

IP2IPO LIMITED

Report and Financial Statements

Year Ended

31 December 2011



Registered number 04072979

IP2IPO LIMITED

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COMPANY INFORMATION

Directors	Alan Aubrey Mike Townend 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 2011

The directors present their report and the financial statements for the year ended 31 December 2011

Business review and principal activities

The principal activity of IP2IPO Ltd ("the Company") during the period was commercialisation of intellectual property via long-term partnerships with universities. The Company continues to create spin-out companies from its partner, and occasionally non-partner, universities and to provide business support services to such 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 2011 the company made no political or charitable donations (2010: £nil).

Directors

The following directors held office during the year:

Alan Aubrey
Greg Smith
Mike Townend
Alison Fielding

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 2011 was 13 days (31 December 2010: 19 days).

IP2IPO LIMITED

DIRECTORS' REPORT

For the year ended 31 December 2011

Financial instruments

The Company's primary exposure to financial instruments is in relation to the holding of equity and debt instruments in spin-out companies and loans receivable from fellow subsidiaries

The directors manage the risks inherent in the holding of equity and debt 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 enable it 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 2011

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



Greg Smith
Director

28 September 2012

We have audited the financial statements of IP2IPO Limited for the year ended 31 December 2011 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 2011 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 2012
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 2011

	Notes	2011 £'000	2010 £'000
Turnover	2	482	570
Administrative expenses		(4,495)	(3,625)
Operating loss		(4,013)	(3,055)
Income from fixed asset investments		8	-
Interest receivable and similar income	8	795	234
Impairment of Oxford equity rights asset	12	(1,210)	-
Profit on disposal of fixed asset investments	7	6,741	4,018
Profit on ordinary activities before taxation	3	2,321	1,197
Taxation on loss on ordinary activities	9	83	-
Profit on ordinary activities after taxation	20	2,404	1,197

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 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 2011

	Note	2011 £'000	2010 £'000
Fixed assets			
Intangible assets	10	9	10
Tangible assets	11	206	256
Investments			
Equity rights	12	14,100	15,336
Equity and debt investments	13	31,175	23,470
Subsidiary undertakings	14	10,389	4,820
Limited partnership investments	15	2,153	1,798
		57,817	45,424
		58,032	45,690
Current assets			
Debtors	16	11,053	7,808
Cash at bank and in hand		55,956	17,836
		67,009	25,644
Creditors, amounts falling due within one year	17	(847)	(1,077)
Net current assets		66,162	24,567
Total assets less current liabilities		124,194	70,257
Creditors: amounts falling due after more than one year	18	(123,352)	(72,417)
Net assets / (liabilities)		842	(2,160)
Capital and reserves			
Called up share capital	19	40	40
Share premium account	20	3,960	3,960
Profit and loss account	20	(3,158)	(6,160)
Shareholder's funds	21	842	(2,160)

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 2012 and were signed on its behalf by



Greg Smith
Director

IP2IPO LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

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 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

1.6 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

1.7 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

1.8 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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

1.9 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.

1.10 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.

1.11 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.

1.12 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.

1.13 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).

1.14 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.

1.15 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

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 Profit on ordinary activities before taxation

	2011 £'000	2010 £'000
Profit on ordinary activities before taxation is stated after charging		
Depreciation of tangible fixed assets	76	83
Amortisation of acquisition costs	26	25
Impairment of Oxford equity rights asset	1,210	-
Share based payment charge (note 24)	598	117
Operating lease charges – leasehold properties	233	252

4 Auditor's remuneration

	2011 £'000	2010 £'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	3	2
Other non-audit services – other	46	52
	52	57

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.

5 Directors' emoluments

The aggregate emoluments of the directors of the Company are shown below. The highest paid director had aggregate emoluments of £244k (2010 £183k) and contribution to the money purchase scheme of £8k (2010 £18k). During the year 4 directors were members of the money purchase scheme (2010 4).

IP2IPO LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2011

	2011 £'000	2010 £'000
Remuneration in respect of directors		
Aggregate emoluments	855	684
Contributions to money purchase pension schemes	73	56
	928	740

6 Employees

During the year the Company had 30 employees, including the Directors, all of whom were involved in management and administration activities (2010: 30 employees)

Total staff costs for the year are highlighted below

	2011 £'000	2010 £'000
Wages and salaries	1,927	1,689
Share based payment charge (note 24)	598	117
Social security costs	273	220
Pension costs	73	64
	2,871	2,090

7 Profit on disposal of fixed asset investments

The profit on disposal of fixed asset investments in 2011 primarily arose on the disposal of shares in the following companies: Oxford Catalysts Group plc, Amantys Limited and Ilika plc.

The company also swapped its Sigma Capital Group plc shares for Frontier IP Group plc shares during the year. Frontier IP Group plc is a subsidiary of Sigma Capital Group plc.

8 Interest receivable and similar income

	2011 £'000	2010 £'000
Bank interest receivable	795	234

IP2IPO LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

9 Taxation

	2011 £'000	2010 £'000
Current tax		
Group relief receivable	(83)	-
Adjustment in respect of previous periods	-	-
Tax on profit on ordinary activities	(83)	-

There is a potential deferred tax asset at 31 December 2011 of £5,833k (2010 £5,230k), relating to a deferred tax liability on accelerated capital allowances of £12k (2010 £12k) which is offset by potential deferred tax assets in respect of short term timing differences of £326k (2010 £195k) and losses of £5,638k (2010 £5,035k). 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 (26.5%). Factors affecting the current tax charge for the year are explained below.

	2011 £'000	2010 £'000
Profit/(loss) on ordinary activities before tax	2,321	1,197
Profit / (loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 26% (2010 28%)	603	335
Effects of		
Costs not deductible for tax purposes	(1,260)	(1,054)
Non taxable income	(2)	-
Chargable gains	(48)	-
Movement on unutilised tax losses	-	760
Transfers under s171 TCGA 1992	9	-
Other timing differences	615	(41)
Current tax credit for the year	(83)	-

IP2IPO LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2011

10 Intangible fixed assets

	Intellectual property rights £'000	Total £'000
Cost:		
At 1 January and 31 December 2011	16	16
Depreciation:		
At 1 January 2011	6	6
Charge for the period	1	1
31 December 2011	7	7
Net book values		
At 31 December 2011	9	9
At 31 December 2010	10	10

11 Tangible fixed assets

	Computer equipment £'000	Fixtures and fittings £'000	Total £'000
Cost:			
At 1 January 2011	391	289	680
Additions	19	7	26
At 31 December 2011	410	296	706
Depreciation:			
At 1 January 2011	299	125	424
Charge for the period	40	36	76
At 31 December 2011	339	161	500
Net book values			
At 31 December 2011	71	135	206
At 31 December 2010	92	164	256

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

12 Fixed asset investments – Equity rights

	Oxford University Chemistry Investment £'000	Acquisition costs £'000	Total £'000
Cost:			
At 1 January 2011 and 31 December 2011	15,077	468	15,545
Amortisation of costs and impairment			
At 1 January 2011	-	209	209
Amortisation charge for the year	-	26	26
Impairment	1,210	-	1,210
At 31 December 2011	1,210	235	1,445
Net book value:			
At 31 December 2011	13,867	233	14,100
At 31 December 2010	15,077	259	15,336

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

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 2011. 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 2011	5,327	16,699	3,435	25,461
Investment in spin-out companies	1,592	6,085	1,894	9,571
Disposal of spin-out companies	(924)	(942)	-	(1,866)
Write off of spin-out companies	-	(227)	(113)	(340)
Reclassification	990	243	(1,233)	-
At 31 December 2011	6,985	21,858	3,983	32,826
Provision for diminution in value				
At 1 January 2011	-	1,690	301	1,991
Write off of spin-out companies	-	(227)	(113)	(340)
Reclassification	-	-	-	-
At 31 December 2011	-	1,463	188	1,651
Net book value:				
At 31 December 2011	6,985	20,395	3,795	31,175
At 31 December 2010	5,327	15,009	3,134	23,470

At 31 December 2011 the market value of listed shares was £8.8 million (2010: £13.5 million)

IP2IPO LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

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 £12,790k compared to a total fair value of £7,360k. Included in the £12,790k carrying value, and as result of the recent challenging economic environment, is a brought forward provision for diminution in value of £1,260k 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 2011 the Company has investments where it holds 20% or more of the issued share capital in the following companies

	% of beneficial equity interest held	Net assets / (liabilities) (£'000)	Profit / (loss) (£'000)	Date of financial statements
Activiomics Limited	39.0	289	-	31/07/2011
Actual Experience Limited	40.5	290	-	31/07/2011
Azellon Limited	25.5	835	-	31/12/2011
C-Capture Limited	36.7	135	-	31/07/2011
Chamelic Limited	48.0	186	-	31/07/2011
Polar Ofed Limited	42.4	(112)	-	31/07/2011
Retroscreen Virology Limited	33.9	1,626	(663)	31/12/2011
Empiricom Technologies Limited	49.9	(498)	-	31/03/2011
Capsant Neurotechnologies Limited	28.4	11	(246)	31/12/2010
Sustainable Resource Solutions Limited	43.6	421	-	30/04/2011
Overlay Media Limited	35.2	(7)	-	31/07/2011
Icona Solutions Limited	34.5	(16)	-	31/12/2011
Crysalin Limited	31.5	240	-	31/07/2011
Mode Diagnostics Limited	40.4	(156)	-	31/07/2011
Oxford Nanopore Technologies Limited	21.5	25,809	(9,881)	31/12/2010
Surrey Nano Systems Limited	22.5	941	-	30/06/2011
Glythera Limited	26.2	(81)	-	31/07/2011
OxTox Limited	25.7	140	-	31/12/2010
EMDOT Limited	26.3	(885)	-	31/07/2011
Oxford RF Sensors Limited	23.2	(909)	-	31/12/2011

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 2011. 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 2011	4,820
Additions	5,569
At 31 December 2011	10,389

The company holds 100% of the issued ordinary share capital of IP2IPO (Europe) Limited, IP2IPO Management Limited, IP2IPO Management II Limited, IP2IPO Management III Limited, IP2IPO Management IV Limited, IP2IPO Management V Limited, IP2IPO Management VI Limited, IP2IPO

IP2IPO LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2011

Management VII Limited and IP2IPO Management VIII Limited These companies are registered in England and Wales and their principal activity is the commercialisation of intellectual property

15 Fixed asset investments – Limited partnership investments

	Total Limited Partnership investments £'000
Cost:	
At 1 January 2011	1,798
Additions	355
At 31 December 2011	2,153
Net book value:	
At 31 December 2011	2,153
At 31 December 2010	1,798

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 2011 £'000	31 December 2010 £'000
Trade debtors	118	123
Amounts owed by group undertakings	9,482	6,467
Other debtors	106	101
Loan to Leeds University	739	867
Prepayments and accrued income	608	250
	11,053	7,808

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 2011 £'000	31 December 2010 £'000
Trade creditors	106	65
Amounts owed to group undertakings	394	613
Other tax and social security	79	65
Other creditors	71	148
Accruals and deferred income	197	186
	847	1,077

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

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NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2011

18 Creditors: amounts falling due after one year

	31 December 2011 £'000	31 December 2010 £'000
Amounts due to group undertakings	123,352	72,417

Amounts due to group undertakings are unsecured, interest free and have no fixed date of repayment. IP Group plc has confirmed that while these amounts are payable on demand, they will not be required to be repaid in cash within twelve months from the date of approval of these financial statements.

19 Share capital

	31 December 2011 £'000	31 December 2010 £'000
Authorised:		
50,000 Ordinary shares of £1 each (2010: 50,000)	50	50
Allotted, called up and fully paid:		
40,100 Ordinary shares of £1 each (2010: 40,100)	40	40

20 Statement of movements on other reserves

	Share Premium Account £'000	Profit and loss account £'000
At 1 January 2011	3,960	(6,160)
Capital contribution	-	598
Profit for the period	-	2,404
At 31 December 2011	3,960	(3,158)

21 Reconciliation of movements in shareholder's funds

	31 December 2011 £'000	31 December 2010 £'000
Profit for the period	2,404	1,197
Capital contribution	598	117
Net increase/(reduction) in shareholder's funds	3,002	1,314
Opening shareholder's funds	(2,160)	(3,474)
Closing shareholder's funds	842	(2,160)

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 2011, the total undrawn commitment was £0.9 million (2010: £1.3 million).

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For the year ended 31 December 2011

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	3.6	1.4
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	1.1	3.9
		40.8	8.5	31.6

(i) Under the terms of an agreement entered into in 2002 between the Group, 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. The basis for investment is subject to review during 2012.

(ii) Under the terms of an agreement entered into during 2003 between the Group and King's College London ("KCL") and King's College London Business Limited (formerly KCL Enterprises Limited), the Group agreed to make £5.0m available for the purposes of making investments in spin-out companies. Under the terms of this agreement, KCL was previously able to require the Company to make a further £5.0m available for investments in spin-out companies on the tenth anniversary of the partnership. However, the 2003 agreement was terminated and replaced by a revised agreement between the same parties on 12 November 2010. Under the revised agreement, the Group has agreed to target investing the remaining commitment of £3.2m over a three-year period, KCL cannot, however, require the Group to make any additional funds available. Other changes effected by the revised agreement included the removal of the Group's automatic entitlement to initial partner equity in every spin-out company and/or a share of KCL's licensing fees from intellectual property commercialisation and to the termination rights of the parties.

(iii) In 2003 the Group 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 Group has committed to invest up to a total of £0.8m in spin-out companies based on CNAP's intellectual property. In 2006 the Group extended its partnership with the University of York to cover the entire university. The Group has committed to invest £5.0m in University of York spin-outs over and beyond the £0.8m commitment as part of the Group's agreement with CNAP. The agreement with York was amended during the year so as to alter the process by which the Group evaluates commercialisation opportunities and the level of initial partner equity the Group is entitled to as a result. Further, the Group's automatic entitlement to share in any of York's proceeds from out-licensing has been removed from the agreement.

(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 Group entered into an agreement with the University of Bath ("Bath") to invest in Bath spin-out companies. The Group has committed to invest up to a total of £5.0m in Bath spin-out companies. The agreement with Bath was amended during the year so as to remove the Group's automatic entitlement to a share of the initial equity or licence fees (as applicable) received by Bath from the commercialisation of its intellectual property in the event the Group and its employees have not been actively involved in developing the relevant opportunity.

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For the year ended 31 December 2011

(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.

23 Financial commitments

At 31 December 2011 the company had annual commitments under non-cancellable operating leases, in relation to office premises, as follows

	Land and buildings	
	2011	2010
	£'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 conditional awards of ordinary shares of 2p each in IP Group which vest over the prescribed performance period to the extent that performance conditions have been met. IP Group plc's remuneration committee impose objective conditions on the vesting of awards, and these take into consideration the guidance of the group's institutional investors from time to time.

The 2011 LTIP awards will ordinarily vest on 31 March 2014, to the extent that the performance conditions have been met. As noted above, Deloitte LLP provided independent external advice to the remuneration committee on the appropriate performance conditions to attach to the 2011 LTIP awards based on their experience of current market practice. The awards are based on the performance of IP Group's Hard NAV and TSR. Both performance measures are combined into a matrix format to most appropriately measure performance relative to the business. The total award is subject to an underpin based on the relative performance of IP Group's TSR to that of the FTSE small-cap index, which can reduce the awards by up to 50%. The matrix is designed such that up to 100% of the award (prior to the application of the underpin) will vest in full in the event of both Hard NAV increasing by 15% per year on a cumulative basis from 1 January 2011 to 31 December 2013 and TSR increasing by 15% per year on a cumulative basis from the date of award to 31 March 2014, using an industry-standard average price period at the beginning and end of the performance period. Further, the matrix is designed such that 30% of the award shall vest (again prior to the application of the underpin) if the cumulative increase is 8% per annum for both measures over their respective performance periods ("threshold performance"). A straight-line sliding scale is applied for performance between the distinct points on the matrix of vesting targets.

The 2010 LTIP awards will ordinarily vest on 31 March 2013, to the extent that the performance, 50% are based on IP Group's share price performance. The portion subject to Hard NAV performance shall vest in full in the event of Hard 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 time period. The portion subject to IP Group's share price performance shall vest in full in the event of IP Group's share price being equal to or exceeding 67p on 31 December 2012, whilst 50% of that portion shall vest if IP Group's share price is 60p on this date. A straight-line sliding scale is applied for performance between the vesting targets detailed above.

For the 2008 awards, the performance conditions were based on IP Group's TSR. The 2008 awards lapsed during the year with no awards vesting.

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

	2011	2010
At 1 January	11,355,986	422,537
Notionally awarded during the year	4,216,398	10,933,449
Lapsed during the year	(422,537)	-
At 31 December	15,149,847	11,355,986

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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

	2011	2010
Share price at date of award	0.54p	0.29-0.32p
Exercise price	£nil	£nil
Expected volatility (median of historical 50-day moving average)	35%	33%
Expected life (years)	2.50	2.45-2.50
Expected dividend yield	0%	0%
Risk-free interest rate	1.0%	0.8-0.9%

The fair value charge recognised in the profit or loss account during the year in respect of LTIP share awards was £0.6m (2010: £0.1m)

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 2011

Director	Company name	Number of shares held at 1 January 2011	Number of shares acquired / (disposed) in the year	Number of shares held at 31 December 2011	% of issued share capital at 31 December 2011
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	0.8%
	Capsant Neurotechnologies Limited	11,631	-	11,631	0.8%
	Chamelic Limited	26	-	26	0.4%
	Crysalin Limited	1,447	-	1,447	0.2%
	Emdot Limited	15	-	15	0.9%
	Evocutis plc	767,310	-	767,310	0.4%
	Getech Group plc	15,000	-	15,000	<0.1%
	Green Chemicals plc	108,350	-	108,350	1.1%
	Icona Solutions Limited	1,674	-	1,674	0.6%
	Ilika plc	117,500	-	117,500	0.3%
	Karus Therapeutics Limited	223	-	223	0.7%
	Mode Diagnostics Limited	1,863	-	1,863	0.8%
	Overlay Media Limited	32	-	32	1.2%
	Oxford Advanced Surfaces Group plc	2,172,809	-	2,172,809	1.1%
	Oxford Catalysts Group plc	207,399	(85,290)	122,109	0.1%
	Oxford Nanopore Technologies Limited	11,442	-	11,442	0.7%
	Oxford RF Sensors Limited	53,639	-	53,639	0.8%
	Oxtox Limited	25,363	-	25,363	0.3%
	Pharminox Limited	685	-	685	0.3%
	Plexus Planning Limited	1,732	-	1,732	0.8%

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Director	Company name	Number of shares held at 1 January 2011	Number of shares acquired / (disposed) in the year	Number of shares held at 31 December 2011	% of issued share capital at 31 December 2011
	Retroscreen Virology Limited	1,858	-	1,858	0.2%
	Revolymmer Limited	2,963	-	2,963	0.3%
	Surrey Nanosystems Limited	393	-	393	0.5%
	Sustainable Resource Solutions Limited	25	-	25	1.1%
Alison Fielding	Activotec SPP Limited ¹	300	-	300	0.2%
	Amaethon Limited - A Ordinary Shares	105	-	105	3.2%
	Amaethon Limited - B Ordinary Shares	12,049	-	12,049	1.0%
	Amaethon Limited - Ordinary shares	21	-	21	0.3%
	Avacta Group plc	7,664,105	-	7,664,105	0.5%
	Capsant Neurotechnologies Limited	7,847	-	7,847	0.5%
	Chamelic Limited	21	-	21	0.3%
	Crysalin Limited	1,447	-	1,447	0.2%
	EmDot Limited	14	-	14	0.8%
	Evocutis plc	354,770	-	354,770	0.2%
	Green Chemicals plc	126,181	-	126,181	1.3%
	Icona Solutions Limited	1,419	-	1,419	0.5%
	Ilika plc	32,800	-	32,800	<0.1%
	Karus Therapeutics Limited	43	-	43	0.1%
	Mode Diagnostics Limited	1,632	-	1,632	0.7%
	Overlay Media Limited	28	-	28	1.1%
	Oxford Advanced Surfaces Group plc	611,042	-	611,042	0.3%
	Oxford Catalysts Group plc	68,547	(28,190)	40,357	<0.1%
	Oxford Nanopore Technologies Limited	5,721	-	5,721	0.3%
	Oxford RF Sensors Limited	15,085	-	15,085	0.2%
	Oxtox Limited	16,601	-	16,601	0.2%
	Pharminox Limited	274	-	274	0.1%
	Plexus Planning Limited	480	-	480	0.2%
	Retroscreen Virology Limited	1,216	-	1,216	0.1%
	Revolymmer Limited	1,198	-	1,198	0.1%
	Surrey Nanosystems Limited	323	-	323	0.4%
	Sustainable Resource Solutions Limited	25	-	25	1.1%
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	0.3%
	Crysalin Limited	1,286	-	1,286	0.2%
	EmDot Limited	14	-	14	0.8%
	Green Chemicals plc	113,222	-	113,222	1.1%
	Icona Solutions Limited	1,515	-	1,515	0.6%
	Mode Diagnostics Limited	1,756	-	1,756	0.8%
	Overlay Media Limited	29	-	29	1.1%
	Oxford Advanced Surfaces Group plc	932,994	-	932,994	0.5%
	Oxford Nanopore Technologies Limited	3,490	-	3,490	0.2%
	Oxtox Limited	25,363	-	25,363	0.3%
	Retroscreen Virology Limited	1,858	-	1,858	0.2%
	Revolymmer Limited	1,198	-	1,198	0.1%
	Sustainable Resource Solutions Limited	25	-	25	1.1%
	Surrey Nanosystems Limited	350	-	350	0.4%

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Director	Company name	Number of shares held at 1 January 2011	Number of shares acquired / (disposed) in the year	Number of shares held at 31 December 2011	% of issued share capital at 31 December 2011
Greg Smith	Capsant Neurotechnologies Limited	895	-	895	<0.1%
	Chamelic Limited	3	-	3	<0.1%
	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%

¹ Company in administration or dissolved