acquisition costs comprise related costs to secure the equity rights and other university partnership arrangements. These costs are amortised over the life of the partnership, or in respect of the University of Oxford partnership, the shorter of the partnership periods and the period over which the equity rights are realised

The life of the partnership with University of Oxford is fifteen years. The lives of the partnerships with the University of Southampton, University of York, University of Bristol, King's College London, University of Surrey, University of Bath, University of Glasgow and Queen Mary (University of London) are all twenty five years

1.11 Pension commitments

The Company operates a stakeholder pension scheme for which all employees are eligible. The assets of the scheme are held separately from those of the Company in an independently administered fund. At present the Company does not make contributions to this scheme, but does make contributions to employee personal pension schemes on an individual basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due

1.12 Operating leases

Costs in respect of operating leases, where substantially all the benefits and risks of ownership remain with the lessor, are charged to the profit and loss account on a straight line basis over the lease term

1.13 Deferred taxation

Provision is made in full for deferred tax liabilities that arise from timing differences where transactions or events, that result in an obligation to pay more tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised to the extent that it is considered more likely than not that they will be recoverable. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets and liabilities are not discounted

1.14 Related party transactions

Under FRS8 – Related Party Disclosures, the company discloses details of material transactions between the reporting entities and related parties. However, transactions between the Company and other group companies including transactions between associate and joint venture companies have not been disclosed in accordance with the exemption in Financial Reporting Standard 8 paragraph 3(c)

1.15 Cash flow statement

The Company has taken advantage of the exemption conferred upon it by FRS 1 "Cash Flow Statements" (Revised 1996) not to prepare a cash flow statement whereby the cash flows of the Company are incorporated into those of the ultimate parent undertaking and these financial statements are publicly available

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

1.16 Share based payments

All employees of the group of companies headed by the Company's ultimate parent company, IP Group plc, are eligible to participate in the IP Group Long Term Incentive Plan ("LTIP") Awards take the form of ordinary shares of IP Group plc

The fair value of LTIP awards are estimated at the date of award, using a Monte Carlo simulation technique, taking into account the terms and conditions of the award, including market based performance conditions

No expense is recognised for grants that do not vest and charges previously made are reversed except where vesting is conditional upon a market condition which are treated as vesting irrespective of whether or not the market condition is satisfied, provided all other performance conditions are satisfied

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions, the number of equity instruments that will ultimately vest or in the case of an instrument subject to a market condition, be treated as vesting as described above. The movement in cumulative expense since the previous balance sheet date is recognised in the Profit and Loss Account, with a corresponding credit to the Profit and Loss reserve being the capital contribution received from the parent company on granting awards over its own shares to the Company's employees

Where the terms for an equity settled award are modified, and the modification increases the total fair value of the share based payment, or is otherwise beneficial to the employee at the date of modification, the incremental fair value is amortised over the vesting period

2 Turnover

The total turnover of the company for the period has been derived from the provision of business support services wholly undertaken in the United Kingdom

3 Loss on ordinary activities before taxation

	2010 £'000	2009 £'000
Loss on ordinary activities before taxation is stated after charging		
Depreciation of tangible fixed assets	83	91
Amortisation of acquisition costs	25	26
Provision against fixed asset investments	-	2,133
Share based payment charge (note 24)	117	59
Operating lease charges – leasehold properties	252	286

4 Auditor's remuneration

	2010 £'000	2009 £'000
Professional services:		
Fees payable to company auditor for the audit of the financial statements	3	3
Non audit services:		
Other non-audit services – corporation tax compliance	2	2
Other non-audit services – other	52	48
	57	53

Other taxation services include fees paid to the Company's auditor for specialist advice surrounding share schemes and related incentive issues generally arising in the Group's portfolio companies

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

5 Directors' emoluments

The aggregate emoluments of the directors of the Company are shown below. The highest paid director had aggregate emoluments of £183k (2009 £215k) and contribution to the money purchase scheme of £18k (2009 £18k). During the year 4 directors were members of the money purchase scheme (2009 4).

	2010 £'000	2009 £'000
Remuneration in respect of directors		
Aggregate emoluments	684	712
Contributions to money purchase pension schemes	56	54
	740	766

The above details of directors' emoluments include emoluments in relation to Magnus Goodlad, who resigned on 10 September 2010, which were paid by a fellow subsidiary company.

6 Employees

During the year the Company had 30 employees, including the Directors, all of whom were involved in management and administration activities (2009 30 employees).

Total staff costs for the year are highlighted below

	2010 £'000	2009 £'000
Wages and salaries	1,689	1,962
Equity in spin-out companies allocated to staff	-	172
Share based payment charge (note 24)	117	59
Social security costs	220	252
Pension costs	64	61
	2,090	2,506

7 Profit on disposal of fixed asset investments

The profit on disposal of fixed asset investments in 2010 primarily arose on the disposal of shares in the following companies: Proximagen Group plc, COE Group plc, Reactivlab Limited and partial disposal of Oxford Catalysts Group plc. The disposal of Reactivlab Limited was made to a fellow portfolio company.

8 Interest receivable and similar income

	2010 £'000	2009 £'000
Bank interest receivable	234	607

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

9 Taxation

	2010 £'000	2009 £'000
Current tax		
Group relief receivable	-	-
Adjustment in respect of previous periods	-	-
Tax on profit / (loss) on ordinary activities	-	-

There is a potential deferred tax asset at 31 December 2010 of £5,230k (2009 £4,478k), relating to a deferred tax liability on accelerated capital allowances of £12k (2009 £11k) which is offset by potential deferred tax assets in respect of short term timing differences of £195k (2009 £138k) and losses of £5,035k (2009 £4,340k). This asset has not been recognised in the financial statements due to current uncertainties surrounding the reversal of the underlying timing differences. The deferred tax asset would be recovered if there were future taxable profits from which the reversal of the underlying timing differences could be deducted.

The tax assessed for the year is different than the standard rate of corporation tax in the UK (28%). Factors affecting the current tax charge for the year are explained below.

	2010 £'000	2009 £'000
Profit/(loss) on ordinary activities before tax	1,197	(5,923)
Profit / (loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2009 28%)	335	(1,658)
Effects of		
Costs not deductible for tax purposes	(1,054)	778
Non taxable income	-	(5)
Fixed asset & other timing differences	-	3
Movement on unutilised tax losses	760	807
Other timing differences	(41)	75
Current tax credit for the year	-	-

IP2IPO LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2010

10 Intangible fixed assets

	Intellectual property rights £'000	Total £'000
Cost:		
At 1 January and 31 December 2010	16	16
Depreciation:		
At 1 January 2010	5	5
Charge for the period	1	1
31 December 2010	6	6
Net book values		
At 31 December 2010	10	10
At 31 December 2009	11	11

11 Tangible fixed assets

	Computer equipment £'000	Fixtures and fittings £'000	Total £'000
Cost:			
At 1 January 2010	371	289	660
Additions	20	-	20
At 31 December 2010	391	289	680
Depreciation:			
At 1 January 2010	252	89	341
Charge for the period	47	36	83
At 31 December 2010	299	125	424
Net book values			
At 31 December 2010	92	164	256
At 31 December 2009	119	200	319

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

12 Fixed asset investments – Equity rights

	Oxford University Chemistry Investment £'000	Acquisition costs £'000	Total £'000
Cost:			
At 1 January 2010 and 31 December 2010	15,077	468	15,545
Amortisation of costs			
At 1 January 2010	-	184	184
Charge for the year	-	25	25
At 31 December 2010	-	209	209
Net book value:			
At 31 December 2010	15,077	259	15,336
At 31 December 2009	15,077	284	15,361

The University of Oxford Chemistry Department Equity Rights

The company has the right to 50% of the University of Oxford's shareholdings in companies spun out of its chemistry department for fifteen years up to 2015. It also has the right to 50% of the royalties due to the University under licenses of intellectual property generated by the chemistry department, entered into during the same period.

This agreement with the University of Oxford was signed in December 2000 and the equity rights remaining at the year end of £15,077k will be realised firstly by the receipt of shares in spin-out companies from the University of Oxford Chemistry department and secondly, by the enhanced valuation of the cost of such shares subsequent to an exit. In the event that the equity rights are fully realised prior to November 2015, then IP2IPO Limited will be entitled to acquire the shares in spin-out companies from the chemistry department to which it is entitled under the terms of the agreement at par value. In the event that the value of shares received in spin-out companies is insufficient to utilise the £15,077k by November 2015, the remaining equity rights asset will be written off.

Realisation of the equity rights in the way described above depends upon

- The availability and quality of research from the chemistry department at the University of Oxford, which will provide a continued pipeline of IP spin-out opportunities from the University of Oxford chemistry department over the remaining period of the agreement to November 2015,
- The valuation and volume of successful IP spin-out opportunities arising from the chemistry department, which will allow the utilisation of the equity rights within the remaining time frame of the agreement,
- Market conditions in general including the availability of external funds to invest in the spin-out companies, which will be largely dependent upon the appetite for investments in the life science sector and other sectors, and
- The availability and skill of IP2IPO staff to negotiate with the academics and the University of Oxford to successfully convert the IP opportunities to spin-out companies.

IP2IPO LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2010

12 Fixed asset investments – Equity rights (continued)

There is no certainty that individual spin-out companies will prove to be successful or generate a return on investment for the Company

The directors have reviewed the carrying value of the equity rights as at 31 December 2010. Based on the rate at which spin-out companies from the University of Oxford chemistry department have been created to date, the remaining life of the partnership, the rate at which spin-out companies from University of Oxford chemistry department are anticipated to be created in the future, the size of IP2IPO Limited's stake in such companies and the continued prestige of the department of chemistry, the directors continue to believe that the future value received under the equity rights contract will exceed its current carrying value.

Acquisition costs

The acquisition costs comprise related costs to secure the equity rights and other university partnerships. These costs are amortised over the life of the partnership, or in respect of the University of Oxford partnership, the shorter of the life of the partnership and the period in which the equity rights are realised.

The life of the partnership with University of Oxford is fifteen years. The lives of the partnerships with the University of Southampton, University of York, University of Bristol, King's College London, University of Surrey, University of York, University of Bath, University of Glasgow and Queen Mary (University of London) are all twenty five years.

13 Fixed asset investments – Equity and debt investments

	Listed equity investments £'000	Unlisted equity investments £'000	Unlisted debt investments £'000	Total £'000
Cost:				
At 1 January 2010	5,454	13,532	2,821	21,807
Investment in spin-out companies	1,705	3,665	1,303	6,673
Disposal of spin-out companies	(1,832)	(705)	(5)	(2,542)
Write off of spin-out companies	-	(332)	(145)	(477)
Reclassification	-	539	(539)	-
At 31 December 2010	5,327	16,669	3,435	25,461
Provision for diminution in value				
At 1 January 2010	-	2,468	-	2,468
Write off of spin-out companies	-	(332)	(145)	(477)
Reclassification	-	(446)	446	-
At 31 December 2010	-	1,690	301	1,991
Net book value				
At 31 December 2010	5,327	15,009	3,134	23,470
At 31 December 2009	5,454	11,064	2,821	19,339

At 31 December 2010 the market value of listed shares was £13.5 million (2009: £12.4 million).

IP2IPO LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

13 Fixed asset investments – Equity and debt investments (continued)

At the year end the directors have undertaken a review of the carrying values of equity and debt investments and identified a number of investments carried at an amount in excess of fair value. The total carrying value of these investments included in the financial statements is £11,414k compared to a total fair value of £6,942k. Included in the £11,414k carrying value, and as result of the recent challenging economic environment, is a brought forward provision for diminution in value of £1,991k at the financial year end. The remaining investment in the portfolio companies is ultimately expected to be recovered. This expectation is based on the fact that, notwithstanding the current economic environment, these portfolio businesses continue to make strong progress towards their technical and commercial milestones.

Significant equity investments

At 31 December 2010 the Company has investments where it holds 20% or more of the issued share capital in the following companies

	% of issue held	Net assets / (liabilities) (£'000)	Profit / (loss) (£'000)	Date of financial statements
Empiricom Technologies Limited	49.9	(498)	-	31/03/2011
Capsant Neurotechnologies Limited	28.4	230	(485)	31/12/2009
Sustainable Resource Solutions Limited	36.7	277	-	30/04/2010
Overlay Media Limited	35.2	-	-	31/07/2010
Icona Solutions Limited	40.6	9	-	31/12/2010
Crysalin Limited	37.5	583	-	31/07/2010
Mode Diagnostics Limited	35.5	25	-	31/07/2010
Oxford Nanopore Technologies Limited	21.7	25,809	(9,881)	31/12/2010
Surrey Nano Systems Limited	20.9	(1,608)	-	30/06/2010
Amaethon Limited	27.6	157	1	31/07/2010
Glythera Limited	26.2	8	-	31/07/2010
OxTox Limited	24.7	227	-	31/12/2009
EMDOT Limited	26.3	(566)	-	31/07/2011
Oxford RF Sensors Limited	22.9	(947)	-	31/12/2010
Aptuscan Limited	30.0	222	-	31/07/2010

All companies are incorporated in England & Wales. Figures obtained from accounts most recently filed with Companies House with year end on or prior to 31 December 2010. No financial information has been presented in respect of companies that have not filed accounts at Companies House. No profit or loss information is presented in respect of companies that have filed abbreviated accounts.

14 Investment in subsidiary undertakings

	£'000
At 1 January 2010	728
Additions	4,092
At 31 December 2010	4,820

The company holds 100% of the issued ordinary share capital of IP2IPO Management Limited, IP2IPO Management II Limited, IP2IPO Management III Limited, IP2IPO Management IV Limited, IP2IPO Management V Limited and IP2IPO Management VI Limited. These companies are registered in England and Wales and their principal activity is the commercialisation of intellectual property.

IP2IPO LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2010

15 Fixed asset investments – Limited partnership investments

	Total Limited Partnership investments £'000
Cost:	
At 1 January 2010	1,561
Additions	237
At 31 December 2010	1,798
Net book value:	
At 31 December 2010	1,798
At 31 December 2009	1,561

At the year end the directors have undertaken a review of the carrying values of limited partnership investments and concluded there is no indication of impairment

16 Debtors

	31 December 2010 £'000	31 December 2009 £'000
Trade debtors	123	115
Amounts owed by group undertakings	6,467	6,155
Other debtors	101	95
Loan to Leeds University	867	1,191
Prepayments and accrued income	250	118
	7,808	7,674

Amounts due from group undertakings are unsecured, interest free and have no fixed date of repayment. All the above amounts with the exception of the Loan to Leeds University are repayable within 12 months. The loan to Leeds University is unsecured and interest free.

17 Creditors: amounts falling due within one year

	31 December 2010 £'000	31 December 2009 £'000
Trade creditors	65	48
Amounts owed to group undertakings	613	619
Other tax and social security	65	86
Other creditors	148	5
Accruals and deferred income	186	164
	1,077	922

Amounts due to group undertakings are unsecured, interest free and have no fixed date of repayment.

IP2IPO LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

18	Creditors' amounts falling due after one year	31 December 2010 £'000	31 December 2009 £'000
	Amounts due to group undertakings	72,417	72,667
	Amounts due to group undertakings are unsecured, interest free and have no fixed date of repayment. IP Group plc has confirmed that these amounts are not payable within twelve months from the date of approval of these financial statements.		
19	Share capital	31 December 2010 £'000	31 December 2009 £'000
	Authorised:		
	50,000 Ordinary shares of £1 each (2009 50,000)	50	50
	Allotted, called up and fully paid:		
	40,100 Ordinary shares of £1 each (2009 40,100)	40	40
20	Statement of movements on other reserves	Share Premium Account £'000	Profit and loss account £'000
	At 1 January 2010	3,960	(7,474)
	Capital contribution	-	117
	Profit for the period	-	1,197
	At 31 December 2010	3,960	(6,160)
21	Reconciliation of movements in shareholder's funds	31 December 2010 £'000	31 December 2009 £'000
	Profit/(loss) for the period	1,197	(5,923)
	Capital contribution	117	59
	Net increase/(reduction) in shareholder's funds	1,314	(5,864)
	Opening shareholder's funds	(3,474)	2,390
	Closing shareholder's funds	(2,160)	(3,474)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

22 Capital commitments

The Company has an undrawn commitment arising from its participation in IP Venture Fund, a venture capital limited partnership fund managed by a fellow group company. As at 31 December 2010, the total undrawn commitment was £1.3 million (2009: £1.5 million).

The Company also has the following commitments in respect of its partnerships with various Universities:

Partnership	Year of commencement of partnership	Original commitment (£'m)	Invested to date (£'m)	Remaining commitment (£'m)
University of Southampton (i)	2002	5.0	3.0	2.0
Kings College London (ii)	2003	5.0	1.8	3.2
University of York – CNAP (iii)	2003	0.8	0.2	0.6
University of Bristol (iv)	2006	5.0	1.0	4.0
University of Surrey (v)	2007	5.0	0.5	4.5
University of York (iii)	2007	5.0	0.1	4.9
Queen Mary, University of London (vi)	2007	5.0	0.7	4.3
University of Bath (vii)	2007	5.0	0.2	4.8
University of Glasgow (viii)	2007	5.0	1.0	4.0
		40.8	8.5	32.3

(i) Under the terms of an agreement entered into in 2002 between the Company, the University of Southampton and certain of the University of Southampton's subsidiaries, IP2IPO Limited agreed to make £5.0m available for the purposes of making investments in University of Southampton spin-out companies.

(ii) Under the terms of an agreement entered into during 2003 between the Company and King's College London ("KCL") and KCL Enterprises Limited, the Company agreed to make £5.0m available for the purposes of making investments in spin out companies. Under the terms of this agreement, KCL can require the Company to make a further £5.0m available for investments in spin out companies on the tenth anniversary of the partnership.

(iii) In 2003 the Company entered into an agreement with the University of York. The agreement relates to a specialist research centre within the University of York: the Centre for Novel Agricultural Products ("CNAP"). The Company has committed to invest up to a total of £0.8m in spin-out companies based on CNAP's intellectual property. In 2006 The Company extended its partnership with the University of York to cover the entire university. The Company has committed to invest £5.0m in University of York spin-outs over and beyond the £0.8m commitment as part of the Company's agreement with CNAP.

(iv) In December 2006, the Company entered into an agreement with the University of Bristol. The Company has committed to invest up to a total of £5.0m in University of Bristol spin-out companies.

(v) Under the terms of an agreement entered into in 2006 between the Company and the University of Surrey ('Surrey'), the Company has committed to invest up to a total of £5.0m in spin-out companies based on Surrey's intellectual property.

(vi) In July 2006, the Company entered into an agreement with Queen Mary, University of London ('QM') to invest in QM spin-out companies. The Company has committed to invest up to a total of £5.0m in QM spin-out companies.

(vii) In September 2006, the Company entered into an agreement with the University of Bath ('Bath') to invest in Bath spin-out companies. The Company has committed to invest up to a total of £5.0m in Bath spin-out companies.

(viii) In October 2006, the Company entered into an agreement with the University of Glasgow ('Glasgow') to invest in Glasgow spin-out companies. The Company has committed to invest up to a total of £5.0m in Glasgow spin-out companies.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

23 Financial commitments

At 31 December 2010 the company had annual commitments under non-cancellable operating leases, in relation to office premises, as follows

	Land and buildings	
	2010	2009
	£'000	£'000
Expiry date		
Within one year	-	-
Within two to five years	233	233

24 Share based payments

Awards under the LTIP take the form of provisional awards of ordinary shares of 2p each in the Group which vest over the prescribed performance period to the extent that performance conditions have been met. The Remuneration Committee will impose objective conditions on the vesting of awards, and these will be set taking into consideration the guidance of the Group's institutional investors from time to time.

The 2010 LTIP awards will vest on 31 March 2013, to the extent that the performance conditions have been met. 50% of the awards are based on the performance of Group's net asset value, excluding intangible assets and the Oxford equity rights ("NAV"), and 50% are based on the Group's share price performance. The portion subject to NAV performance shall vest in full in the event of NAV increasing by 15% per year on a cumulative basis from 1 January 2010 to 31 December 2012, whilst 50% of that portion shall vest if the cumulative increase is 8% per annum over this period. The portion subject to the Group's share price performance shall vest in full in the event of the Group's share price being equal to or exceeding 67p on 31 December 2012, whilst 50% of that portion shall vest if the Group's share price is 60p on this date. A straight line sliding scale will be adopted for the vesting of both portions should achieved performance be between the vesting targets detailed above.

For the 2008 awards, the performance conditions were based on the Group's total shareholder return ("TSR") performance. The awards granted in 2008 will vest in full after three years in the event of TSR growth of 15% per annum on a cumulative basis being achieved. 50% of an award granted will vest in the event of compound annual TSR growth of 10% being achieved with a sliding scale between these points.

The movement in the number of shares notionally awarded under the LTIP is set out below.

	2010	2009
At 1 January	422,537	422,537
Notionally awarded during the year	10,933,449	-
At 31 December	11,355,986	422,537

The fair value of awards made during each of the following years has been calculated using a Monte-Carlo pricing model with the following key assumptions:

	2010	2009
Share price at date of award	0.29-0.32p	105p
Exercise price	£nil	£nil
Expected volatility (median of historical 50-day moving average)	33%	26%
Expected life (years)	2.20-2.25	3
Expected dividend yield	0%	0%
Risk-free interest rate	0.8-0.9%	4.0%

The fair value charge recognised in the profit or loss account during the year in respect of LTIP share awards was £0.1m (2009: £0.1m).

IP2IPO LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

25 Controlling party

The immediate and ultimate parent undertaking was IP Group plc, a public limited company registered in England and Wales. The smallest and largest group into which these accounts are consolidated is IP Group plc. Copies of the ultimate parent company's financial statements may be obtained from the secretary of IP Group plc, 24 Cornhill, London, EC3V 3ND.

26 Related party transactions

The key management had direct shareholdings in the following spin-out companies as at 31 December 2010

Director	Company name	Number of shares held at 1 January 2010	Number of shares acquired / (disposed) in the year	Number of shares held at 31 December 2010	% of issued share capital at 31 December 2010
Alan Aubrey	Activotec SPP Limited	1,500	-	1,500	0.9%
	Amaethon Limited - A Ordinary Shares	104	-	104	3.1%
	Amaethon Limited - B Ordinary Shares	11,966	-	11,966	1.0%
	Amaethon Limited - Ordinary shares	21	-	21	0.3%
	Avacta Group plc	13,276,113	-	13,276,113	1.0%
	Bioniqs Limited ¹	1,063	(1,063)	-	-
	Capsant Neurotechnologies Limited	11,631	-	11,631	0.8%
	Chamelic Limited	26	-	26	1.6%
	COE Group plc	357,204	-	357,204	1.0%
	Crysalin Limited	1,447	-	1,447	0.4%
	Getech Group plc	15,000	-	15,000	<0.1%
	Green Chemicals plc	108,350	-	108,350	1.3%
	Icona Solutions Limited	1,674	-	1,674	1.2%
	Ilika plc ²	1,175	116,325	117,500	0.3%
	Karus Therapeutics Limited	223	-	223	0.7%
	Leeds Reproductive Biosciences Limited	18	-	18	1.1%
	Mode Diagnostics Limited	1,863	-	1,863	1.2%
	Overlay Media Limited	32	-	32	1.2%
	Oxford Advanced Surfaces Group plc	2,172,809	-	2,172,809	1.2%
	Oxford Catalysts Group plc	254,749	(47,350)	207,399	0.3%
	Oxford Nanopore Technologies Limited	11,442	-	11,442	0.8%
	Oxford RF Sensors Limited	53,639	-	53,639	0.8%
	Oxtox Limited	25,363	-	25,363	0.6%
	Pharminox Limited	685	-	685	0.3%
	Plexus Planning Limited	1,732	-	1,732	0.8%
	ReactivLab Limited ³	50	(50)	-	-
	Retroscreen Virology Limited	1,858	-	1,858	0.5%
	Revolymex Limited	2,963	-	2,963	0.4%
	Simulstrat Limited - A Preference shares	24,063	-	24,063	2.8%
	Simulstrat Limited - Ordinary shares	2,255	-	2,255	1.3%
	Surrey Nanosystems Limited	393	-	393	0.9%
	Sustainable Resource Solutions Limited	25	-	25	1.3%
	Syntopix Group plc	77,731	-	77,731	0.7%
	Theragenetics Limited	-	-	-	-
	Xanic Limited ¹	16	(16)	-	-
Alison Fielding ⁴	Activotec SPP Limited	300	-	300	0.2%
	Amaethon Limited - A Ordinary Shares	105	-	105	3.2%

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For the year ended 31 December 2010

Director	Company name	Number of shares held at 1 January 2010	Number of shares acquired / (disposed) in the year	Number of shares held at 31 December 2010	% of issued share capital at 31 December 2010
	Amaethon Limited - B Ordinary Shares	12,049	-	12,049	1 0%
	Amaethon Limited - Ordinary shares	21	-	21	0 3%
	Avacta Group plc	7,664,105	-	7,664,105	0 6%
	Bioniqs Limited ¹	1,063	(1,063)	-	-
	Capsant Neurotechnologies Limited	7,847	-	7,847	0 5%
	Chamelic Limited	21	-	21	1 3%
	COE Group plc	468,314	-	468,314	1 3%
	Crysalin Limited	1,447	-	1,447	0 4%
	EmDot Limited	14	-	14	0 8%
	Green Chemicals plc	126,181	-	126,181	1 6%
	Icona Solutions Limited	1,419	-	1,419	1 0%
	Ilika plc ²	328	32,472	32,800	<0 1%
	Karus Therapeutics Limited	43	-	43	0 1%
	Leeds Reproductive Biosciences Limited	17	-	17	1 0%
	Mode Diagnostics Limited	1,632	-	1,632	1 1%
	Overlay Media Limited	28	-	28	1 1%
	Oxford Advanced Surfaces Group plc	611,042	-	611,042	0 3%
	Oxford Catalysts Group plc	84,196	(15,649)	68,547	0 1%
	Oxford Nanopore Technologies Limited	5,721	-	5,721	0 4%
	Oxford RF Sensors Limited	15,085	-	15,085	0 2%
	Oxtox Limited	16,601	-	16,601	0 4%
	Pharminox Limited	274	-	274	0 1%
	Plexus Planning Limited	480	-	480	0 2%
	ReactivLab Limited ³	48	(48)	-	-
	Retroscreen Virology Limited	1,216	-	1,216	0 3%
	Revolymr Limited	1,198	-	1,198	0 2%
	Simulstrat Limited - A Preference shares	15,750	-	15,750	1 8%
	Simulstrat Limited - Ordinary shares	1,476	-	1,476	0 9%
	Surrey Nanosystems Limited	323	-	323	0 8%
	Sustainable Resource Solutions Limited	25	-	25	1 3%
	Syntopix Group plc	35,477	-	35,477	0 3%
	Xanic Limited	15	(15)	-	-
Mike Townend	Amaethon Limited - A Ordinary Shares	104	-	104	3 1%
	Amaethon Limited - B Ordinary Shares	11,966	-	11,966	1 0%
	Amaethon Limited - Ordinary shares	21	-	21	0 3%
	Capsant Neurotechnologies Limited	11,282	-	11,282	0 8%
	Chamelic Limited	23	-	23	1 4%
	Crysalin Limited	1,286	-	1,286	0 4%
	EmDot Limited	14	-	14	0 8%
	Green Chemicals plc	113,222	-	113,222	1 4%
	Icona Solutions Limited	1,515	-	1,515	1 1%
	Leeds Reproductive Biosciences Limited	18	-	18	1 1%
	Mode Diagnostics Limited	1,756	-	1,756	1 1%
	Overlay Media Limited	29	-	29	1 3%
	Oxford Advanced Surfaces Group plc	932,994	-	932,994	0 5%
	Oxford Nanopore Technologies Limited	3,490	-	3,490	0 2%
	Oxtox Limited	25,363	-	25,363	0 6%
	ReactivLab Limited ³	51	(51)	-	-
	Retroscreen Virology Limited	1,858	-	1,858	0 5%
	Revolymr Limited	1,198	-	1,198	0 2%

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NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2010

Director	Company name	Number of shares held at 1 January 2010	Number of shares acquired / (disposed) in the year	Number of shares held at 31 December 2010	% of issued share capital at 31 December 2010
	Simulstrat Limited - A Preference shares	24,063	-	24,063	2.8%
	Simulstrat Limited - Ordinary shares	2,255	-	2,255	1.3%
	Sustainable Resource Solutions Limited	25	-	25	1.3%
	Surrey Nanosystems Limited	350	-	350	0.9%
	Xanic Limited ¹	16	(16)	-	-
Greg Smith	Capsant Neurotechnologies Limited	895	-	895	<0.1%
	Chamelic Limited	3	-	3	0.2%
	Crysalin Limited	149	-	149	<0.1%
	EmDot Limited	4	-	4	0.2%
	Icona Solutions Limited	148	-	148	0.1%
	Mode Diagnostics Limited	192	-	192	<0.1%
	Overlay Media Limited	7	-	7	0.3%
	Oxford Nanopore Technologies Limited	150	-	150	<0.1%
	Revolymex Limited	150	-	150	<0.1%
	Sustainable Resource Solutions Limited	8	-	8	0.4%
	Surrey Nanosystems Limited	76	-	76	0.1%
	Xanic Limited ¹	2	(2)	-	-

¹ Company in administration or dissolved

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

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

⁴ Alison Fielding was appointed as a director on 10 September 2010.