FOR RELEASE ON **1 March 2016**

("IP Group" or "the Group" or "the Company")
IP Group plc Annual Results Release

Strongest financial performance since the Group's formation; well-positioned for future growth

IP Group plc (LSE:IPO), the developer of intellectual property-based businesses, today announces its annual financial results for the year ended 31 December 2015.

2015 Highlights

- Net assets increased by approximately 50% to £781.9m (2014: 526.2m)
- £178.8m (net of expenses) raised through the issue of new equity capital
- Acceleration of US activities with four new portfolio companies created bringing the total portfolio to five
- Acquisition of a £40.0m strategic holding in Oxford Sciences Innovation plc, broadening the Group's exposure to spin-out companies from the University of Oxford
- Modern Biosciences plc reached the first development-related milestones in its agreement with Janssen Biotech, Inc. triggering gross payments of £8.0m

Financial highlights

- Net assets excluding intangibles increased to £714.3m (2014: £451.3m)
- Adjusted profit before tax of £82.4m (2014: £16.2m), excluding amortisation of intangible assets and reduction in fair value of Oxford Equity Rights asset of £7.3m (2014: £6.7m)
- Net cash and deposits at 31 Dec 2015: £178.8m (FY14: £97.3m)
- New 8-year £30m debt facility negotiated with European Investment Bank

Portfolio highlights

- Fair value of portfolio: £552.2m (2014: £349.9m)
- Net increase in fair value of portfolio, excluding net investment, of £86.2m (2014: £22.3m)
- Capital provided to portfolio companies* and projects: £75.9m (2014: £46.8m)
- Portfolio realisations: £0.6m (2014: £9.7m)
- Group's portfolio companies raised approximately £300m of new capital in 2015
- Oxford Nanopore completed £70m private financing and its MinION product became fully commercially available
- Diurnal Group plc completed £30m AIM admission and began Phase 3 trials for its Infacort® product

Alan Aubrey, Chief Executive of IP Group, said: "2015 saw the Group's strongest financial performance since its formation. During the year, we completed a number of key corporate transactions and secured our financial position for growth with successful equity and debt raisings. These funds will be used to grow both our UK and US operations as we continue to internationalise the business. It was also an extremely productive year for our portfolio companies who recorded some impressive achievements which included raising approximately £300m of new capital. In addition, the Group took a strategic stake in Oxford Sciences Innovation plc, providing access to a much wider range of scientific research from the University of Oxford and broadening its exposure to future Oxford spin-out companies.

Major global economies continue to increase expenditure on research and development in the face of macroeconomic trends that continue to cast significant uncertainty over the pace of the global economic recovery. IP Group remains well-positioned to respond to this environment with a healthy pipeline of opportunities across all of our sectors underpinned by a strong cash position. Against this backdrop, we remain cautiously optimistic about the prospects for the current year and beyond and believe we are well-positioned for future growth."

* in addition to acquisition of £40.0m strategic holding in Oxford Sciences Innovation plc

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Notes
(i) Nature of announcement

This Annual Results Release was approved by the directors on 29th February 2016.

The financial information set out in this Annual Results Release does not constitute the company's statutory accounts for 2015 or 2014. Statutory accounts for the years ended 31 December 2015 and 31 December 2014 have been reported on by the Independent Auditor. The Independent Auditor's Reports on the Annual Report and Financial Statements for 2015 and 2014 were unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006. Statutory accounts for the year ended 31 December 2014 have been filed with the Registrar of Companies. The statutory accounts for the year ended 31 December 2015 will be delivered to the Registrar following the Company's annual general meeting.

The 2015 Annual Report and Accounts will be published in April 2016 and a copy will be posted on the Group's website (www.ipgroupplc.com). In accordance with Listing Rule 9.6.1 a copy of the Annual Report and Accounts will also be submitted to the National Storage Mechanism on or around this date and will be available for inspection at: www.Hemscott.com/nsm.do from that time.

Throughout this Annual Results Release the Group's holdings in portfolio companies reflect the undiluted beneficial equity interest excluding debt, unless otherwise explicitly stated.

(ii) Forward looking statements

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

Strategic Report

Chairman's letter: Strong financial and operational performance

In my first statement as Chairman, I am delighted to report that the Group has had its most successful year since its formation in terms of financial performance. Operationally, 2015 was also an extremely productive year and it was particularly pleasing to see our US operations gain traction as we continue to internationalise the business.

Key events

The Group completed a number of key corporate transactions during 2015 which, taken together, have strengthened both the balance sheet and the Company's pipeline of opportunities. The business is well-positioned for future growth.

The first half of the year saw tremendous corporate activity with the Group raising approximately £179m of funding through two significantly oversubscribed issues of equity, followed by the securing of an additional £30m debt facility from the European Investment Bank ("EIB"). The Group also took a strategic stake in Oxford Sciences Innovation plc ("OSI"), an exciting development that will give the Group access to a much wider range of scientific research from the University of Oxford than before and broadens its exposure to future Oxford spin-out companies.

Strategy

The Group's new operational structure, which saw portfolio decision-making within appropriate levels of authority divided into four sectors, Biotech, Cleantech, Healthcare and Technology, during 2014, is working very well and is deepening the sector expertise that we believe is critical for the Group's continued development. On the whole, companies across the four sectors contributed to the overall strong performance in the year and each sector has a number of exciting prospects for future growth.

The Group continues to build its business in the US and at the date of this report has a portfolio comprising seven companies or projects based on intellectual property from our university partners at Columbia, Pennsylvania and Princeton, and a number of Federal Labs. We continue to evaluate what we consider to be an excellent pipeline of future opportunities from these partners and may seek to selectively add further sources during the year.

Financial performance

In terms of financial performance, the Group recorded its strongest year ever with healthy increases in all of our key performance indicators. Net assets, excluding intangibles, increased to £714.3m (2014: £451.3m) while profit before tax increased to £75.1m (2014:

£9.5m). The Group ended the year with £178.8m (2014: £97.3m) gross cash and a further £15m of undrawn commitment under our new EIB facility. As ever, it remains important to consider the Group as a long-term business where results can fluctuate from year to year. This is particularly relevant given the current macroeconomic conditions which continue to cast significant uncertainty over equity markets and the global economic situation.

Board changes

It was an honour to become Chairman of the Board in March, having served as a non-executive director since 2011. I believe my experience of having led and grown Croda International plc into a major corporation will be highly relevant to IP Group in the next phase of its development. Doug Liversidge, who joined the Board in 2014, has taken on the role of Senior Independent Director while Jonathan Brooks, a member of the Board since 2011, has become Chairman of the Remuneration Committee.

We were also delighted to welcome Dr Elaine Sullivan to the Board as a non-executive director in July. Dr Sullivan brings a wealth of experience in the life sciences and operating in the US with over 25 years' international experience in the pharmaceutical industry including roles with Eli Lilly and AstraZeneca. She is currently Chief Executive Officer of Carrick Therapeutics, a specialist oncology company that she founded in early 2015.

Summary

In summary, 2015 has been a highly productive and successful year which would not have been possible without the continued hard work and dedication of the Group's staff, academic partners and portfolio companies. The Board would like to thank all of our stakeholders for their continued commitment and support.

IP Group is passionate about evolving great ideas into world-changing businesses and we remain excited about the opportunities that we see for the Group as a whole, as it continues to grow and develop.

Mike Humphrey
Chairman

Operational review: Another active and positive year

2015 was another extremely active and positive year with the portfolio recording some impressive achievements. Over the course of the year, our portfolio companies raised approximately £300m (2014: approximately £200m).

The total fair value of the Group's portfolio, which now comprises holdings in 99 companies, increased by more than 50% in 2015 to £552.2m (2014: £349.9m), representing a net unrealised fair value increase, excluding net investment, of more than £86m during the year (2014: £21m).

The key positive contributors to the increase in fair value in 2015 were Oxford Nanopore Technologies Limited (£50.4m), Diurnal Group plc (£15.7m), Avacta Group plc (£9.7m), Actual Experience plc (£8.2m), First Light Fusion Limited (£6.7m) and Ultrahaptics Limited (£6.1m).

These gains were partially offset by some reductions in fair value, most notably as a result of reductions in the share prices of some of our AIM-quoted portfolio companies including Tissue Regenix Group plc (£5.0m), Ceres Power Holdings plc (£4.2m), Seren Photonics Limited (£2.2m) and Modern Water plc (£2.0m).

During 2015, the Group provided £75.9m of incubation, seed and development capital to 53 portfolio companies (2014: £46.8m capital; 51 companies) and a further £40m strategic investment into Oxford Sciences Innovation plc.

Significant portfolio company transactions and developments

The first half of the year saw significant fundraisings from portfolio companies in our Healthcare, Technology and Biotech sectors with Tissue Regenix Group plc, Actual Experience plc and Avacta Group plc raising a combined total of approximately £58m before expenses. In addition, in the Biotech sector, Modern Biosciences plc ("MBS"), the Group's private drug-discovery subsidiary, achieved three development-related milestones in its agreement with Janssen Biotech, Inc., triggering gross payments of £8m. The goal of the collaboration is to develop new drugs for the treatment of rheumatoid arthritis and the agreement could be worth up to a total of £176m in upfront and milestone payments in addition to future royalties.

In the second half of the year, Oxford Nanopore Technologies Limited completed a £70m financing round while shares in Diurnal Group plc were admitted to AIM in December, with the company raising £30m before expenses. A further three of our quoted companies (Xeros Technology Group plc, hVIVO plc and Applied Graphene Materials plc) also announced significant fundraisings, totalling approximately £70m. Two of the Group's unquoted companies, First Light Fusion Limited and Ultrahaptics Limited, announced financings of £23m and £10m respectively.

Further detailed analysis and information on the portfolio is provided in the portfolio review.

The US

In the US, the Group has now moved beyond the initial pilot phase agreements with its university partners and is focused on building on the positive progress achieved to date. Our US team, which comprised five FTEs at year end, is developing an exciting portfolio of companies.

The Group took a significant minority stake in Uniformity Labs, Inc. (Princeton University), which is developing equipment, materials and software for 3D printing, and provided debt financing to AptaCo, Inc. (Columbia University), which is developing an aptamer-based bio-sensing platform that is capable of providing rapid and accurate diagnostic information essential to the management of a wide range of conditions. Seed financing was also provided to Exyn Technologies Inc., the Group's first spin-out company from the University of Pennsylvania, which has developed software to control autonomous micro unmanned aerial vehicles ("UAVs") and enable coordination in swarms of flying vehicles. Since year-end we have completed incubation financings for two further spin-out companies from the University of Pennsylvania: Prendo Systems, Inc., which is developing universal low-cost robotic manipulators, and Chip Diagnostics, Inc. which is developing digital assays in which ultra-sensitive molecular measurements are made by performing millions of parallel experiments. The Group has also provided incubation funding to pursue two opportunities from our Federal Labs initiative through FedImpact LLC.

IP Group Inc., our US subsidiary, hosted a well-attended investor conference in New York in the Autumn, showcasing both some of our US and UK portfolio companies, including a demonstration of the internal navigation and mapping capabilities that can be achieved using Exyn's software to control autonomous UAVs.

Outlook

While the major macroeconomic trends continue to cast significant uncertainty over the pace of the global economic recovery, which is likely to impact the general funding environment, the major global economies continue to increase expenditure on research and development to fuel growth.

IP Group remains well-positioned to respond to both this challenge and opportunity with a strong cash position and a healthy pipeline of opportunities across all of our sectors. Against this backdrop, we are cautiously optimistic about the prospects for the current year and beyond as we continue to grow and internationalise the Group.

Portfolio review:

Our portfolio: continuing to develop and mature

Overview

At 31 December 2015 the value of the Group's portfolio had increased to £552.2m, from £349.9m in 2014, as a result of a significant increase in net investment following the Group's equity capital raising of £178.8m (post expenses) and the fair value movements set out below. The portfolio comprised holdings in 99 companies, compared with 90 at 31 December 2014, with the ten most valuable portfolio companies accounting for 75% of the total portfolio value (2014: 73%).

During the year to 31 December 2015, the Group provided pre-seed, seed and post-seed capital totalling approximately £75.9m to its portfolio companies, in addition to contributing £40.0m to Oxford Sciences Innovation plc ("OSI") as part of its formation and £320m capitalisation. Excluding OSI, this £75.9m represents a 62% increase on the £46.8m provided to portfolio companies in 2014 and is consistent with the commitments made by management at the time of the Group's 2014 and 2015 equity capital fundraisings. The Directors continue to believe that the Group's ability to utilise its increased capital to maintain its equity interests in its most promising companies will contribute to significant potential fair value increases in the portfolio over the medium to long term.

In addition to significantly increasing the total level of capital deployed into portfolio company opportunities, the Group also increased the rate of new spin-out opportunity formation, with capital being deployed by the Group into 14 companies or projects for the first time during the year (2014: 11). It is worth noting that four of these were opportunities sourced through our US operations (2014: one) and that the level of new UK opportunities was broadly unchanged from 2014. Four companies were sold during the period, two of which to existing portfolio companies, while a further four companies, with a total historic cost of £2.3m, were closed or fully provided against.

During the year, cash proceeds from the realisation of investments decreased to £0.6m (2014: £9.7m). The proceeds predominantly arose from the cash received on the wind-up of CH4E Limited, a decision that had been taken in 2014, whilst prior year realisations were primarily driven by the partial disposal of interests in Synairgen plc, Rock Deformation Research Limited and Velocys plc.

Performance summary

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

	2015 **£m**	2014 £m
Unrealised gains on the revaluation of investments	**115.4**	63.2
Unrealised losses on the revaluation of investments	**(29.0)**	(42.5)
Net fair value gains	**86.4**	20.7
Profit/(loss) on disposals of equity investments	**(0.2)**	1.6
Change in fair value of Limited Partnership interests	**0.4**	0.5
Net portfolio gains	**86.6**	22.8

The most significant contributors to unrealised gains on the revaluation of investments comprised Oxford Nanopore Technologies Limited (£50.4m), Diurnal Group plc (£15.7m), Avacta Group plc (£9.7m), Actual Experience plc (£8.2m), First Light Fusion Limited (£6.7m), and

Ultrahaptics Limited (£6.1m). The major contributors to the unrealised losses on the revaluation of investments were Tissue Regenix Group plc (£5.0m), Ceres Power Holdings plc (£4.2m) and Seren Photonics Limited (£2.2m).

The performance of the Group's holdings in companies quoted on either AIM or ISDX saw a net unrealised fair value increase of £10.0m while the Group's holdings in unquoted companies experienced a net fair value increase of £76.5m. Excluding both the net amount invested during the year and the fair value increase in Diurnal Group plc upon its initial public offering on AIM, the Group's listed portfolio increased in fair value by 7.9%, outperforming the FTSE AIM All Share's 4.4% increase.

Since the year end, i.e. between 31 December 2015 and the 26 February 2016, the fair value of the Group's holdings in companies whose shares are listed on the AIM market experienced a net fair value decrease of £19.2m. Despite the disappointing start to 2016 for equity markets and the share prices of a number of the Group's AIM-quoted portfolio companies, management believes that the increasing maturity, and technical and commercial progress, of a number of its underlying portfolio businesses, both quoted and unquoted, will continue to provide opportunities for the Group to generate significant future value.

Investments and realisations

The Group's rate of capital deployment increased during 2015, with a total of £75.9m being deployed across 53 new and existing projects (2014: £46.8m; 51 projects), excluding the £40.0m strategic investment in OSI.

Cash investment analysis by company stage	**2015 £m**	2014 £m
Incubation opportunities	**1.6**	0.8
Seed businesses	**3.5**	8.2
Post-seed private businesses	**39.9**	22.3
Post-seed quoted businesses	**30.9**	15.5
Multi-sector platform businesses	**40.0**	-
Total	**115.9**	46.8
Proceeds from sales of equity investments	**0.6**	9.7

Incubation opportunities comprise businesses or pre-incorporation projects that are generally at a very early stage of development. Opportunities at this stage usually involve capital of less than £200,000 from IP Group, predominantly allowing for proof of concept work to be carried out. Incubation projects generally have a duration of nine to eighteen months, following which the opportunity is progressed to seed financing, terminated or retained at the pre-seed stage for a further period to allow additional proof of concept work to be carried out. Seed businesses are those that have typically received financing of up to £1m in total, primarily from IP Group, in order to continue to progress towards agreed commercial and technology milestones and to enable the recruitment of management teams and early commercial engagement.

Post-seed businesses are those that have received some level of further funding from co-investors external to IP Group, with total funding received generally in excess of £1m. Although each business can vary significantly in its rate and manner of development, such additional funding is generally used to progress towards key milestones and commercial validation, to build senior level capability in the business and to attract experienced non-executive directors to their boards. This category is further broken down into post-seed private and post-seed quoted companies. Post-seed quoted companies consist of companies quoted on AIM.

The Group has continued to contribute to the development of its post-seed businesses with a number announcing further financings supported by the Group and/or IP Venture Fund ("IPVF"), the dedicated follow-on venture capital fund managed by the Group. With IPVF approaching the end of its term, the amount invested into existing Group portfolio businesses during the year reduced to £nil (2014: £2.7m).

Since its inception in May 2013, IP Venture Fund II ("IPVF II"), the £30m venture capital successor fund to IP Venture Fund, has invested alongside the Group in 27 companies spun-out from IP Group's university partnerships and other collaborations. At 31 December 2015, IPVFII had invested £8.2m into spin-out companies from incubation stage through seed and post-seed stage (2014: £4.5m), with an investment ratio of 30:70 (IP Venture Fund II: IP Group). Further, IP Group holds a 33% interest in IP Venture Fund II. In complying with IFRS 10, the Group consolidates the assets, liabilities and results of IPVFII. In order to reflect meaningful information to its shareholders, the detailed sectoral analysis tables included in this Portfolio review reflect the Group's economic interest in portfolio company holdings, including an estimate of its "look through" interest via IPVFII, which as noted above is calculated as one third of IPVFII's holdings in such companies. The minority interest ownership, i.e. that element of IPVFII's holdings that is attributable to external Limited Partners, is reflected in a separate section within those tables.

During the year, 13 opportunities received initial incubation or seed funding during the year (2014: ten) and one company received initial post-seed funding (2014: one), while the Group received founder equity in one further new spin-out company under the terms of its university agreements. During the period five existing incubation projects progressed to seed or post-seed stage (2014: one).

The 14 new opportunities included the following, and some further discussion of new opportunities is included in *portfolio analysis - by sector* below:

- Ultramatis Limited (University of Leeds) has developed Ultrafast Laser Plasma Implantation which can implant any glass with femtosecond-laser generated plasma. This can be used to create sophisticated anti-counterfeiting markers for glass surfaces, as well as being able to toughen and brand glass;

- Structures for Lossless Ion Manipulation (SLIM) is a project originating from the FedIMPACT initiative – a programme intending to develop opportunities arising within the US Department of Energy (DOE) laboratory network. SLIM is an analytical system utilising lossless ion transfer and multiplexing ion mobility separations for trace analysis of biologic molecules. It can replace liquid chromatography/mass spectrometry systems with high throughput (1 minute vs. 1-5h) separations and analysis for complex biologic samples, enabling proteomics research and biomarker discovery;
- Navenio Limited (University of Oxford) is developing a mobile location sensing technology using a combination of approaches including fingerprinting of the electromagnetic spectrum, consolidating sensor data and indoor mapping, to achieve highly accurate and lightweight indoor positioning.

The average level of capital deployed per company increased from £0.9m to £2.1m in 2015. Excluding the Group's participation in Oxford Nanopore Technologies Limited's 2014 and 2015 financing rounds, as well as the £40.0m investment in Oxford Sciences Innovation plc, the average investment per company increased to £1.2m from £0.8m in 2014. This general trend of increasing average investment per company is expected to continue in the future.

Portfolio analysis — by stage of company maturity

At 31 December 2015, the Group's portfolio fair value of £552.2m was distributed across stages of company maturity as follows:

	As at 31 December 2015				As at 31 December 2014			
	Fair value		**Number**		Fair value		Number	
Company stage	**£m**	**%**		**%**	£m	%		%
Incubation opportunities	**1.4**	**—**	**19**	**19%**	0.9	—	13	14%
Seed businesses	**11.8**	**2%**	**19**	**19%**	16.0	5%	24	27%
Post-seed private businesses	**80.6**	**15%**	**36**	**37%**	51.2	14%	30	34%
Post-seed quoted businesses	**26.6**	**5%**	**11**	**11%**	21.3	6%	10	11%
Top ten businesses	**386.1**	**70%**	**10**	**10%**	255.1	73%	10	11%
Multi-sector platform businesses	**45.7**	**8%**	**4**	**4%**	5.4	2%	3	3%
All portfolio businesses	**552.2[1]**	**100%**	**99**	**100%**	349.9[1]	100%	90	100%

[1] Total fair value includes £8.5m (2014: £4.2m) attributable to minority interests represented by third party limited partners in the consolidated fund, IPVFII.

Of the 99 companies in the Group's portfolio, 75% (2014: 73%) of the fair value resides in the ten most valuable companies and the Group's holdings in these businesses are valued at a total of £414.0m (2014: £255.1m). Excluding holdings in the Group's four multiple sector portfolio companies, such as Oxford Sciences Innovation plc and Cambridge Innovation Capital plc, the top ten most valuable companies represent £386.1m, or 76%, of a total £506.5m portfolio value, and 70% of the total portfolio value.

The total value of the Group's 95 non-platform portfolio companies, calculated by reference to the Group's holding in such companies and grossed up to reflect their total value, is now in excess of £2.5bn, or approximately £3.0bn including the Group's four holdings in multi-sector platform companies (e.g. Oxford Sciences Innovation plc and Cambridge Innovation Capital plc).

Portfolio analysis — by sector

The Group funds spin-out companies based on a wide variety of scientific research emerging from leading research intensive institutions and does not limit itself to funding companies from particular areas of science. The Group splits its core opportunity evaluation and business building team into four specialist divisions, Biotech, Cleantech, Healthcare and Technology. Where the Group invests in businesses that cannot be classified within these divisions, primarily those portfolio companies which also invest in other opportunities, they are recorded in a separate sector as shown below. Together these five sectors make up the university partnership business segment. An update on the other two operating segments is included in the financial review.

	As at 31 December 2015				As at 31 December 2014			
	Fair value		**Number**		Fair value		Number	
Sector	**£m**	**%**		**%**	£m	%		%
Healthcare	**277.6**	**50%**	**31**	**32%**	213.1	61%	31	34%
Technology	**91.9**	**17%**	**31**	**31%**	58.6	17%	25	28%
Cleantech	**69.1**	**13%**	**20**	**21%**	56.2	16%	18	20%
Biotech	**67.9**	**12%**	**13**	**13%**	16.4	5%	13	15%
Multiple sectors	**45.7**	**8%**	**4**	**3%**	5.6	1%	3	3%
	552.2[1]	**100%**	**99**	**100%**	349.9[1]	100%	90	100%

[1]. Total fair value includes £8.5m (2014: £4.2m) attributable to minority interests represented by third party limited partners in the consolidated fund, IPVFII.

As can be seen from the table, the Group's portfolio by number of companies is well diversified across its four main sectors. By fair value, however, the portfolio is currently more concentrated in the healthcare sector, largely as a result of the relative valuations of the Group's holdings in Oxford Nanopore Technologies Limited, hVIVO plc and Tissue Regenix Group plc.

A more detailed analysis of each sector follows.

Healthcare

Company name	Description	Group stake at 31 Dec 2015[i] %	Fair value of Group holding at 31 Dec 2014 £m	Year to 31 December 2015 Net investment/ (divestment) £m	Fair value movement and fees settled in equity £m	**Fair value of Group holding at 31 Dec 2015 £m**
Oxford Nanopore Technologies Limited	Single-molecule detection. 1st application in 3rd generation DNA sequencing ("$1000 genome")	19.9%	128.3	14.3	50.4	**193.0**
hVIVO plc[ii]	Viral challenge and 'virometrics' specialist ("conquering viral disease")	16.7%	28.4	2.5	(1.9)	**29.0**
Tissue Regenix Group plc	Regenerative dCELL® soft tissue body parts	13.6%	18.0	2.5	(5.0)	**15.5**
Quantum Imaging Limited	Quantum cardiac imaging technology	43.9%	1.3	1.9	3.3	**6.5**
Alesi Surgical Limited	Medical devices to improve the safety and efficiency of laparoscopic surgery	58.8%	3.9	1.4	1.2	**6.5**
Other companies			22.5	4.8	(5.1)	**22.2**
IP Group total			202.4	27.4	42.9	**272.7**
Value not attributable to equity holders			2.7	1.3	0.9	**4.9**
Total[iii]			205.1	28.7	43.8	**277.6**

(i) Represents the Group's undiluted beneficial economic equity interest (excluding debt) including the portion of IPVFII's stake attributable to the Group. Voting interest is below 50%.
(ii) Formerly known as Retroscreen Virology Group plc.
(iii) Avacta Group plc reclassified from Healthcare to Biotech and Oxaco plc reclassified from Technology to Healthcare; 2014 comparatives have been restated.

IP Healthcare aims to ensure that the businesses it supports provide innovation to improve health outcomes and are also well-placed to be sustainable in a world where the funding of healthcare is subject to fundamental change. Across the globe, governments, healthcare providers, insurers, and patients/consumers are engaged in a persistent tug-of-war between competing priorities: meeting the increasing demand for healthcare services and reducing the rising cost of those services.

During 2015, the Healthcare team completed 14 direct investments across its portfolio of 35 companies. The headline transaction for the year was the completion of Oxford Nanopore's £70m placing. This funding will enable Oxford Nanopore to press on with product and commercial development of its MinION, PromethION and Metrichor platforms. In its efforts to democratise DNA sequencing, it is notable that MinION has now been distributed to over 1,000 independent scientists in 50 countries with those scientists having been encouraged to experiment and publish their results free from editorial input from Oxford Nanopore.

IP Healthcare also participated in significant placings into AIM-quoted companies Tissue Regenix Group plc, to enable the launch of its new regenerative medicine products, and hVIVO plc, principally to progress clinical phase candidates into Phase 2b alongside diversification in utility of its Pathomics platform.

Progress of note in newer companies included the financing of Quantum Imaging Limited, a spin-out company from the University of Leeds focused on magnetic imaging for heart screening, which secured £4.6m to pursue trials of its screening platform and move the company from producing research-based prototypes to fully-fledged commercial products. Additionally, the ambitious 'chemputer-focused' Cronin Group plc became a material asset as a result of AIM-listed cash shell Oxaco plc acquiring Cronin 3D, a spin-out from the University of Glasgow, concurrent with a £3.3m placing.

The year was not, however, without its disappointments. Fundamental technology failure at Oxtox Limited, a business focused on drug-abuse testing, resulted in our decision to no longer invest. IP Healthcare also discontinued its support for consumer health home test company Mode Diagnostics Limited. Despite evidence of commercial traction, difficulties in the cost-effective manufacturing of its at-home bowel cancer screening product meant that ongoing support was not possible.

In 2016 and beyond, IP Healthcare is confident that healthcare technology advances and government initiatives to increase access to care should continue to result in sector expansion, albeit pressure to reduce costs is escalating. Growing populations and consumer wealth are increasing demand for healthcare services but ageing societies and chronic diseases are forcing healthcare payers to make difficult decisions on benefit levels. We believe many historic business models and operating processes will no longer suffice and hence anticipate focusing on major trends we believe will impact stakeholders along the global healthcare value chain as we assess which portfolio companies to support.

Technology

Company name	Description	Group stake at 31 Dec 2015(i) %	Fair value of Group holding at 31 Dec 2014 £m	Year to 31 December 2015 Net investment/ (divestment) £m	Fair value movement and fees settled in equity £m	**Fair value of Group holding at 31 Dec 2015 £m**
Actual Experience plc	Optimising the human experience of networked applications	25.2%	14.1	1.5	8.2	**23.8**
Tracsis plc	Resource optimisation software for the transport industry	10.2%	11.3	—	3.3	**14.6**
Ultrahaptics Limited	Ultrasound-based touch-free haptic technology	30.1%	0.4	2.5	5.0	**7.9**
Applied Graphene Materials plc	Producer of speciality graphene materials	20.3%	6.2	—	(0.2)	**6.0**
Mirriad Advertising Limited	Native in-video advertising	41.3%	—	4.5	—	**4.5**
Other companies			25.9	5.2	1.6	**32.7**
IP Group total			57.9	13.7	17.9	**89.5**
Non-consolidated interest			0.3	0.9	1.2	**2.4**
Total(ii)			58.2	14.6	19.1	**91.9**

(i) Represents the Group's undiluted beneficial economic equity interest (excluding debt) including the portion of IPVFII's stake attributable to the Group. Voting interest is below 50%.

(ii) Oxaco plc reclassified from Technology to Healthcare; 2014 comparatives have been restated.

The aim of IP Group's Technology division is to 'shape the future' by commercialising innovative technologies from our partner research institutions. The division covers a broad spectrum of scientific fields from advanced materials through to the various disciplines of chemical, mechanical, electrical and electronic engineering to information and communications technologies, including both hardware and software.

The division's most valuable asset, Actual Experience plc, had a very positive year. In May, the company announced a three-year contract to supply services to a "major global organisation" which management says has the potential to "radically enhance the company's revenue profile". September brought more good news with the announcement that Actual Experience had signed a major three-year partnership deal with Verizon Enterprise Solutions. The deal is anticipated to begin delivering significant revenue in a 12 to 18 month timescale as Verizon re-sells Actual Experience's services to its large enterprise clients. In between those two announcements, the company completed a fundraising of around £16m (before expenses), which will support accelerated growth, establishing client-facing teams in Europe and North America and growing the technology development team.

There was also encouraging progress at Ultrahaptics Limited, a University of Bristol spin-out commercialising a unique technology that can create tactile sensations in mid-air to enhance gesture-based interfaces and virtual reality environments. The company is a relative newcomer to the IP Group portfolio, having only received seed funding in Q3 2014, but October saw completion of a £10m series A round which will support rapid growth into several key target markets where strong evidence of early customer traction has been seen.

Elsewhere in the portfolio, quoted companies Revolymer plc and Tracsis plc both made good progress with positive news driving enterprise value growth for both assets. Revolymer announced licence deals for its encapsulation technology with global giant Solvay and international chemicals group OCI Chemical Corporation, while Tracsis announced several strategic investments including the acquisition of Ontrac Limited, a £7m revenue software development and IT solutions company. In the private portfolio, several smaller transactions were completed, with accompanying valuation uplifts, for Anacail Limited, Ionix Advanced Technologies Limited and Boxarr Limited.

Finally, we were particularly pleased to welcome Mirriad Advertising Limited to the portfolio, an exciting company with an innovative, patented computer vision technology that can retrospectively insert advertising and branded products into existing video content. We believe that this product has the potential to disrupt and transform a $90bn segment of the global advertising industry. Mirriad has already announced deals with top-tier media companies including Havas, Cheil, YouKu and others and we expect to hear more encouraging news from the company in 2016.

Cleantech

Company name	Description	Group stake at 31 Dec 2015(i) %	Fair value of Group holding at 31 Dec 2014 £m	Year to 31 December 2015 Net investment/ (divestment) £m	Fair value movement and fees settled in equity £m	**Fair value of Group holding at 31 Dec 2015 £m**
Xeros Technology Group plc	Polymer bead cleaning systems	11.8%	13.8	4.8	4.8	**23.4**
First Light Fusion Limited	Developing a new method of achieving extreme intensity bubble collapse	34.9%	0.9	6.3	6.7	**13.9**
Ceres Power Holdings plc	Ceramic fuel cell technology for distributed generation	23.5%	16.4	—	(4.2)	**12.2**
Magnomatics Limited	High torque magnetic transmissions	49.4%	3.5	—	0.1	**3.6**
Ilika plc	Development of new materials for energy and electronics applications	7.5%	4.8	—	(1.2)	**3.6**
Other companies			15.6	2.8	(7.3)	**11.1**
IP Group total			55.0	13.9	(1.1)	**67.8**
Non-consolidated interest			1.2	0.3	(0.2)	**1.3**
Total			56.2	14.2	(1.3)	**69.1**

(i) Represents the Group's undiluted beneficial economic equity interest (excluding debt) including the portion of IPVFII's stake attributable to the Group. Voting interest is below 50%.

IP Cleantech finds, funds and builds outstanding, science-based businesses that mitigate the impacts of climate change and other environmental challenges. 2015 has been a very positive year for the clean technology sector as a whole. Investment in clean energy is on track to exceed $250bn, matching last year's historic levels and resulting in record deployment. In December, the UN Climate Conference in Paris was successful in binding 195 countries to a new treaty to fight climate change. It is noteworthy that both the US and China were active participants in the process and they have become the top two markets for renewable energy. The Paris agreement commits countries to national plans for reducing their carbon emissions and sets an ambition to limit the average temperature rise due to global warming to less than 2 °C.

IP Cleantech sources distinctive new technologies principally from research and development taking place in our partner academic institutions. There has been increasing agreement over the last year amongst the policy makers who direct this R&D that new technologies will be required (and existing technologies such as wind and solar will need to improve) if a 2 °C target is to be met. This led 20 countries that represent 75% of the world's CO_2 emissions from electricity, and more than 80% of the world's current clean energy R&D investment, to publicly commit to double their R&D spending at the Paris conference. The initiative, called 'Mission Innovation', will amount to a total investment of $20bn over the next four years and includes the UK and US, where IP Group's current partners are located. This is an extraordinary change for the Cleantech sector, and we expect that the pipeline of original science that IP Cleantech has access to will improve significantly.

The two companies that completed the largest fundraisings in the sector provide good examples of exciting businesses based on the outputs of academic R&D. In August, First Light Fusion Limited raised £22.7m, in a round supported by existing shareholders and several new investors including a fund managed by Invesco Asset Management Limited. First Light was founded to exploit groundbreaking research at the University of Oxford on new implosion processes that can achieve the high temperatures and compression necessary for fusion reactions and other valuable applications. The company's approach has the potential to dramatically shorten the timescale and cost of achieving practical and affordable fusion energy. In December, Xeros Technology Group plc completed a £40m funding rounding. Xeros' polymer bead technology is based on research carried out in the Chemistry Department at the University of Leeds. The Xeros technology has already demonstrated significant environmental and performance benefits for commercial laundry applications and the new funding is for expansion of this business and the development of new markets in domestic laundry and leather processing.

As a consequence of the positive macro trends and a number of exciting assets with ambitious plans, this has been a record year for investment by IP Group in cleantech companies with a total of £14m capital being deployed. We expect this strong commitment to continue in 2016 as there are a number of high potential new opportunities in the pipeline and strong growth prospects for existing assets such as Ceres Power Holdings plc.

Biotech

Company name	Description	Group stake at 31 Dec 2015[i] %	Fair value of Group holding at 31 Dec 2014 £m	Year to 31 December 2015: Net investment/ (divestment) £m	Year to 31 December 2015: Fair value movement and fees settled in equity £m	**Fair value of Group holding at 31 Dec 2015 £m**
Diurnal Group plc	Novel treatments of hormone deficiency	45.0%	10.1	13.8	15.7	**39.6**
Avacta Group plc	Bio-therapeutic affimer technology	23.4%	8.4	3.0	9.7	**21.1**
Karus Therapeutics Limited	Inflammatory disease and cancer	9.6%	1.5	0.5	—	**2.0**
Absynth Biologics Limited	Vaccines and therapeutic antibodies	62.0%	1.8	0.1	—	**1.9**
Glythera Limited	Biological therapeutics development using glycosylation technologies	32.2%	1.3	0.2	—	**1.5**
Other companies			1.7	—	0.1	**1.8**
IP Group total			24.8	17.6	25.5	**67.9**
Non-consolidated interest			—	—	—	**—**
Total			24.8	17.6	25.5	**67.9**

(i) Represents the Group's undiluted beneficial economic equity interest (excluding debt) including the portion of IPVFII's stake attributable to the Group. Voting interest is below 50%.
(ii) Oxaco plc reclassified from Technology to Healthcare; 2014 comparatives have been restated.

The aim of the Biotech division is to support the discovery and development of breakthrough therapeutics, achieved either by in-house development of proprietary products licensed directly into the Group or via the more conventional development and financing of portfolio companies. An example of the latter, Diurnal Group plc, represents the division's most advanced company with two products in Phase 3 development. A spin-out from the University of Sheffield, Diurnal has made significant progress in the year, securing US Orphan Drug Designation for its lead product, Infacort, and EU Orphan Drug Designation for its second product, Chronocort. Phase 3 studies for both have now been initiated, with Infacort in infant adrenal insufficiency and Chronocort in congenital adrenal hyperplasia (CAH). These conditions represent focused markets that can be addressed via proprietary marketing and sales, rather than by out-licensing to a larger partner, and the company's IPO on AIM in December was designed to help finance its transition into a specialty pharma company focussed on diseases of the adrenal gland. This was a highly successful transaction which raised £30m for Diurnal and resulted in a fair value uplift of £14.6m to IP Group, the largest single contributor to the £25.5m increase in the fair value of the Biotech division's portfolio company holdings during the year.

As an example of in-house drug discovery, the Group's subsidiary Modern Biosciences plc ("MBS") continues to make good progress in its development of MBS2320, a novel agent for the treatment of rheumatoid arthritis. MBS2320 was partnered with Janssen Biotech Inc. in November 2014 and the attainment of clinically-related milestones triggered gross payments totalling £8m from Janssen during 2015. MBS is a majority-owned subsidiary of the Group and, hence, its results are consolidated in the Group financials rather than being included in the portfolio valuation.

Elsewhere, Asterion Limited continues to develop its recombinant growth-hormone fusion for the treatment of acromegaly-related growth disorder towards clinical trials, helped by a £2.4m Medical Research Council grant. Asterion represents the Group's second majority-controlled drug discovery asset. Glythera Limited has generated very encouraging in vitro and in vivo data that demonstrate the advantage of its Permalink technology over current methods for making antibody-drug conjugates (ADCs) for the treatment of cancer. Finally, following its successful £20m secondary financing on AIM, Avacta Group plc has now moved into the Biotech division, consistent with its transition from a services business to a therapeutics development company focused on its proprietary Affimer scaffold technology.

Together, these developments reflect the broad approach within the Biotech division in terms of stage of development, disease area and business model. In terms of future focus, with the growing interest within the biotech and pharma industry on such areas as immunotherapy and the utility of the microbiome in disease management, the division is harnessing IP Group's academic network to pull together its own companies in these areas and we will provide a further update in due course.

Financial review

A strong year: the value of the Group's holdings in portfolio companies increased to £552.2m

Statement of comprehensive income

Overall the Group recorded a profit for the year of £75.1m (2014: £9.5m) and a return on Hard NAV, i.e. on the Group's net assets excluding intangibles and the Oxford Equity Rights asset, of £84.0m (2014: £17.1m).

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

	2015	2014
	£m	£m
Net portfolio gains	**86.6**	22.8
Licensing income	**8.1**	3.0
Other income	**3.6**	2.6
Amortisation of intangible assets and change in fair value of Oxford Equity Rights asset	**(7.3)**	(6.7)
Administrative expenses – Modern Biosciences plc	**(2.5)**	(1.8)
Administrative expenses – performance based staff incentives and share based payments charge	**(3.4)**	(0.9)
Administrative expenses – all other expenses	**(11.3)**	(9.0)
Acquisition costs	**-**	(1.1)
Finance income	**1.3**	0.6
Profit for the year	**75.1**	9.5

Net portfolio gains consist primarily of realised and unrealised fair value gains and losses from the Group's equity and debt holdings in spin-out businesses as well as changes in the fair value of its Limited and Limited Liability Partnership interests. A detailed analysis of fair value gains and losses is provided in the Portfolio review.

Other income for the year increased to £3.6m (2014: £2.6m). The increase was primarily due to an increase in the number of successful corporate finance and advisory mandates for portfolio companies, which resulted in fee income of £1.0m in 2015 (2014: £0.1m). Due to management's belief in the growth potential of the portfolio and in order to align itself with value creation in the portfolio companies that are the subject of its mandates, the majority of these fees (£0.7m) were received as equity. This ensures that as much as possible of the cash raised through such financings can be deployed in the development of the portfolio companies while increasing the Group's exposure to such companies.

The remainder of other income comprises fund management fees as well as consulting and similar fees typically chargeable to its portfolio companies for services including executive search and selection, legal and administrative support. Fund management fees are received from the Group's three managed funds, two of which also have the potential to generate performance fees from successful investment performance (IP Venture Fund and the NETF). As a result of an extension by its Limited Partner during the period, the NETF's "investment period" is now anticipated to continue until the end of 2016, while that of IP Venture Fund ceased in 2012. The fund management fees for both funds reduce following the cessation of their investment periods. The results of the Group's third managed fund, IPVFII, are consolidated into those of the Group and accordingly the fund management fees received are not reflected in the statement of comprehensive income.

The Group continued to receive milestone payments as a result of Modern Biosciences plc's R&D alliance and global option and licence agreement with Janssen Biotech, Inc. ("Janssen"). £8.0m was received on the achievement of three milestones during 2015 (2014: £3.0m; one initial payment). The Group allocated an increased level of capital to the evaluation and development of certain early-stage therapeutic programmes, including through its subsidiary Modern Biosciences plc ("MBS"), during the year. The majority of these costs related to the OxteoRx programme that is the subject of the R&D alliance with Janssen. All development costs are expensed to the income statement as they are incurred. MBS continued to benefit from the recovery of a proportion of the OsteoRx costs through a Biomedical Catalyst grant, with the net expense being reflected in the statement of comprehensive income. The Group intends to continue developing a small number of early-stage therapeutic assets.

The Group's administrative expenses, excluding those relating to MBS, increased during the period to £14.7m (2014: £9.9m), predominantly due to increased headcount, the first full year of the increased cost base following the Fusion IP plc acquisition in 2014 and the cost of the Group's 2015 Annual Incentive Scheme following the achievement of the 18% maximum target increase in Hard NAV. The administrative expenses are inclusive of an IFRS 2 share-based payments charge totalling £1.5m (2014: £0.9m) relating to the Group's Long-Term Incentive Plan and Deferred Bonus Share Plan awards. This non-cash charge reflects the fair value of services received from employees, measured by reference to the fair value of the share-based payments at the date of award, but has no net impact on the Group's total equity or "net assets".

As a result of the Group's two equity capital raisings in the first half of the year which raised £178.8m net of expenses, and the resultant increased average cash balance during the year, the Group's interest receivable during the period increased to £1.3m (2014: £0.6m).

Statement of financial position

The Group ended the period with net assets attributable to shareholders of £780.4m, representing an increase of £254.2m from the position at 1 January 2015 (£526.2m). As described above, the most significant contributing factors to the increase in net assets during the period were the £178.8m capital raising and the performance of the Group's portfolio of holdings in spin-out companies. "Hard" net assets, i.e. those excluding intangible assets and the Oxford Equity Rights asset, totalled £714.3m at 31 December 2015 (2014: £451.3m).

At 31 December 2015, the Group held gross cash and deposits of £178.8m (2014: £97.3m) and a diversified portfolio of equity and debt investments in 99 private and publicly listed technology companies (2014: 90).

The value of the Group's holdings in portfolio companies increased to £552.2m at year end (2014: £349.9m) after net unrealised fair value gains of £86.4m and net investment of £115.3m (2014: £20.7m net unrealised fair value gain; £37.1m net investment). The Portfolio review on above contains a detailed description of the Group's portfolio of equity and debt investments including key developments and movements during the year.

The Group's statement of financial position includes goodwill of £57.1m (2014: £57.1m) and acquired intangible assets of £10.5m (2014: £16.5m). £38.7m of the goodwill and entirety of the acquired intangible assets values arose as a result of the Group's acquisition of Fusion IP in 2014. The remainder of the goodwill balance arose from historical acquisitions of Techtran Group Limited (university partnership business, £16.3m; 2014: £16.3m) and Top Technology Ventures Limited (venture capital fund management business, £2.1m; 2014: £2.1m). The intangible assets are separately identifiable assets resulting from Fusion IP's agreements with its partner universities. The fair value of the intangible assets are to be amortised on a straight line basis over each partnership's useful economic life.

Due to the nature of its activities, the Group has limited current assets or current liabilities other than its cash and short-term deposit balances, which are considered in more detail below.

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

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

	2015	2014
	£m	£m
Net cash generated/(used) by operating activities (excluding cash flows from deposits)	**2.4**	(6.4)
Net cash used in investing activities	**(114.6)**	(35.4)
Issue of share capital	**178.8**	97.4
Draw down of debt facility	**14.9**	-
Acquisition of subsidiary	**-**	17.6
Movement during period	**81.5**	(73.2)

At 31 December 2015, the Group's Cash totalled £178.8m, an increase of £81.5m from a total of £97.3m at 31 December 2014 predominantly due to a net £178.8m increase from the issue of new equity capital and £15.0m through the part drawdown of the £30m debt facility provided by the European Investment Bank (£14.9m net of expenses), and offset by net investment in the Group's spin-out companies.

In July, the Group secured a £30m, 8-year debt facility from the European Investment Bank ("the EIB"). The facility is to be disbursed in two tranches, with the first tranche of £15m having been drawn down in December 2015. The facility provides IP Group with an additional source of long-term capital and represents an evolution in the Group's capital structure to support its future growth and development.

The Group's net cash used in investing activities increased during 2015, reflecting an increase in investments (2015: £115.9m; 2014: £46.8m) but a decrease in realisations (2015: £0.6m; 2014: £9.7m). As described in more detail in the Portfolio review, the Group allocated a total of £75.9m across 53 portfolio companies during the period (2014: £46.8m; 51 companies) and made a £40m strategic investment into OSI.

No further funds were committed to IP Venture Fund during 2015 (2014: £0.3m), which in turn made no investments during the period (2014: £2.7m; eight companies). The Group received a distribution of £0.6m following IP Venture Fund realising £5.7m from two exits and one partial disposal (2014: £1.1m received on a total £11.1 distributed).

Overall, net cash used in investing activities totalled £114.6m (2014: £35.4m).

Primarily as a result of the income from the milestone payments received by the Group as a result of MBS's agreement with Janssen as noted above, Cash generated by operating activities increased to £2.4m (2014: £6.4m of Cash used by operating activities).

It remains the Group's policy to place cash that is surplus to near-term working capital requirements on short-term and overnight deposits with financial institutions that meet the Group's treasury policy criteria or in low-risk treasury funds rated "A" or above. The Group's treasury policy is described in detail in note 2 to the Group financial statements alongside details of the credit ratings of the Group's cash and deposit counterparties.

At 31 December 2015, the Group recognised £7.1m of loans (2014: £4.5m) from the Limited Partners of IPVFII, a fund raised during 2013 that is consolidated by the Group. These loans are repayable only upon IPVFII generating sufficient returns to repay the Limited Partners. A further £15.0m of non-current liabilities are recognised which arise from the Group's use of the EIB debt facility described above.

At 31 December 2015, the Group had a total of £1.3m (2014: £1.2m) held in US Dollars to meet the short-term working capital requirements of its US operations, including capital anticipated to be required by new and existing spin-out company opportunities.

Taxation

Since the Group's activities, including its activities in the US, are substantially trading in nature, the Directors continue to believe that the Group qualifies for the Substantial Shareholdings Exemption ("SSE") on chargeable gains arising on the disposal of qualifying holdings and, as such, the Group has continued not to recognise a provision for deferred taxation in respect of uplifts in value on those equity stakes which meet the qualifying criteria. The Group's unrecognised deferred tax assets and liabilities are set out in note 9 to the financial statements.

Risk management

Managing risk: our framework for balancing risk and reward

"A robust and effective risk management framework is essential for the Group to achieve its strategic objectives and to ensure that the directors are able to manage the business in a sustainable manner, which protects its employees, partners, shareholders and other stakeholders. Ongoing consideration of, and regular updates to, the policies intended to mitigate risk enable the effective balancing of risk and reward."

Overall responsibility for the risk framework and definition of risk appetite rests with the Board, who through regular review of risks ensure that risk exposure is matched with an ability to achieve the Group's strategic objectives. Risk identification, using a structured risk framework, is carried out primarily by the management team with non-executive review being primarily carried out by the audit committee. All of the Group's employees have an important role to play in the identification and management of risk. In this way, a comparison of bottom up and top down risks is used to ensure emerging risks are captured and managed appropriately by the Group.

Ranking of the Group's risks is carried out by combining the economic, operational or environmental impact of risks and the likelihood that they may occur, both before and after the controls and mitigants in place to reduce each risk. Those risks that are considered to pose the greatest threat to the Group and score the highest pre-mitigation are identified as 'principal risks'. The operations of the Group, and the implementation of its objectives and strategy, are subject to a number of principal risks and uncertainties. Were more than one of the risks to occur together, the overall impact on the Group may be compounded.

The key controls over the Group's identified principal risks are reviewed by management, the audit committee and the Board at least twice a year. The design and ongoing effectiveness of these controls are reviewed using an 'assurance map'. However, the Group's risk management programme can only provide reasonable, not absolute, assurance that principal risks are managed to an acceptable level.

Summary of principal risks

A summary of the principal risks affecting the Group and the steps taken to manage these is set out below.

Risk and description	Impact	Mitigation	Risk trend	Developments during the year	Strategy	KPI
1)						
It may be difficult for the Group and its early-stage companies to attract capital. The Group's operations are reliant on capital markets, particularly those in the UK. As the Group's operations, and the operations of the majority of its portfolio companies, are based in the UK, the financial and operational performance of the Group and particularly the ability of its portfolio companies to attract development capital is influenced by the general economic climate and trading conditions in the UK.	The success of those portfolio companies which require significant funding in the future may be influenced by the market's appetite for investment in early stage companies, which may not be sufficient. Failure of companies within the Group's portfolio may make it more difficult for the Group or its spin-out companies to raise additional capital.	The Group has significant balance sheet and managed funds capital to deploy in attractive portfolio opportunities. The Group operates a corporate finance function which carries out fundraising mandates for portfolio companies. The Group maintains close relationships with a wide variety of co-investors that focus on companies at differing stages of development. The Group frequently forecasts cash requirements of the portfolio and ensures all capital allocations are compliant with budgetary limits, treasury policy guidelines and transaction authorisation controls.	Decrease	The Group raised £178.8m (net of expenses) through the issue of new equity capital in the year, secured a £30m, 8-year debt facility from the European Investment Bank and increased capital deployment into the portfolio. The Group hosted investor relations roadshows in the UK and US during the year including its first US technology summit.	Develop, Deliver	Change in fair value of equity and debt investments Total equity ("net assets"). Profit/loss attributable to equity holders.
2)						
The returns and cash proceeds from the Group's early-stage companies can be very uncertain. The following risks are typically associated with early-stage companies:	Portfolio company failure directly impacts the Group's value and profitability. At any time, a large proportion of the Group's portfolio value may be accounted for by one, or very few, companies, which could exacerbate the impact of any	The Group's staff have significant experience in sourcing, developing and growing early-stage technology companies to significant value, including use of the Group's systematic opportunity evaluation and business building methodologies within	Unchanged	The Group increased its rate of capital deployment into its portfolio in the year and portfolio companies raised approximately £300m of capital. The Group maintained board representation on more than 70% of companies by number.	Deliver	Change in fair value of equity and debt investments. Purchase of equity and debt investments. Proceeds from the sale of equity investments.

Risk and description	Impact	Mitigation	Risk trend	Developments during the year	Strategy	KPI
may not be able to secure later rounds of funding; may not be able to source or retain appropriately skilled staff; competing technologies may enter the market; technology can be materially unproven and may fail; IP may be infringed, copied or stolen; may be more susceptible to cyber-crime; and other administrative, taxation or compliance issues may lead to company failure.	impairment or failure of one or more of these companies. Oxford Nanopore is an example of such a portfolio company that has the potential to materially impact the Group's results. Cash realisations from the Group's portfolio through trade sales and IPOs could vary significantly from year to year.	delegated board authorities. Members of the Group's senior team often serve as non-executive directors or advisers to portfolio companies to help identify and remedy critical issues promptly. Support on operational, legal and company secretarial matters is offered to minimise failures due to common administrative factors. The Group has spin-out company holdings across different sectors managed by experienced sector-specialist teams to reduce the impact of a single company failure or sector demise. The Group maintains significant cash balances and seeks to employ a capital efficient process deploying low levels of initial capital to enable identification and mitigation of potential failures at the earliest possible stage.		Some increasing volatility and reduced liquidity was observed in the capital markets during late 2015 and 2016.		
3)						
Universities or other research intensive institutions may terminate their partnerships or other collaborative relationships with the Group. The Group's business, results of operations and prospects are at least partially dependent on competitive advantage gained from access to leading scientific research through partnerships and other collaborative arrangements with research intensive institutions and commercial partners such as Oxford Sciences Innovation plc, Technikos LLP and Cambridge Innovation Capital. The Group may be unable to recreate these elements of its competitive advantage in other geographies in which it may seek to	Termination or non-renewal of arrangements through failure to perform obligations may result in the loss of exclusive rights. The loss of exclusive rights may limit the Group's ability to secure attractive IP opportunities to commercialise. This could potentially have a material adverse effect on the Group's long-term business, results of operations, performance and prospects. With several new entrants to our market, this may reduce our opportunities to create new spin-out businesses.	Dedicated new business & partnerships team to service existing partnerships and source new opportunities. The Group continues to consider and, where appropriate, enter into new and innovative partnerships and collaborations with research institutions. The Group has been able to source opportunities through non-exclusive relationships and other sources. Members of the Group's senior team work closely with partner institutions to ensure that each commercial relationship is mutually beneficial and productive. The Group's track record in IP commercialisation may make the Group a	Unchanged	New business and Partnerships team established to service existing partnerships and source new opportunities. Completed investments with all three US Ivy League partner universities. Oxford Chemistry contract expired in November 2015 but broadened exposure to Oxford through the acquisition of a strategic shareholding in Oxford Sciences Innovation plc. Group re-branding, website and communications updated during the year to increase awareness of the Group.	Create	Number of new portfolio companies.

Risk and description	Impact	Mitigation	Risk trend	Developments during the year	Strategy	KPI
operate (such as the US).		partner of choice for other institutions, acting as a barrier to entry to competitors.				
4)						
The Group may lose key personnel or fail to attract and integrate new personnel. The industry in which the Group operates is a specialised area and the Group requires highly qualified and experienced employees. There is a risk that the Group's employees could be approached and solicited by competitors or other technology-based companies and organisations, or could otherwise choose to leave the Group. Given the relatively small size of the Group, its operations are reliant on a small number of key individuals. Scaling the team, particularly into foreign jurisdictions such as the US, presents an additional potential risk.	Loss of key executives and employees of the Group or an inability to attract, retain and integrate appropriately skilled and experienced staff could have an adverse effect on the Group's competitive advantage, business, financial condition, operational results and/or future prospects.	Senior team succession plans are in place and updated regularly. The Group's corporate culture and values are well-articulated and consistently promoted. The Group carries out regular market comparisons for staff and executive remuneration and seeks to offer a balanced incentive package comprising a mix of salary, benefits, performance-based long-term incentives and benefits such as flexible working and salary sacrifice arrangements. The Group encourages staff development and inclusion through coaching and mentoring and carries out regular objective setting and appraisal.	Unchanged	The Group continues to dedicate resources to remuneration and incentivisation. Staff attrition remained low and the Group recruited seven new members to the team. Approximately 40% of staff have been with the Company for at least five years. Deepening of sector expertise and increased autonomy through divisional approach. Optimal organisation planning and structuring ongoing, including the recruitment of a full-time HR director during the year.	Develop, Deliver	Total equity ("net assets") Number of new portfolio companies
5)						
Macro-economic conditions may negatively impact the Group's ability to achieve its strategic objectives. Adverse macroeconomic conditions could reduce the opportunity to deploy capital into opportunities or may limit the ability of such portfolio companies to raise third party funds, develop profitable businesses or achieve increases in value or exits. Political uncertainty, including impacts from Brexit or similar scenarios, could have a number of potential impacts including changes to the labour market available to the Group for recruitment or regulatory	The UK's recession has had (and may continue to have) an adverse effect on trading conditions and availability of capital in the UK, particularly for smaller businesses. The success of those portfolio companies which require significant external funding may be influenced by the market's appetite for investment in early stage companies, which may not be sufficient. A significant proportion of the Group's portfolio value is held in companies quoted on the AIM market and decreases in values to this market could result in a material fair value impact to the portfolio as a whole.	Management team receives regular capital market and economic updates from the Group's capital markets team and its brokers. Six-monthly budget and capital allocation process and monitoring against agreed budget. Regular oversight of upcoming capital requirements of portfolio from both the Group and 3rd parties.	Increase	Macroeconomic and geopolitical conditions remain uncertain in the UK, Europe and the rest of the world. Post year end bear market performance in the UK and numerous other stock exchanges have heightened concern. This has caused a flight to historically safe Primary drivers for this are a slowdown in Chinese economic growth and low commodity prices. Political stability in the UK has increase since the 2015 elections. However, this is expected to become more uncertain as we near the 2017 referendum over Britain's EU membership.	Develop, Deliver	Change in fair value of equity and debt investments Total equity ("net assets"). Profit/loss attributable to equity holders.

Risk and description	Impact	Mitigation	Risk trend	Developments during the year	Strategy	KPI
environment in which the Group operates.						
6)						
There may be changes to, impacts from, or failure to comply with, legislation, government policy and regulation. There may be unforeseen changes in, or impacts from, government policy, regulation or legislation (including taxation legislation). This could include changes to funding levels or to the terms upon which public monies are made available to universities and research institutions and the ownership of any resulting intellectual property.	Changes could result in universities and researchers no longer being able to own, exploit or protect intellectual property on attractive terms. Changes to tax legislation or the nature of the Group's activities, in particular in relation to the substantial shareholder exemption, may adversely affect the Group's tax position and accordingly its value and operations. Regulatory changes or breaches could ultimately lead to withdrawal of regulatory permissions for the Group's FCA-authorised subsidiary resulting in loss of fund management contracts, reputational damage or fines. A material adverse event could occur during an MBS clinical trial. A data security or cyber breach could occur or the Group could otherwise fail to adhere to data protection regulations.	University partners are incentivised to protect their IP for exploitation as the partnership agreements share returns between universities, academic founders and the Group. The Group utilises professional advisers as appropriate to support its monitoring of, and response to changes in, tax, insurance or other legislation. The Group has internal policies and procedures to ensure its compliance with applicable FCA regulations and these are subject to external review. MBS utilises an experienced specialist advisory panel covering all aspects of clinical trial design and delivery. The Group maintains D&O, professional indemnity and clinical trial insurance policies. The Group reviews its data and cyber-security processes with its external outsourced IT provider and applies the UK Government's 'ten steps' framework.	Unchanged	Ongoing focus on regulatory compliance including third party reviews. UK and US Governments have emphasised their ongoing support for scientific research with UK funding ring-fenced to 2021. Specialist therapeutics advisory panel continually consulted. Increased focus on cyber security including further development of the Group's controls using the UK Government's 'ten steps' approach and review of the Cyber Essentials regime and how this applies to the Group.	Create, Deliver	Total equity ("net assets").

Board approval

The Strategic Report as set out above has been approved by the Board.

ON BEHALF OF THE BOARD

Mike Humphrey
Chairman

29 February 2016

Consolidated statement of comprehensive income

For the year ended 31 December 2015

	Note	**2015 £m**	2014 £m
Portfolio return and revenue			
Change in fair value of equity and debt investments	14	**86.4**	20.7
Profit/(loss) on disposal of equity investments		**(0.2)**	1.6
Change in fair value of limited and limited liability partnership interests	22	**0.4**	0.5
Other portfolio income		**0.2**	0.2
Licensing income		**8.1**	3.0
Revenue from services and other income		**3.4**	2.4
		98.3	28.4
Administrative expenses			
Research and development costs		**(2.0)**	(1.5)
Share-based payment charge	21	**(1.5)**	(0.9)
Change in fair value of Oxford Equity Rights asset		**(1.3)**	(1.8)
Amortisation of intangible assets		**(6.0)**	(4.9)
Acquisition costs		**—**	(1.1)
Other administrative expenses		**(13.7)**	(9.3)
		(24.5)	(19.5)
Operating profit	7	**73.8**	8.9
Finance income — interest receivable		**1.3**	0.6
Profit before taxation		**75.1**	9.5
Taxation	9	**—**	—
Profit for the year		**75.1**	9.5
Other comprehensive income			
Exchange differences on translating foreign operations		**0.1**	—
Total comprehensive income for the period		**75.2**	9.5
Attributable to:			
Equity holders of the parent		**73.9**	9.1
Non-controlling interest		**1.3**	0.4
		75.2	9.5
Earnings per share			
Basic (p)	10	**13.66**	1.97
Diluted (p)	10	**13.63**	1.96

Consolidated statement of financial position

As at 31 December 2015

	Note	**2015 £m**	2014 £m
ASSETS			
Non-current assets			
Intangible assets:			
Goodwill	11	**57.1**	57.1
Acquired intangible assets	12	**10.5**	16.5
Property, plant and equipment		**0.2**	0.2
Oxford Equity Rights asset and related contract costs		**—**	1.3
Portfolio:			
Equity investments	14	**543.1**	345.9
Debt investments	14	**9.1**	4.0
Limited and limited liability partnership interests	22	**4.4**	4.6
Other financial asset		**—**	—
Contingent value rights	16	**1.4**	1.4
Total non-current assets		**625.8**	431.0
Current assets			
Trade and other receivables	15	**3.2**	4.8
Deposits		**70.0**	30.0
Cash and cash equivalents		**108.8**	67.3
Total current assets		**182.0**	102.1
Total assets		**807.8**	533.1
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital	19	**11.3**	9.6
Share premium account		**504.7**	327.6
Merger reserve		**12.8**	12.8
Retained earnings		**251.6**	176.2
Total equity attributable to equity holders		**780.4**	526.2
Non-controlling interest		**1.5**	—
Total equity		**781.9**	526.2
Current liabilities			
Trade and other payables	17	**3.9**	2.1
Non-current liabilities			
EIB debt facility	18	**14.9**	—
Loans from limited partners of consolidated funds	18	**7.1**	4.5
Contingent loans from university partners		**—**	0.3
Total equity and liabilities		**807.8**	533.1

Registered number: 4204490

Approved by the Board of Directors and authorised for issue on 29 February 2016 and signed on its behalf by:

Greg Smith
Chief Financial Officer

Alan Aubrey
Chief Executive Officer

Consolidated statement of cash flows

For the year ended 31 December 2015

	Note	**2015 £m**	2014 £m
Operating activities			
Profit before taxation		**75.2**	9.5
Adjusted for:			
Finance income — interest receivable		**(1.3)**	(0.6)
Change in fair value of equity and debt investments	14	**(86.4)**	(20.7)
Change in fair value of limited and limited liability partnership interests		**(0.4)**	(0.5)
Loss/(profit) on disposal of equity investments		**0.2**	(1.6)
Depreciation of property, plant and equipment		**0.1**	0.1
Amortisation of intangible non-current assets	12	**6.0**	4.9
Change in fair value of Oxford equity rights asset		**1.3**	1.8
Fees settled in the form of equity		**(0.7)**	—
Share-based payment charge		**1.5**	0.9
Other portfolio income classified as investing activities cash flows		**(0.1)**	(0.2)
Changes in working capital			
Decrease/(increase) in trade and other receivables		**2.2**	(3.2)
Increase/(decrease) in trade and other payables		**1.9**	(0.5)
Increase in non-current liabilities		**2.2**	3.2
Net cash flow to deposits		**(40.0)**	(25.0)
Other operating cash flows			
Interest received		**0.7**	0.5
Net cash outflow from operating activities		**(37.6)**	(31.4)
Investing activities			
Purchase of property, plant and equipment		**—**	(0.1)
Purchase of equity and debt investments	14	**(115.9)**	(46.8)
Investment in limited and limited liability partnerships		**—**	(0.3)
Acquisition of subsidiary undertakings		**—**	—
Proceeds from sale of equity investments		**0.6**	9.7
Distributions from limited and limited liability partnerships		**0.6**	1.1
Proceeds from other financial asset		**—**	0.8
Other portfolio income received		**0.1**	0.2
Net cash outflow from investing activities		**(114.6)**	(35.4)
Financing activities			
Proceeds from the issue of share capital		**178.8**	97.4
Proceeds from drawdown of EIB facility	18	**14.9**	—
Proceeds from acquisition of subsidiary		**—**	17.6
Net cash inflow from financing activities		**193.7**	115.0
Net increase in cash and cash equivalents		**41.5**	48.2
Cash and cash equivalents at the beginning of the year		**67.3**	19.1
Cash and cash equivalents at the end of the year		**108.8**	67.3

Consolidated statement of changes in equity

For the year ended 31 December 2015

	Attributable to equity holders of the parent						
	Share capital £m	Share premium(i) £m	Merger reserve(ii) £m	Retained earnings(iii) £m	Total £m	Non-controlling interest(iv) £m	Total equity £m
At 1 January 2014	7.5	150.4	12.8	166.3	337.0	(0.4)	336.6
Comprehensive income	—	—	—	9.1	9.1	0.4	9.5
Issue of equity	2.0	177.2	—	—	179.2	—	179.2
Issue of shares in connection with LTIP	0.1	—	—	(0.1)	—	—	—
Equity settled share based payments	—	—	—	0.9	0.9	—	0.9
At 1 January 2015	**9.6**	**327.6**	**12.8**	**176.2**	**526.2**	**—**	**526.2**
Comprehensive income	**—**	**—**	**—**	**73.9**	**73.9**	**1.3**	**75.2**
Issue of equity	**1.7**	**177.1**	**—**	**—**	**178.8**	**0.2**	**179.0**
Issue of shares in connection with LTIP	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Equity-settled share-based payments	**—**	**—**	**—**	**1.5**	**1.5**	**—**	**1.5**
At 31 December 2015	**11.3**	**504.7**	**12.8**	**251.6**	**780.4**	**1.5**	**781.9**

i. Share premium — Amount subscribed for share capital in excess of nominal value, net of directly attributable issue costs.

ii. Merger reserve — Amount subscribed for share capital in excess of nominal value in relation to the qualifying acquisition of subsidiary undertakings.

iii. Retained earnings — Cumulative net gains and losses recognised in the consolidated statement of comprehensive income net of associated share-based payments credits.

iv. Non-controlling interest — Share of profits attributable to the Limited Partners of IP Venture Fund II LP – a consolidated fund which was created in May 2013, as well as the equity invested in partially owned subsidiaries that is held by third parties.

Notes to the consolidated financial statements

1. Accounting Policies

Basis of preparation

The Annual Report and Accounts of IP Group plc ("IP Group" or the "Company") and its subsidiary companies (together, the "Group") are for the year ended 31 December 2015. The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated. These financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively "IFRS") issued by the International Accounting Standards Board ("IASB") as adopted by the European Union ("adopted IFRSs").

The preparation of financial statements in compliance with IFRS requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in the most appropriate selection of the Group's accounting policies. The areas where significant judgements and estimates have been made in preparing the financial statements and their effect are disclosed in note 3.

The financial statements are prepared on a going concern basis, as the directors are satisfied that the Group and parent Company have the resources to continue in business for the foreseeable future. In making this assessment, the directors have considered a wide range of information relating to present and future conditions, including future projections of profitability, cash flows and capital resources.

Changes in accounting policies

(i) New standards, interpretations and amendments effective from 1 January 2015

No other new standards, interpretations and amendments effective for the first time from 1 January 2015 have had a material effect on the Group's financial statements.

(ii) New standards, interpretations and amendments not yet effective

The following new standards, which have not been applied in these financial statements, will or may have an effect on the Group's future financial statements:

IFRS 15 Revenue from Contracts with Customers: IFRS 15 was issued on 28 May 2014 and provides a single global standard on revenue recognition which aligns the IFRS and US GAAP guidance. It replaces existing revenue recognition guidance, including IAS 18 revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. The Group has assessed the potential impact on its consolidated financial statements resulting from the application of IFRS 15 and does not foresee any material effect when the Standard is applied. While early adoption is permitted, IFRS 15 has an effective date of 1 January 2018 with the year ending 31 December 2018 being the first annual financial statements to which the standard applies.

IFRS 9 Financial Instruments: IFRS 9 will eventually replace IAS 39 in its entirety. The process has been divided into three main components, being classification and measurement; impairment; and hedge accounting. The Group provisionally assesses the potential effect to be immaterial given the majority of its financial assets are currently held at fair value through profit or loss. The current proposed effective date is 1 January 2018.

None of the other new standards, interpretations and amendments not yet effective are expected to have a material effect on the Group's future financial statements.

Basis of consolidation

(i) Business Combinations

The Group accounts for business combinations using the acquisition method from the date that control is transferred to the Group (see (ii) Subsidiaries below). Both the identifiable net assets and the consideration transferred in the acquisition are measured at fair value at the date of acquisition and transaction costs are expensed as incurred. Goodwill arising on acquisitions is tested annually for impairment. In instances where the Group owns a non-controlling stake prior to acquisition the step acquisition method is applied, and any gain or losses on the fair value of the pre-acquisition holding is recognised in the consolidated statement of comprehensive income.

(ii) Subsidiaries

Where the Group has control over an entity, it is classified as a subsidiary. As per IFRS 10, an entity is classed as under the control of the Group when all three of the following elements are present: power over the entity; exposure to variable returns from the entity; and the ability of the Group to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In situations where the Company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights, it is considered that de facto control exists. In determining whether de facto control exists the Group considers all relevant facts and circumstances, including:

- The size of the Company's voting rights relative to both the size and dispersion of other parties who hold voting rights;
- Substantive potential voting rights held by the company and by other parties;
- Other contractual arrangements; and
- Historic patterns in voting attendance.

The consolidated financial statements present the results of the Company and its subsidiaries as if they formed a single entity. Intercompany transactions and balances between Group companies are therefore eliminated in full. The consolidated financial statements incorporate the results of business combinations using the acquisition method. In the statement of financial position, the acquiree's identifiable assets and liabilities are initially recognised at their fair values at the acquisition date. Contingent liabilities dependent on the disposed value of an associated investment are only recognised when the fair value is above the associated threshold. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are consolidated until the date on which control ceases.

(iii) Associates
Associates are entities over which the Group has significant influence, but does not control, generally accompanied by a shareholding of between 20% and 50% of the voting rights.

No associates are presented on the consolidated statement of financial position as the Group elects to hold such investments at fair value in the consolidated statement of financial position. This treatment is permitted by IAS 28 Investment in Associates and Joint Ventures, which permits investments held by entities that are akin to venture capital organisations to be excluded from its measurement methodology requirements where those investments are designated, upon initial recognition, as at fair value through profit or loss and accounted for in accordance with IAS 39 Financial Instruments: Recognition and Measurement. Changes in fair value of associates are recognised in profit or loss in the period of the change. The Group has no interests in associates through which it carries on its business.

The disclosures required by Section 409 of the Companies Act 2006 for associated undertakings are included in Note 11 of the Company financial statements to these financial statements. Similarly, those investments which may not have qualified as Associate but fall within the wider scope of significant holdings and so are subject to Section 409 disclosure acts are also included in Note 11 of the Company financial statements.

(iv) Limited Partnerships and Limited Liability Partnerships ("Limited Partnerships")
Limited Partnerships
Group entities act as general partner and investment manager to the following Limited Partnerships:

Name	Interest in limited partnership %
IP Venture Fund II LP ("IPVFII")	33.3
IP Venture Fund ("IPVF")	10.0
The North East Technology Fund LP ("NETF")	—

The Group receives compensation for its role as investment manager to these Limited Partnerships including fixed fees and performance fees. The directors consider that these amounts are in substance and form "normal market rate" compensation for its role as investment manager.

In order to determine whether these Limited Partnerships were required to be consolidated, the presence of the three elements of control noted in part (ii) was examined.

The Group's significant stake in IPVFII creates a significant exposure to the variability of returns from those interests and the Group's ability to direct the operations of the fund would result in IP Group obtaining the benefits of its activities. As such, IPVFII meets the criteria in IFRS 10 Consolidated Financial Statements and is consequently consolidated.

In the case of IPVF, the directors consider that the minority Limited Partnership interest does not create an exposure of such significance that it indicates that the Group acts as anything other than agent for the other Limited Lartners in the arrangement. This is further supported by the presence of a strict investment policy and the inability for the general partner to change the restrictive terms of that policy other than with agreement of 100% of IPVF's Limited Partners.

Similarly, the lack of a stake in NETF indicates the Group's role as an agent for the limited partner. As a result, the Directors consider that the Group does not have the power to govern the operations of theses limited partnerships so as to obtain benefits from their activities and accordingly do not meet the definition of a subsidiary under IFRS 10 Consolidated Financial Statements. However the Group does have the power to exercise significant influence over its limited partnerships and accordingly the Group's accounting treatment for the interest in IPVF is consistent with that of associates as described earlier in this report, i.e. in accordance with IAS 39 Financial Instruments: Recognition and Measurement and designated as at fair value through profit or loss on initial recognition.

Limited Liability Partnerships
The Group has a 17.8% interest in the total capital commitments of Technikos LLP ("Technikos"). The general partner and investment manager of Technikos are parties external to the Group.

(v) Non-controlling interests
The total comprehensive income, assets and liabilities of non-wholly owned subsidiaries are attributed to owners of the parent and to the non-controlling interests in proportion to their relative ownership interests.

Portfolio return and revenue
Change in fair value
Change in fair value of equity and debt investments represents revaluation gains and losses on the Group's portfolio of investments. Gains on disposal of equity investments represent the difference between the fair value of consideration received and the carrying value at the start of the accounting period on the disposal of equity investments. Change in fair value of Limited Partnership investments

represents revaluation gains and losses on the Group's investments in Limited Partnership funds. Changes in fair values of assets do not constitute revenue.

Revenue from services and other income
All revenue from services is generated within the United Kingdom and is stated exclusive of value added tax. Revenue from services and other income comprises:

Advisory fees: Fees earned from the provision of business support services are recognised as the related services are provided. Corporate finance advisory fees are generally earned as a fixed percentage of total funds raised and recognised at the time the related transaction is successfully concluded. In some instances, these fees are settled via the issue of equity in the company receiving the corporate finance services at the same price per share as equity issued as part the financing round to which the advisory fees apply.

Fund management services: Fiduciary fund management fees are generally earned as a fixed percentage of total funds under management and are recognised as the related services are provided.

Licence income: Income from licensing and similar income is recognised on an accruals basis in accordance with the terms of the relevant licensing agreements. Income from milestone income is recognised once performance obligations are satisfied, on an accruals basis and in accordance with the terms of the relevant licensing agreements.

Dividends: Dividends receivable from equity shares are included within other portfolio income and recognised on the ex-dividend date or, where no ex-dividend date is quoted, are recognised when the Group's right to receive payment is established.

Property, plant and equipment
All property, plant and equipment is shown at cost less subsequent depreciation and impairment. Cost includes expenditure that is attributable to the acquisition of the items. Depreciation on assets is calculated using the straight-line method to allocate the cost of each asset to its residual value over its estimated useful life, as follows:

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Intangible assets
Goodwill
Goodwill represents the excess of the cost of an acquisition over the fair value of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets and allocated from the acquisition date to each of the Group's cash-generating units ("CGUs") that are expected to benefit from the business combination. Goodwill may be allocated to CGUs in both the acquired business and in the existing business.

Other intangible assets
Other intangible assets represents contractual arrangements and memorandums of understanding with four UK universities acquired through acquisition of a subsidiary. At the date of acquisition the cost of these intangibles as a share of the larger acquisition was calculated and subsequently the assets are held at amortised cost.

Impairment of intangible assets (including goodwill)
Goodwill is not subject to amortisation but is tested for impairment annually and whenever events or circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are tested for impairment when events or a change in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and the value in use. For the purposes of assessing impairments, assets are grouped at the lowest levels for which there are identifiable cash flows (i.e. CGUs).

Financial assets
In respect of regular way purchases or sales, the Group uses trade date accounting to recognise or derecognise financial assets.

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or the Group has transferred substantially all risks and rewards of ownership.

The Group classifies its financial assets into one of the categories listed below, depending on the purpose for which the asset was acquired. None of the Group's financial assets are categorised as held to maturity or available for sale.

(i) At fair value through profit or loss

Financial assets at fair value through profit or loss are either financial assets held for trading or financial assets which are designated at fair value through profit or loss on initial recognition.

This category includes equity investments, debt investments, equity rights, contingent value rights and investments in limited partnerships. Investments in associated undertakings, which are held by the Group with a view to the ultimate realisation of capital gains, are also categorised as at fair value through profit or loss. This measurement basis is consistent with the fact that the Group's performance in respect of investments in equity investments, limited partnerships and associated undertakings is evaluated on a fair value basis in accordance with an established investment strategy.

Financial assets at fair value through profit or loss are initially recognised at fair value and any gains or losses arising from subsequent changes in fair value are presented in profit or loss in the statement of comprehensive income in the period in which they arise.

Fair value hierarchy

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

Level 1 — Quoted prices in active markets.

Level 2 — Inputs other than quoted prices that are observable, such as prices from market transactions. These are mainly based on prices determined from recent investments in the last twelve months.

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

Equity investments

The fair values of quoted investments are based on bid prices in an active market at the reporting date. The fair value of unlisted securities is established using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis and earnings multiples. Wherever possible, the Group uses valuation techniques which make maximum use of market-based inputs. Accordingly, the valuation methodology used most commonly by the Group is the 'price of recent investment' contained in the International Private Equity and Venture Capital Valuation Guidelines (the "IPEVCV Guidelines") endorsed by the British & European Venture Capital Associations. The following considerations are used when calculating the fair value of unlisted securities:

Cost

Where the investment being valued was itself made recently, its cost may provide a good indication of fair value unless there is objective evidence that the investment has since been impaired, such as observable data suggesting a deterioration of the financial, technical, or commercial performance of the underlying business.

Price of recent investment

The Group considers that fair value estimates, which are based entirely on observable market data, will be of greater reliability than those based on assumptions and, accordingly, where there has been any recent investment by third parties, the price of that investment will generally provide a basis of the valuation. The length of period for which it remains appropriate to use the price of recent investment depends on the specific circumstances of the investment and the stability of the external environment.

Given the nature of the Group's investments in seed, start-up and early-stage companies, where there are often no current and no short-term future earnings or positive cash flows, it can be difficult to gauge the probability and financial impact of the success or failure of development or research activities and to make reliable cash flow forecasts. Consequently, the most appropriate approach to determine fair value is a methodology that is based on market data, that being the price of a recent investment. Where the Group considers that the price of recent investment, unadjusted, is no longer relevant and there are limited or no comparable companies or transactions from which to infer value, the Group carries out an enhanced assessment based on milestone analysis and/or industry and sector analysis. In applying the milestone analysis approach to investments in companies in early or development stages the Group seeks to determine whether there is an indication of change in fair value based on a consideration of performance against any milestones that were set at the time of the original investment decision, as well as taking into consideration the key market drivers of the investee company and the overall economic environment.

Where the Group considers that there is an indication that the fair value has changed, an estimation is made of the required amount of any adjustment from the last price of recent investment. Wherever possible, this adjustment is based on objective data from the investee company and the experience and judgement of the Group. However, any adjustment is, by its very nature, subjective. Where a deterioration in value has occurred, the Group reduces the carrying value of the investment to reflect the estimated decrease. If there is evidence of value creation the Group may consider increasing the carrying value of the investment; however, in the absence of additional financing rounds or profit generation it can be difficult to determine the value that a purchaser may place on positive developments given the potential outcome and the costs and risks to achieving that outcome and accordingly caution is applied.

Factors that the Group considers include, inter alia, technical measures such as product development phases and patent approvals, financial measures such as cash burn rate and profitability expectations, and market and sales measures such as testing phases, product launches and market introduction.

Other valuation techniques

If there is no readily ascertainable value from following the 'price of recent investment' methodology, or there is objective evidence that a deterioration in fair value has occurred since a relevant transaction, the Group considers alternative methodologies in the IPEVCV Guidelines such as discounted cash flows ("DCF") or price-earnings multiples. DCF involves estimating the fair value of a business by calculating the present value of expected future cash flows, based on the most recent forecasts in respect of the underlying business. Given the difficulty of producing reliable cash flow forecasts for seed, start-up and early-stage companies as described earlier, this methodology is generally used as a confirmatory indicator of the level of any adjustment that may need to be made to the last price of recent investment.

When using the earnings multiple methodology, earnings before interest and tax ("EBIT") are generally used, adjusted to a maintainable level. A suitable earnings multiple is derived from an equivalent business or group of businesses, for which the average price-earnings multiple for the relevant sector index can generally be considered a suitable proxy. This multiple is applied to earnings to derive an enterprise value which is then discounted by up to 60% for non-marketability and other risks inherent to businesses in early stages of operation.

No reliable estimate
Where a fair value cannot be estimated reliably, the investment is reported at the carrying value at the previous reporting date unless there is objective evidence that the investment has since been impaired.

Debt investments
Debt investments are generally unquoted debt instruments which are convertible to equity at a future point in time. Such instruments are considered to be hybrid instruments containing a fixed rate debt host contract with an embedded equity derivative. The Group designates the entire hybrid contract at fair value through profit or loss on initial recognition and, accordingly, the embedded derivative is not separated from the host contract and accounted for separately. The fair value of debt investments is established by calculating the present value of expected future cash flows associated with the instrument.

Equity rights
The equity rights asset represents consideration paid to the University of Oxford between December 2000 and June 2001 that gives the Group contractual rights to the receipt of shares in unlisted spin-out companies (or cash) based on research carried out in the university's Department of Chemistry. It is considered to be a derivative financial asset and is designated as at fair value through profit and loss. Its value has been assessed each year with any impairments being charged to the income statement. The contract expired in November 2015 and consequently the asset has been impaired to nil value.

Contingent value rights
In instances where the Group receives contingent financial consideration upon the disposal of a financial asset, the resulting asset shall be recognised and designated as at fair value through profit and loss, and treated accordingly.

(ii) Loans and receivables
These assets are non-derivative financial assets with fixed and determinable payments that are not quoted in an active market. They arise principally through the provision of services to customers (trade receivables) and are carried at cost less provision for impairment.

Deposits
Deposits comprise longer-term deposits held with financial institutions with an original maturity of greater than three months.

Cash and cash equivalents
Cash and cash equivalents include cash in hand and short-term deposits held with financial institutions with an original maturity of three months or less.

Financial liabilities
Current financial liabilities are composed of trade payables and other short-term monetary liabilities, which are recognised at amortised cost.

Non-current liabilities are composed of loans from Limited Partners of consolidated funds, and outstanding amounts drawn down from a debt facility provided by the European Investment Bank. The loans from Limited Partners of consolidated funds are repayable only upon the applicable funds generating sufficient returns to repay the Limited Partners. Management anticipates that the funds will generate the required returns and consequently recognises the full associated liabilities. Non-current liabilities are recognised initially at fair value net of transaction costs incurred, and subsequently at amortised cost.

Unless otherwise indicated, the carrying amounts of the Group's financial liabilities are a reasonable approximation to their fair value.

Share capital
Financial instruments issued by the Group are treated as equity if the holders have only a residual interest in the Group's assets after deducting all liabilities. The objective of the Group is to manage capital so as to provide shareholders with above average returns through capital growth over the medium to long-term. The Group considers its capital to comprise its share capital, share premium, merger reserve and retained earnings.

Top Technology Ventures Limited, a Group subsidiary, is subject to external capital requirements imposed by the Financial Conduct Authority ("FCA") and as such must ensure that it has sufficient capital to satisfy these requirements. The Group ensures it remains compliant with these requirements as described in the financial statements of Top Technology Ventures Limited.

Employee benefits
(i) Pension obligations
The Group operates a company defined contribution pension scheme for which all employees are eligible. The assets of the scheme are held separately from those of the Group in independently administered funds. The Group currently makes contributions on behalf of staff to this scheme or to employee personal pension schemes on an individual basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due.

(ii) Share-based payments

The Group engages in equity-settled share-based payment transactions in respect of services receivable from employees, by granting employees conditional awards of ordinary shares subject to certain vesting conditions.

Conditional awards of shares are made pursuant to the Group's Long-Term Incentive Plan ("LTIP") awards and/or the Group's Annual Incentive Scheme ("AIS"). The fair value of the shares is estimated at the date of grant, taking into account the terms and conditions of the award, including market-based performance conditions.

The fair value at the date of grant is recognised as an expense over the period that the employee provides services, generally the period between the start of the performance period and the vesting date of the shares. The corresponding credit is recognised in retained earnings within total equity. The fair value of services is calculated using the market value on the date of award and is adjusted for expected and actual levels of vesting. Where conditional awards of shares lapse the expense recognised to date is credited to the statement of comprehensive income in the year in which they lapse.

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.

Deferred tax

Full provision is made for deferred tax on all temporary differences resulting from the carrying value of an asset or liability and its tax base. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred tax asset is realised or deferred tax liability settled. Deferred tax assets are recognised to the extent that it is probable that the deferred tax asset will be recovered in the future.

Leases

Leases where the lessor retains substantially all of the risks and rewards of ownership are classified as operating leases. Payments made under operating leases are charged to administrative expenses in the statement of comprehensive income on a straight-line basis over the term of the lease.

2. Financial Risk Management

As set out in the Principal risks and uncertainties section above, the Group is exposed, through its normal operations, to a number of financial risks, the most significant of which are market, liquidity and credit risks.

In general, risk management is carried out throughout the Group under policies approved by the Board of Directors. The following further describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

(a) Market risk

(i) Price risk

The Group is exposed to equity securities price risk as a result of the equity and debt investments, and investments in Limited Partnerships held by the Group and categorised as at fair value through profit or loss.

The Group mitigates this risk by having established investment appraisal processes and asset monitoring procedures which are subject to overall review by the Board. The Group has also established corporate finance and communications teams dedicated to supporting portfolio companies with fundraising activities and investor relations.

The Group holds investments which are publicly traded on AIM (20 companies) and investments which are not traded on an active market.

The net increase in fair value of the Group's equity and debt investments during 2015 of £86.4m represents a 25% change against the opening balance (2014: net increase of £20.7m, 7%) and a similar increase or decrease in the prices of quoted and unquoted investments is considered to be reasonably possible. The table below summarises the impact of a 1% increase/decrease in the price of both quoted and unquoted investments on the Group's post-tax profit for the year and on equity.

	2015			2014		
	Quoted £m	**Unquoted £m**	**Total £m**	Quoted £m	Unquoted £m	Total £m
Equity investments and investments in limited partnerships	**2.0**	**3.6**	**5.6**	1.4	2.1	3.5

(ii) Interest rate risk

The EIB debt facility bears interest at a fixed rate of 1.98% with an additional variable spread equal to the six month GBP Libor rate as at the first date of each six month interest period. The first £15.0m tranche was disbursed on 17 December 2015 and the total floating interest rate (including the fixed element) for the remainder of 2015 was 2.48%.

The other primary impact of interest rate risk to the Group is the impact on the income and operating cash flows as a result of the interest-bearing deposits and cash and cash equivalents held by the Group.

(iii) Concentrations of risk

The Group is exposed to concentration risk via the significant majority of the portfolio being UK based companies and thus subject to the performance of the UK economy. The Group is increasing its operations in the US and the determination of the associated concentrations is determined by the number of investment opportunities that management believe represent a good investment.

The Group mitigates this risk, in co-ordination with liquidity risk, by managing its proportion of fixed to floating rate financial assets. The table below summarises the interest rate profile of the Group.

	2015				2014			
	Fixed rate £m	**Floating rate £m**	**Interest free £m**	**Total £m**	Fixed rate £m	Floating rate £m	Interest free £m	Total £m
Financial assets								
Equity rights	**—**	**—**	**—**	**—**	—	—	1.1	1.1
Equity investments	**—**	**—**	**543.1**	**543.1**	—	—	345.9	345.9
Debt investments	**0.2**	**—**	**8.9**	**9.1**	0.2	—	3.8	4.0
Limited and limited liability partnership interests	**—**	**—**	**4.4**	**4.4**	—	—	4.6	4.6
Contingent value rights	**—**	**—**	**1.4**	**1.4**	—	—	1.4	1.4
Deposits	**70.0**	**—**	**—**	**70.0**	30.0	—	—	30.0
Cash and cash equivalents	**—**	**108.8**	**—**	**108.8**	—	67.3	—	67.3
Trade receivables	**—**	**—**	**3.0**	**3.0**	—	—	4.8	4.8
Other receivables	**—**	**—**	**0.2**	**0.2**	—	—	—	—
	70.2	**108.8**	**561.0**	**740.0**	30.2	67.3	361.6	459.1
Financial liabilities								
Trade payables	**—**	**—**	**(0.7)**	**(0.7)**	—	—	(1.5)	(1.5)
Other accruals and deferred income	**—**	**—**	**(3.2)**	**(3.2)**	—	—	(0.6)	(0.6)
Loans from limited partners of consolidated funds	**—**	**—**	**(7.1)**	**(7.1)**	—	—	(4.5)	(4.5)
EIB debt facility	**—**	**(14.9)**	**—**	**(14.9)**	—	—	—	—
	—	**(14.9)**	**(11.0)**	**(25.9)**	—	—	(6.6)	(6.6)

At 31 December 2015, if interest rates had been 1% higher/lower, post-tax profit for the year, and other components of equity, would have been £1.1m (2014: £0.7m) higher/lower as a result of higher interest received on floating rate cash deposits.

(b) Liquidity risk

The Group seeks to manage liquidity risk, to ensure sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. The Group's Treasury Management Policy asserts that at any one point in time no more than 60% of the Group's cash and cash equivalents will be placed in fixed-term deposits with a holding period greater than three months. Accordingly, the Group only invests working capital in short-term instruments issued by reputable counterparties. The Group continually monitors rolling cash flow forecasts to ensure sufficient cash is available for anticipated cash requirements.

(c) Credit risk

The Group's credit risk is primarily attributable to its deposits, cash and cash equivalents, debt investments and trade receivables. The Group seeks to mitigate its credit risk on cash and cash equivalents by making short-term deposits with counterparties, or by investing in treasury funds with an "AA" credit rating or above managed by institutions. Short-term deposit counterparties are required to have most recently reported total assets in excess of £3bn and, where applicable, a prime short-term credit rating at the time of investment (ratings are generally determined by Moody's or Standard & Poor's). Moody's prime credit ratings of "P1", "P2" and "P3" indicate respectively that the rating agency considers the counterparty to have a "superior", "strong" or "acceptable" ability to repay short-term debt obligations (generally defined as having an original maturity not exceeding 13 months). An analysis of the Group's deposits and cash and cash equivalents balance analysed by credit rating as at the reporting date is shown in the table below. All other financial assets are unrated.

Credit rating	**2015 £m**	2014 £m
P1	**126.3**	68.7
P2	**52.5**	28.6
AA	**—**	—
Total deposits and cash and cash equivalents	**178.8**	97.3

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers. The Group has detailed policies and strategies which seek to minimise these associated risks including defining maximum counterparty exposure limits for term deposits based on their perceived financial strength at the commencement of the deposit. The maximum single counterparty limit for deposits at 31 December 2015 was £50m (2014: £25m).

The Group's exposure to credit risk on debt investments is managed in a similar way to equity price risk, as described earlier, through the Group's investment appraisal processes and asset monitoring procedures which are subject to overall review by the Board.

The maximum exposure to credit risk for debt investments, receivables and other financial assets is represented by their carrying amount.

3. Significant Accounting Estimates and Judgements

The Directors make judgements and estimates concerning the future. Estimates and judgements are continually evaluated and are based on historical experience and other factors, such as expectations of future events, and are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and assumptions, which have the most significant effects on the carrying amounts of the assets and liabilities in the financial statements, are discussed below.

(i) Valuation of unquoted equity investments
The judgements required, in order to determine the appropriate valuation methodology of unquoted equity investments, have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities. These judgements include making assessments of the future earnings potential of portfolio companies, appropriate earnings multiples to apply, and marketability and other risk discounts.

(ii) Impairment of goodwill
The Group is required to test, at least annually, whether goodwill has suffered any impairment. The recoverable amount is determined using a number of value-in-use and fair-value-less-costs-to-sell calculations. The use of these methods requires the estimation of future cash flows, and the selection of a suitable discount rate, in order to calculate the present value of these cash flows as well as the selection of applicable and reasonable multiples.

(iii) Acquired intangible assets
At the date of its acquisition by IP Group, Fusion IP had contractual arrangements with four UK universities. The Group separately recognised each of these contractual arrangements as an intangible asset at its fair value at acquisition date. As the intangible assets are not quoted on an active market, the fair value at acquisition date was determined by averaging the inflation- and venture capital industry activity-adjusted true cost of all university contracts that IP Group was aware of and that have had costs associated with those contracts.

As the contractual agreements are for a finite term, the intangible assets are subsequently measured at amortised cost. Amortisation will occur over the remaining term (or useful life) of each contractual arrangement with each of the four universities.

Discussion of sensitivity analyses is included in the relevant note for each of the above estimates and judgements.

4. Revenue from Services
All revenue from services is derived from either the provision of advisory and venture capital fund management services or the licensing of internally developed therapeutic compounds.

5. Operating Segments
For both the year ended 31 December 2015 and the year ended 31 December 2014, the Group's revenue and profit/loss before taxation were derived almost entirely from its principal activities within the UK. Though the Group has initiated operations in the US, the associated revenues and costs are currently immaterial and accordingly, no additional geographical disclosures are given. For management reporting purposes, the Group is currently organised into three operating segments: (i) the commercialisation of intellectual property via the formation of long-term partner relationships with universities; (ii) the management of venture funds focusing on early-stage UK technology companies; and (iii) the in-licensing of drugable intellectual property from research intensive institutions. These activities are described in further detail in the Strategic report.

Year ended 31 December 2015	University partnership business £m	Venture capital fund management £m	In-licensing activity £m	Consolidated £m
STATEMENT OF COMPREHENSIVE INCOME				
Portfolio return and revenue				
Change in fair value of equity and debt investments	**86.4**	**—**	**—**	**86.4**
Gain on disposal of equity investments	**(0.2)**	**—**	**—**	**(0.2)**
Change in fair value of limited and limited liability partnership interests	**0.4**	**—**	**—**	**0.4**
Other portfolio income	**0.2**	**—**	**—**	**0.2**
Licensing income	**0.1**	**—**	**8.0**	**8.1**
Revenue from services and other income	**0.9**	**1.1**	**—**	**2.0**
Revenue from fund management services	**—**	**1.4**	**—**	**1.4**
Change in fair value of Oxford Equity Rights asset	**(1.3)**	**—**	**—**	**(1.3)**
Amortisation of intangible assets	**(6.0)**	**—**	**—**	**(6.0)**
Administrative expenses	**(13.9)**	**(0.8)**	**(2.5)**	**(17.2)**
Operating profit	**66.6**	**1.7**	**5.5**	**73.8**
Finance income – interest receivable	**1.3**	**—**	**—**	**1.3**
Profit before taxation	**67.9**	**1.7**	**5.5**	**75.1**
Taxation	**—**	**—**	**—**	**—**
Profit and total comprehensive income for the year	**67.9**	**1.7**	**5.5**	**75.1**
STATEMENT OF FINANCIAL POSITION				
Assets	**788.8**	**11.3**	**7.7**	**807.8**
Liabilities	**(25.5)**	**(0.1)**	**(0.3)**	**(25.9)**
Net assets	**763.3**	**11.2**	**7.4**	**781.9**

Other segment items				
Capital expenditure	**—**	**—**	**—**	**—**
Depreciation	**(0.1)**	**—**	**—**	**(0.1)**

Year ended 31 December 2014	University partnership business £m	Venture capital fund management £m	In-licensing activity £m	Consolidated £m
STATEMENT OF COMPREHENSIVE INCOME				
Portfolio return and revenue				
Change in fair value of equity and debt investments	20.7	—	—	20.7
Gain on disposal of equity investments	1.6	—	—	1.6
Change in fair value of limited and limited liability partnership interests	0.5	—	—	0.5
Other portfolio income	0.2	—	—	0.2
Licensing income	—	—	3.0	3.0
Revenue from services and other income	0.8	0.3	—	1.1
Revenue from fund management services	—	1.3	—	1.3
Change in fair value of Oxford Equity Rights asset	(1.8)	—	—	(1.8)
Amortisation of intangible assets	(4.9)	—	—	(4.9)
Administrative expenses	(9.5)	(1.4)	(1.9)	(12.8)
Operating profit	7.6	0.2	1.1	8.9
Finance income – interest receivable	0.6	—	—	0.6
Profit before taxation	8.2	0.2	1.1	9.5
Taxation	—	—	—	—
Profit and total comprehensive income for the year	8.2	0.2	1.1	9.5
STATEMENT OF FINANCIAL POSITION				
Assets	520.6	9.4	3.1	533.1
Liabilities	(5.8)	(0.1)	(1.0)	(6.9)
Net assets	514.8	9.3	2.1	526.2
Other segment items				
Capital expenditure	(0.1)	—	—	(0.1)
Depreciation	(0.1)	—	—	(0.1)

6. Auditor's Remuneration

Details of the auditor's remuneration are set out below:

	2015 £'000	2014 £'000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**73**	70
The audit of the Company's subsidiaries, pursuant to legislation	**87**	94
Total fees for audit services	**160**	164
Audit-related assurance services	**20**	33
Total assurance services	**180**	197
Tax compliance services	**—**	—
Taxation advisory services	**—**	—
All other services	**—**	—
Total non-assurance services	**—**	—
	180	197

7. Profit/(Loss) From Operations

Profit/(loss) from operations has been arrived at after charging:

	2015 £m	2014 £m
Amortisation of intangible assets	(6.0)	(4.9)
Depreciation of tangible assets	(0.1)	(0.1)
Employee costs (see note 8)	(8.8)	(6.1)
Operating leases — property	(0.4)	(0.4)
(Loss)/profit on disposal of equity investments	(0.2)	1.6

8. Employee Costs

Employee costs (including directors) comprise:

	2015 £m	2014 £m
Salaries	**5.5**	4.4
Defined contribution pension cost	**0.3**	0.3
Share-based payment charge (see note 21)	**1.5**	0.9
Other bonuses (released)/accrued in the year	**0.7**	(0.1)
Social security	**0.8**	0.6
	8.8	6.1

The average monthly number of persons (including Executive Directors) employed by the Group during the year was 64, all of whom were involved in management and administration activities (2014: 49). Details of the Directors' remuneration will be set out in the Directors' Remuneration Report within the Group's 2015 Annual Report and Accounts.

9. Taxation

	2015 £m	2014 £m
Current tax	**—**	—
Deferred tax	**—**	—

The amount for the year can be reconciled to the profit per the statement of comprehensive income as follows:

	2015 £m	2014 £m
Profit before tax	75.1	9.5
Tax at the UK corporation tax rate of 20.3% (2014: 21.5%)	15.2	2.0
Expenses not deductible for tax purposes	1.4	1.3
Non-taxable income	—	—
Fair value movement on investments qualifying for SSE	(18.8)	(3.4)
Movement on share-based payments	(0.6)	(1.0)
Unrecognised other temporary differences	1.3	(2.1)
Movement in tax losses arising not recognised	1.5	3.2
Tax credit	—	—

At 31 December 2015, deductible temporary differences and unused tax losses, for which no deferred tax asset has been recognised, totalled £105.5m (2014: £62.7m). An analysis is shown below:

	2015		2014	
	Amount £m	**Deferred tax £m**	Amount £m	Deferred tax £m
Share-based payment costs and other temporary differences	**6.0**	**1.1**	5.0	1.0
Unused tax losses	**99.5**	**17.9**	57.7	11.5
	105.5	**19.0**	62.7	12.5

At 31 December 2015, deductible temporary differences and unused tax losses, for which a deferred tax asset/(liability) has been recognised, totalled £nil (2014: £nil). An analysis is shown below:

	2015		2014	
	Amount £m	**Deferred tax £m**	Amount £m	Deferred tax £m
Temporary timing differences	**(4.4)**	**(0.8)**	11.3	2.3
Unused tax losses	**4.4**	**0.8**	(11.3)	(2.3)
	—	**—**	—	—

10. Earnings per Share

Earnings	2015 £m	2014 £m
Earnings for the purposes of basic and dilutive earnings per share	**73.9**	9.1

Number of shares	2015 Number of shares	2014 Number of shares
Weighted average number of ordinary shares for the purposes of basic earnings per share	540,681,647	462,466,944
Effect of dilutive potential ordinary shares:		
Options or contingently issuable shares	1,237,274	2,523,968
Weighted average number of ordinary shares for the purposes of diluted earnings per share	541,918,921	464,990,912

The Group has only one class of potentially dilutive ordinary share. These are contingently issuable shares or shares that may be issued to meet the exercise of options arising from the Group's existing and former employee incentive schemes.

11. Goodwill

	£m
At 1 January 2014	18.4
Recognised on acquisition of subsidiary	37.1
At 1 January 2015	57.1
At 31 December 2015	**57.1**

The Group conducts annual impairment tests on the carrying value of goodwill, based on the recoverable amount of the CGUs to which the goodwill has been allocated. The goodwill allocated to each CGU is summarised in the table below. A number of both value-in-use and fair-value-less-costs-to-sell calculations are used to assess the recoverable values of the CGUs, details of which are specified below.

	2015 £m	2014 £m
University partnership CGU	**55.0**	55.0
Fund management CGU	**2.1**	2.1
	57.1	57.1

Impairment review of venture capital fund management CGU
The key assumptions of the DCF model used to assess the value in use, and the range of multiples applied in calculating the fair-value-less-costs-to-sell based on a percentage of assets under management are shown below:

	2015	2014
Discount rate	9%–11%	9%–11%
Number of funds under management	3	3
Management fee	2%–3.5%	2%–3.5%
Cost inflation	2%	3%
Percentage of assets under management	2%–7%	2%–7%

A number of different value-in-use models were assessed in order to evaluate the recoverable value of the CGU, none of which resulted in an impairment being required.

Impairment review of the university partnership CGU
The key assumptions of the DCF models used to assess the value in use are shown below.

For the purposes of impairment testing, the university partnership CGU comprises those elements connected with the Group's university partnership business other than those that specifically arose as a result of the Group's now expired contract with the University of Oxford's Department of Chemistry which were used in the valuation of that asset prior to its expiry. The Directors consider that for each of the key variables which would be relevant in determining a recoverable value for the university partnership CGU, there is a range of reasonably possible alternative values. The key variable ranges are set out below:

	2015 £m	2014 £m
Number of spin-out companies per year	10–15	10–15
Annual investment rate	£40m–£60m	£40m–£60m
Rate of return achieved	18%–22%	18%–22%
Initial equity stake acquired by the Group under the university partnership	15%–35%	15%–35%
Proportion of spin-out companies failing	32%–45%	32%–45%
Weighted average holding period (years)	3–5	3–5
Dilution rates prior to exit as a result of financing for spin-out companies	40%–60%	40%–60%
Proportion of IPO exits	25%–35%	25%–35%
IPO exit valuations	£30m–£40m	£30m–£40m
Proportion of disposal exits	25%–32%	28%–32%
Disposal valuations	£25m–£35m	£25m–£35m
Discount rate	9%–11%	9%–11%

When determining the key variables, management has, where possible and appropriate, used historical performance data as a basis. In instances where the forecasted volumes and scale of activity do not align with the Group's prior performance, management applies its judgement in determining said variables. A number of different value-in-use models were assessed in order to evaluate the recoverable value of the CGU, none of which resulted in an impairment being required.

12. Intangible Assets

	Total £m
Cost	
At 1 January 2015	21.4
At 31 December 2015	**21.4**
Accumulated amortisation	
At 1 January 2015	4.9
Charge for the year	6.0
At 31 December 2015	**10.9**
Net book value	
At 31 December 2015	**10.5**
At 31 December 2014	16.5

The intangible assets represent contractual arrangements and memorandums of understanding with four UK universities acquired through acquisition of a subsidiary. The contractual arrangements have fixed terms and, consequently, the intangible assets have a finite life which align with the remaining terms which, at the end of the period, range from 11 months to 32 months. The individual contractual arrangements are amortised in a straight line over the remainder of their terms with the expense being presented directly on the primary statements.

13. Categorisation of Financial Instruments

	At fair value through profit or loss			
Financial assets	**Held for trading £m**	**Designated upon initial recognition £m**	**Loans and receivables £m**	**Total £m**
At 31 December 2015				
Equity rights	**—**	**—**	**—**	**—**
Equity investments	**—**	**543.1**	**—**	**543.1**
Debt investments	**—**	**9.1**	**—**	**9.1**
Other financial assets	**—**	**—**	**—**	**—**
Contingent value rights	**—**	**1.4**	**—**	**1.4**
Limited and limited liability partnership interests	**—**	**4.4**	**—**	**4.4**
Trade and other receivables	**—**	**—**	**3.2**	**3.2**
Deposits	**—**	**—**	**70.0**	**70.0**
Cash and cash equivalents	**—**	**—**	**108.8**	**108.8**
Total	**—**	**558.0**	**182.0**	**740.0**
At 31 December 2014				
Equity rights	1.3	—	—	1.3
Equity investments	—	345.9	—	345.9
Debt investments	—	4.0	—	4.0
Other financial assets	—	—	—	—
Contingent value rights	—	1.4	—	1.4
Limited and limited liability partnership interests	—	4.6	—	4.6
Trade and other receivables	—	—	4.8	4.8
Deposits	—	—	30.0	30.0
Cash and cash equivalents	—	—	67.3	67.3
Total	1.3	355.9	102.1	459.3

All financial liabilities are categorised as other financial liabilities and recognised at amortised cost.

The Group does not consider that any change in fair value of financial assets in the year is attributable to credit risk (2014: £nil).

All net fair value gains in the year are attributable to financial assets designated at fair value through profit or loss on initial recognition (2014: all net fair value gains attributable to financial assets designated at fair value through profit or loss on initial recognition).

All interest income is attributable to financial assets not classified as fair value through profit and loss.

14. Investment Portfolio

Group	Level 1 Equity investments in quoted spin-out companies £m	Level 2 Equity investments in unquoted spin-out companies £m	Level 2 Unquoted debt investments in spin-out companies £m	Level 3 Equity investments in unquoted spin-out companies £m	Total £m
At 1 January 2015	**138.2**	**193.2**	**4.0**	**14.5**	**349.9**
Investments during the year	**26.2**	**82.3**	**7.1**	**0.3**	**115.9**
Transaction-based reclassifications during the year	**2.3**	**(1.4)**	**(0.9)**	**—**	**—**
Other transfers between hierarchy levels during the year	**24.6**	**(50.9)**	**0.1**	**26.2**	**—**
Disposals	**—**	**—**	**(0.3)**	**(0.5)**	**(0.8)**
Fees settled via equity	**—**	**0.7**	**—**	**—**	**0.7**
Change in fair value in the year[(i)]	**10.0**	**84.7**	**(0.9)**	**(7.3)**	**86.5**
At 31 December 2015	**201.3**	**308.6**	**9.1**	**33.2**	**552.2**
At 1 January 2014	135.1	131.0	2.8	17.0	285.9
Investments during the year	11.4	32.8	2.6	–	46.8
Acquired with Fusion	—	11.1	2.4	11.4	24.9
Fusion reclassified as subsidiary	(20.5)	—	—	—	(20.5)
Transaction-based reclassifications during the year	—	3.1	(3.1)	—	—
Other transfers between hierarchy levels during the year	20.4	(12.3)	—	(8.1)	—
Disposals	(5.7)	(2.2)	—	—	(7.9)
Change in fair value in the year	(2.5)	29.7	(0.7)	(5.8)	20.7
At 31 December 2014	138.2	193.2	4.0	14.5	349.9

(i) The change in fair value in the year includes a gain of £0.1m in exchange differences on translating foreign operations, which is entirely attributable to Level 2 equity.

Fair values of unquoted spin-out companies classified as Level 3 in the fair value hierarchy have been determined, in part or in full, by valuation techniques that are not supported by observable market prices or rates. Investments in 21 companies have been classified as Level 3 and the individual valuations for each of these have been arrived at using a variety of valuation techniques and assumptions.

Where fair values are based upon the most recent market transaction, but that transaction occurred more that twelve months prior to the balance sheet date, the investments are classified as Level 3 in the fair value hierarchy. The fair values of investments categorised as Level 3 are analysed on a monthly basis to determine business factors which may make the most recent investment rate no longer a representation of fair value.

There are no identified unobservable inputs to which the Level 3 fair values would be materially sensitive. This is represented by the fact that if the fair value of all Level 3 investments were to decrease by 10%, the net assets figure would decrease by £3.3m, with a corresponding increase if the unobservable inputs were to increase by 10%.

For assets and liabilities that are recognised at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. Transfers between tiers are then made as if the transfer took place on the first day of the period in question, except in the cases of transfers between tiers based on an initial public offering (“IPO”) of an investment wherein the changes in value prior to the IPO are calculated and reported in tier 2, and those changes post are attributed to tier 1.

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

Transfers between Level 2 and Level 1 occur when a previously unquoted investment undertakes an initial public offering, resulting in its equity becoming quoted on an active market. In the current period, transfers of this nature amounted to £35.0m.

Transfers between Level 1 and Level 2 would occur when a quoted investment’s market becomes inactive, or the portfolio company elects to delist. There has been one such instance in the current period which amounted to £0.1m.

Transfers between Level 3 and Level 2 occur when an investment which previously had a most recent investment of over twelve months ago undertakes an investment, resulting in an observable market rate. In the current period, transfers of this nature amounted to £2.1m.

Transfers between Level 2 and Level 3 occur when an investment’s recent investment becomes more than twelve months old, with the price being deemed unobservable. In the current period, transfers of this nature amounted to £28.4m.

Fair value changes in Level 3 investments have been a loss of £7.3m in the period, recognised as change in fair value of equity and debt investments in the condensed consolidated statement of comprehensive income.

Change in fair value in the year

	2015 £m	2014 £m
Fair value gains	115.4	63.2
Fair value losses	(29.0)	(42.5)
	86.4	20.7

The Company's interests in subsidiary undertakings are listed in note 2 to the Company's financial statements.

15. Trade and Other Receivables

	2015 £m	2014 £m
Trade debtors	**3.0**	4.6
Prepayments	**0.2**	0.2
Other receivables	**—**	—
	3.2	4.8

The Directors consider the carrying amount of trade and other receivables to approximate their fair value. All receivables are interest free, repayable on demand and unsecured.

16. Contingent Value Rights

As a result of the disposal of Proximagen Group plc in August 2012, the Group received contingent consideration, in the form of contingent value rights ("CVRs"), based upon future net revenues of two associated drug programmes. In line with the Group's policies, these have been recognised as financial assets at fair value through profit and loss, and have been fair valued at £1.4m (2014: £1.4m). The Group considers this asset to be Level 3 in the fair value hierarchy throughout the current and previous financial years. If the assumptions used in the valuation techniques are varied by using a range of possible alternatives, there is no material difference to the statement of financial position nor the consolidated statement of comprehensive income.

17. Trade and Other Payables

Current liabilities	**2015 £m**	2014 £m
Trade payables	**0.7**	1.3
Social security expenses	**0.2**	0.2
Other accruals and deferred income	**3.0**	0.6
	3.9	2.1

18. Borrowings

Non-current liabilities	**2015 £m**	2014 £m
Loans drawn down from the Limited Partners of consolidated funds	**7.1**	4.5
EIB debt facility	**14.9**	—
Contingent loans from university partners	**—**	0.3
	22.0	4.8

Loans drawn down from the Limited Partners of consolidated funds

The loans from Limited Partners of consolidated funds are interest free and repayable only upon the applicable funds generating sufficient returns to repay the Limited Partners. Management anticipates that the funds will generate the required returns and consequently recognises the full associated liabilities.

EIB debt facility

On 8 July 2015 the Group secured a £30m, 8-year debt facility from the European Investment Bank. The facility is to be disbursed in two tranches, with the first tranche of £15m being drawn down during the period (£14.9m net of expenses). The Group will use the proceeds to continue to fund UK university spin-out companies as they develop and mature.

A non-utilisation fee of 0.15% is charged over the undrawn element of the facility. In 2015, due to the timings of the arrangement of the facility, the non-utilisation fee charged was £nil.

The first tranche of £15.0m was drawn down on 16 December 2015. There was £0.1m of initial transaction costs incurred in the arrangement of the facility. This balance was set against the loan amount and is to be subsequently amortised over the term of the loan. The associated charge to the statement of comprehensive income for 2015 was £nil. The capital is repayable in ten equal payments over a five year period with the first payment due on 7 January 2019.

The drawn down element of the facility bears interest at a fixed rate of 1.98% with an additional variable spread equal to the six month GBP Libor rate as at the first date of each six month interest period. The first £15.0m tranche was disbursed on 17 December 2015 and the total floating interest rate (including the fixed element) for the remainder of 2015 was 2.48%. The interest charged on the first tranche in 2015 amounted to nil.

The Group must ensure that the ratio between the value of the portfolio along with the value of the Group's cash net of any outstanding liabilities, and the outstanding debt facility does not fall below 6:1. The Group must maintain that the amount of unencumbered funds freely available to the Group is not less than £15.0m. The Group is also required to maintain a separate bank account which must at any date maintain a minimum balance equal to that of all payments due to the EIB in the forthcoming six months.

19. Share Capital

Issued and fully paid:	**2015 Number**	**£m**	2014 Number	£m
Ordinary Shares of 2p each				
At 1 January	**479,524,397**	**9.6**	375,258,859	7.5
Issued under share placings	**83,388,888**	**1.7**	60,606,060	1.2
Issued under Fusion IP plc acquisition	**—**	**—**	39,150,484	0.8
Issued under employee share plans	**1,734,883**	**—**	4,508,994	0.1
At 31 December	**564,648,168**	**11.3**	479,524,397	9.6

The Company has one class of ordinary shares with a par value of 2p ("Ordinary Shares") which carry equal voting rights, equal rights to income and distributions of assets on liquidation, or otherwise, and no right to fixed income.

In March 2015, the Group issued 56,888,888 new Ordinary Shares as part of a fundraising which raised £128.0m (before expenses) at a price of £2.25 per share. Later in March 2015, the Group issued 1,552,144 new Ordinary Shares in order to settle the 2012 LTIP scheme for which the vesting conditions were fully achieved and consequently the resulting shares became issuable to the Group's employees. In May 2015, the Group issued 26,500,000 new Ordinary Shares as part of a fundraising which raised £55.1m (before expenses) at a price of £2.08 per share. Later in May 2015, the Group issued 153,940 new Ordinary Shares in order to settle the exercise of certain options that had been issued under the Group's Deferred Bonus Share Plan ("DBSP", see Note 21). Finally, in November 2015, the Group issued 28,799 new Ordinary Shares in order to settle the exercise of certain DBSP options and former Fusion IP unapproved options.

20. Operating Lease Arrangements

	2015 £m	2014 £m
Payments under operating leases recognised in the statement of comprehensive income for the year	**0.4**	0.4

At the reporting date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2015 £m	2014 £m
Within one year	**0.3**	0.3
In the second to fifth years inclusive	**0.1**	0.3
	0.4	0.6

Operating lease payments represent rentals and other charges payable by the Group for its office properties. Leases are negotiated for an average term of five years and rentals are fixed for an average of one year.

21. Share-Based Payments

In 2015, the Group continued to incentivise employees through its LTIP and AIS. Both are described in more detail in the Directors' Remuneration Report within the Group's 2015 Annual Report and Accounts.

Deferred Bonus Share Plan ("DBSP")

Awards made to employees under the Group's AIS above a certain threshold include 50% deferred into IP Group equity through the grant of nil-cost options under the Group's DBSP. The number of nil-cost options granted under the Group's DBSP is determined by the share price at vesting date. The DBSP options are subject to further time-based vesting over two years (typically 50% after year one and 50% after year two).

An analysis of movements in the DBSP options outstanding is as follows:

	2015	2014
At 1 January	**362,608**	-
Awarded as a result of deferral of previous year's AIS award during the year	**-**	362,608
Exercised during the year	**(174,739)**	-
Lapsed during the year	**-**	-
At 31 December	**187,869**	362,608

As the 2015 AIS financial performance targets were met and as the number of DBSP options to be granted in order to defer such elements of the AIS payments as are required under our remuneration policy are based on a percentage of employees' salary, the share-based payments line includes the associated share based payments expense incurred in 2015.

Long-Term Incentive Plan ("LTIP")

Awards under the LTIP take the form of conditional 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 imposes objective conditions on the vesting of awards and these take into consideration the guidance of the Group's institutional investors from time to time. Further information on the Group's LTIP will be set out in the Directors' Remuneration Report within the Group's Annual Report and Accounts.

The 2015 LTIP awards were made on 21 May 2015. The awards will ordinarily vest on 31 March 2018, to the extent that the performance conditions have been met. The awards are based on the performance of the Group's Hard NAV and Total Shareholder Return ("TSR"). Both performance measures are combined into a matrix format to most appropriately measure performance relative to the business, as shown in the Directors' Remuneration Report within the Group's 2015 Annual Report and Accounts. The total award is subject to an underpin based on the relative performance of the Group's TSR to that of the FTSE250 index, which can reduce the awards by up to 50%. The 2015 LTIP 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 2015 to 31 December 2017, and TSR increasing by 15% per year on a cumulative basis from the date of award to 31 March 2018, 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 2013 and 2014 LTIP awards were both made in 2014. The awards will respectively ordinarily vest on 31 March 2016 and 31 March 2017, to the extent that the performance conditions have been met. The awards are based on the performance of the Group's Hard NAV and Total Shareholder Return ("TSR"). Both performance measures are combined into a matrix format to most appropriately measure performance relative to the business, as shown in the Directors' Remuneration Report within the Group's 2015 Annual Report and Accounts. The total award is subject to an underpin based on the relative performance of the Group's TSR to that of the FTSE250 index, which can reduce the awards by up to 50%. The 2014 LTIP 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 2014 to 31 December 2016 (2013 LTIP: 1 January 2013 to 31 December 2015), and TSR increasing by 15% per year on a cumulative basis from the date of award to 31 March 2017 (2013 LTIP: to 31 March 2016), 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 2012 LTIP awards vested on 31 March 2015 and thereafter shares in IP Group were issued via the Group's employee benefit trust to the relevant members of the Group's staff accordingly. The table below sets out the performance measures relating to the 2012 LTIP awards and the actual performance achieved.

Performance condition	**Target performance**	**Actual performance**
Hard NAV	8%: £365.5m	£451.3m
(at 31 Dec 2014)	15%: £421.9m	(18.4% p.a. growth)
Annual TSR[1]	8%: 164.1p	235.6p
(share price)	15%: 196.0p	(22.7% p.a. growth
Comparative TSR[1]	FTSE Small cap	IP Group
	+71%	+78%

[1]Hard NAV target increased by Committee to reflect £21.7m Fusion IP net assets acquired in 2014 and £97.4m net proceeds of the Group's placing in 2014.

[2] Group TSR performance based on three-month average prior to date of award and prior to 31 March 2015

As the performance measures were achieved in full and the underpin was exceeded, 100% of the 2012 LTIP awards vested on 31 March 2015.

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

	2015	2014
At 1 January	3,650,493	6,163,436
Forfeited during the year	(39,876)	(144,129)
Vested during the year	(1,552,144)	(4,508,994)
Notionally awarded during the year	1,320,122	2,140,180
At 31 December	3,378,595	3,650,493

The fair value of LTIP shares notionally awarded during 2015 was calculated using Monte Carlo pricing models with the following key assumptions:

	2015	2014
Share price at date of award	£2.188	£1.775
Exercise price	£nil	£nil
Fair value at grant date	£0.78	£0.52
Expected volatility (median of historical 50-day moving average)	32%	32%
Expected life (years)	2.83	2.83
Expected dividend yield	0%	0%
Risk-free interest rate	1.0%	1.0%

Former Fusion IP LTIP

In 2014, three former employees of Fusion IP plc were each conditionally awarded 1,000,000 shares in Fusion IP plc under the Fusion IP LTIP. As part of the arrangements for the acquisition of Fusion IP plc, the Fusion IP LTIP awards were converted into awards over IP Group shares at the same conversion price per share as the scheme of arrangement was undertaken (0.446 IP Group plc shares for every Fusion IP plc share). The awards will vest on 31 December 2017 provided certain performance conditions are met which relate to, inter alia, the growth in value of Fusion IP plc's net asset value ("Fusion NAV") from the date of acquisition and the continued employment of the individual by the Group. In summary, if Fusion NAV growth of 10% per annum is achieved then 30% of an award shall vest. Maximum vesting will occur if Fusion NAV growth of 20% per annum is achieved with straight-line vesting between 30% and 100% if Fusion NAV growth of 10%-20% per annum is achieved. No vesting shall occur if Fusion NAV growth of less than 10% is achieved.

The movement in the number of shares conditionally awarded under the Former Fusion IP LTIP is set out below:

	2015	2014
At 1 January	**1,338,000**	-
Recognised as a result of the acquisition of Fusion IP plc	**-**	1,338,000
At 31 December	**1,338,000**	1,338,000

Fair value charge

The fair value charge recognised in the statement of comprehensive income during the year in respect of all share-based payments, including the DBSP, LTIP and Former Fusion IP LTIP, was £1.5m (2014: £0.9m).

22. Limited and Limited Liability Partnership Interests

	£m
At 1 January 2014	4.8
Additions during the year	0.4
Realisations in the year	(1.1)
Change in fair value during the year	0.5
At 1 January 2015	**4.6**
Additions during the year	**—**
Realisations in the year	**(0.6)**
Change in fair value during the year	**0.4**
At 31 December 2015	**4.4**

The Group considers interests in Limited and Limited Liability Partnerships to be Level 3 in the fair value hierarchy throughout the current and previous financial years. If the assumptions used in the valuation techniques for the Group's holding in each company are varied by using a range of possible alternatives, there is no material difference to the carrying value of the respective spin-out company. The effect on the consolidated statement of comprehensive income for the period is also not expected to be material.

23. Related Party Transactions

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

a) Limited Partnerships

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

Statement of comprehensive income	**2015 £m**	2014 £m
Revenue from services	**1.3**	1.3

Statement of financial position	**2015 £m**	2014 £m
Investment in limited partnerships	**3.1**	3.2
Amounts due from related parties	**—**	—

b) Key management transactions

Key management had investments in the following spin-out companies as at 31 December 2015:

Director	Company name	Number of shares held at 1 January 2015	Number of shares acquired/ (disposed of) in the period	**Number of shares held at 31 December 2015**	%
Alan Aubrey	Alesi Surgical Limited	-	18	**18**	0.3%
	Amaethon Limited — A Shares	104	-	**104**	3.1%
	Amaethon Limited — B Shares	11,966	-	**11,966**	1.0%
	Amaethon Limited — Ordinary Shares	21	-	**21**	0.3%
	Avacta Group plc	20,276,113	-	**20,276,113**	0.3%
	Boxarr Limited[2]	1,732	-	**1,732**	0.3%
	Capsant Neurotechnologies Limited	11,631	-	**11,631**	0.8%
	Cloud Sustainability Limited	19	7	**26**	0.7%
	Cronin Group plc[1]	2,172,809	-	**2,172,809**	0.4%
	Crysalin Limited	1,447	-	**1,447**	0.1%
	Diurnal Group plc	-	15,000	**15,000**	<0.1%
	EmDot Limited	15	-	**15**	0.9%
	Evocutis plc	767,310	-	**767,310**	0.1%
	Getech Group plc	15,000	-	**15,000**	<0.1%
	Green Chemicals plc	108,350	-	**108,350**	0.9%
	hVIVO plc[3]	37,160	-	**37,160**	<0.1%
	Ilika plc	69,290	-	**69,290**	0.1%
	Karus Therapeutics Limited	223	-	**223**	<0.1%
	Mirriad Advertising Limited	-	33,333	**33,333**	<0.1%
	Mode Diagnostics Limited – Ordinary Shares	3,226	-	**3,226**	0.4%
	Mode Diagnostics Limited – A Shares	229	-	**229**	0.5%
	Modern Biosciences plc	1,185,150	-	**1,185,150**	1.7%
	Modern Water plc	519,269	-	**519,269**	0.7%
	Oxford Nanopore Technologies Limited	115,666	(14,458)	**101,208**	0.4%
	Oxtox Limited	25,363	-	**25,363**	0.1%
	Revolymer plc	88,890	-	**88,890**	0.2%
	Salunda Limited	53,639	-	**53,639**	<0.1%
	Structure Vision Limited	212	-	**212**	1.0%
	Surrey Nanosystems Limited	453	-	**453**	0.3%
	Tissue Regenix Group plc	2,389,259	-	**2,389,259**	0.3%
	Xeros Technology Group plc	40,166	-	**40,166**	<0.1%
	Zeetta Networks Limited	-	212	**212**	0.2%
Mike Townend	Amaethon Limited — A Shares	104	-	**104**	3.1%
	Amaethon Limited — B Shares	11,966	-	**11,966**	1.0%
	Amaethon Limited — Ordinary Shares	21	-	**21**	0.3%
	Avacta Group plc	931,367	-	**931,367**	<0.1%
	Capsant Neurotechnologies Limited	11,282	-	**11,282**	0.8%
	Cloud Sustainability Limited	18	7	**25**	0.6%
	Cronin Group plc[1]	932,994	(50)	**932,944**	0.2%
	Crysalin Limited	1,286	-	**1,286**	0.1%
	Diurnal Group plc	-	15,000	**15,000**	<0.1%
	EmDot Limited	14	-	**14**	0.8%
	Getech Group plc	20,000	-	**20,000**	<0.1%
	Green Chemicals plc	113,222	-	**113,222**	0.9%
	hVIVO plc[3]	37,160	-	**37,160**	<0.1%
	Ilika plc	10,000	-	**10,000**	<0.1%
	Mirriad Advertising Limited	-	25,000	**25,000**	<0.1%
	Mode Diagnostics Limited	1,756	-	**1,756**	0.1%
	Modern Biosciences plc	1,185,150	-	**1,185,150**	1.7%
	Modern Water plc	575,000	-	**575,000**	0.7%
	Oxford Advanced Surfaces Limited	5,000	-	**5,000**	0.2%
	Oxford Nanopore Technologies Limited	35,280	(4,313)	**30,967**	0.1%
	Oxtox Limited	25,363	-	**25,363**	0.1%
	Quantum Imaging Limited	-	117	**117**	<0.1%
	Revolymer plc	35,940	-	**35,940**	<0.1%

	Structure Vision Limited	212	-	**212**	1.0%
	Surrey Nanosystems Limited	404	-	**404**	0.2%
	Tissue Regenix Group plc	1,950,862	-	**1,950,862**	0.3%
	Ultrahaptics Limited	-	35	**35**	<0.1%
	Xeros Technology Group plc	35,499	-	**35,499**	<0.1%
Greg Smith	Alesi Surgical Limited	-	2	**2**	<0.1%
	Avacta Group plc	390,400	-	**390,400**	<0.1%
	Capsant Neurotechnologies Limited	896	-	**896**	<0.1%
	Cloud Sustainability Limited	6	2	**8**	0.2%
	Crysalin Limited	149	-	**149**	<0.1%
	Diurnal Group plc	-	15,000	**15,000**	<0.1%
	EmDot Limited	4	-	**4**	0.2%
	Encos Limited	5,671	-	**5,671**	0.4%
	Getech Group plc	8,000	-	**8,000**	<0.1%
	Green Chemicals plc	4,830	-	**4,830**	<0.1%
	hVIVO plc[3]	61,340	-	**61,340**	<0.1%
	Mirriad Advertising Limited	-	16,667	**16,667**	<0.1%
	Mode Diagnostics Limited – Ordinary Shares	361	-	**361**	<0.1%
	Mode Diagnostics Limited – A Shares	28	-	**28**	<0.1%
	Modern Biosciences plc	313,425	-	**313,425**	0.5%
	Modern Water plc	7,250	-	**7,250**	<0.1%
	Oxford Nanopore Technologies Limited	1,500	81	**1,581**	<0.1%
	Revolymer plc	4,500	-	**4,500**	<0.1%
	Summit Therapeutics plc	798	-	**798**	<0.1%
	Surrey Nanosystems Limited	88	-	**88**	<0.1%
	Tissue Regenix Group plc	175,358	(125,358)	**50,000**	<0.1%
	Xeros Technology Group plc	5,499	(4,107)	**1,392**	<0.1%
David Baynes	Alesi Surgical Limited	-	4	**4**	<0.1%
	Arkivum Limited	-	377	**377**	<0.1%
	Diurnal Group plc	59,000	14,000	**73,000**	0.1%
	Mirriad Advertising Limited	-	16,667	**16,667**	<0.1%
	Quantum Imaging Limited	-	46	**46**	<0.1%
	Ultrahaptics Limited	-	26	**26**	<0.1%
	Zeetta Networks Limited	-	212	**212**	0.2%
Angela Leach	Alesi Surgical Limited	-	2	**2**	<0.1%
	Avacta Group plc	74,152	115,562	**189,714**	<0.1%
	Boxarr Limited[2]	-	102	**102**	<0.1%
	Capsant Neurotechnologies Limited	1,858	-	**1,858**	0.1%
	Cloud Sustainability Limited[1]	6	4	**10**	0.3%
	Cronin Group plc[1]	68,101	-	**68,101**	<0.1%
	Diurnal Group plc	-	11,500	**11,500**	<0.1%
	Evocutis plc	7,990	-	**7,990**	<0.1%
	First Light Fusion Limited	-	17	**17**	<0.1%
	Getech Group plc	2,083	-	**2,083**	<0.1%
	hVIVO plc[3]	25,903		**25,903**	<0.1%
	Mirriad Advertising Limited	-	16,667	**16,667**	<0.1%
	Mode Diagnostics Limited - Ordinary Shares	606	-	**606**	<0.1%
	Mode Diagnostics Limited - A Shares	102	-	**102**	<0.1%
	Modern Water plc	15,570	-	**15,570**	<0.1%
	Modern Biosciences plc	322,923	-	**322,923**	0.5%
	Oxford Nanopore Technologies Limited	1,516	205	**1,721**	<0.1%
	Quantum Imaging Limited	-	23	**23**	<0.1%
	Revolymer plc	4,500	-	**4,500**	<0.1%
	Structure Vision Limited	21	-	**21**	0.1%
	Surrey Nanosystems Limited	90	-	**90**	<0.1%
	Tissue Regenix Group plc	329,172	-	**329,172**	<0.1%
	Ultrahaptics Limited	-	5	**5**	<0.1%
	Xeros Technology Group plc	5,666	-	**5,666**	<0.1%

1. Cronin Group plc was formerly known as Oxford Advanced Surfaces plc prior to its acquisition by the latter during the year.
2. Boxarr Limited was formerly known as Plexus Planning Limited.
3. hVIVO plc was formerly known as Retroscreen Virology plc.

Compensation to key management comprises that paid to executive and non-executive directors of the Group. Full details of directors' compensation will be disclosed in the Directors' Remuneration Report within the Group's 2015 Annual Report and Accounts. These amounts are included within the employee costs set out in Note 8.

c) Portfolio companies

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

Statement of comprehensive income	2015 £m	2014 £m
Revenue from services	**2.0**	0.9

Statement of financial position	2015 £m	2014 £m
Trade receivables	**1.5**	0.6

d) Subsidiary companies

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

Statement of financial position	2015 £m	2014 £m
Intercompany balances with other Group companies	**10.5**	8.5

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

24. Capital Management

The Group's key objective when managing capital is to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure, and makes adjustments to it, in light of changes in economic conditions and the risk characteristics of its underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of issued new shares or dispose of interests in more mature portfolio companies.

During 2015, the Group's strategy, which was unchanged from 2014, was to maintain healthy cash and short-term deposit balances that enable it to provide capital to all portfolio companies, as determined by the Group's investment committee, whilst having sufficient cash reserves to meet all working capital requirements in the foreseeable future.

The Group has some external debt with associated covenants which is described in note 18.

25. Capital Commitments

Commitments to university partnerships

A number of the Group's partnerships with research intensive universities in the UK include certain arrangements to provide seed capital to spin-out companies arising from such universities. As at 31 December 2015, the balances were as follows:

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
King's College London(ii)	2003	5.0	1.8	3.2
University of York – CNAP(iii)	2003	0.8	0.2	0.6
University of Leeds(iv)	2005	4.2	1.0	3.2
University of Bristol(v)	2005	5.0	1.1	3.9
University of Surrey(vi)	2006	5.0	0.5	4.5
University of York(iii)	2006	5.0	0.2	4.8
Queen Mary University of London(vii)	2006	5.0	0.7	4.3
University of Bath(viii)	2006	5.0	0.2	4.8
University of Glasgow(ix)	2006	5.0	1.6	3.4
University of Manchester(x)	2013	7.5	0.1	7.4
		52.5	**11.0**	**41.5**

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.

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 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 the University of York was amended during 2013 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 the University of York's proceeds from out-licensing has been removed from the agreement.

iv. The Group extended its partnership with the University of Leeds in July 2005 by securing the right with associated contractual commitment to invest up to £5.0m in University of Leeds spin-out companies. This agreement was varied in March 2011 to, amongst other things, remove the Group's entitlement to a share of out-licensing income generated by the University of Leeds except in certain specific circumstances where the Group is involved in the relevant out-licensing opportunity. Under the terms of the variation agreement, subject to quality and quantity of the investment opportunities, the Group, Techtran Group Limited and the University of Leeds have agreed to target annual investments of at least £0.7m in aggregate and, subject to earlier termination or the parties otherwise agreeing alternative target, to review this target on 30 April 2017.

v. In December 2005, the Group entered into an agreement with the University of Bristol. The Group has committed to invest up to a total of £5.0m in University of Bristol spin-out companies.

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

vii. In July 2006, the Group entered into an agreement with Queen Mary University of London ("QM") to invest in QM spin-out companies. The Group has committed to invest up to a total of £5.0m in QM spin-out companies. The agreement was amended in January 2014, primarily to remove the Group's entitlement to licence fees save where it is involved in the development or licensing of the relevant IP and, in most cases, to replace the Group's automatic entitlement to a share of the initial equity in any spin-out company with an equivalent warrant exercisable at the seed stage of the relevant company.

viii. In September 2006, the Group entered into an agreement with the University of Bath to invest in University of Bath spin-out companies. The Group has committed to invest up to a total of £5.0m in University of Bath spin-out companies. The agreement with the University of Bath was amended during 2009 so as to remove the Group's automatic entitlement to a share of the initial equity or licence fees (as applicable) received by the University of Bath from the commercialisation of its intellectual property in the event that the Group and its employees have not been actively involved in developing the relevant opportunity.

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

x. In February 2013, the Group entered into a commercialisation agreement with the University of Manchester. Initially the Group had agreed to make available an initial facility of up to £5.0m to provide capital to new proof of principle projects (excluding graphene projects) intended for commercialisation through spin-out companies. During January 2014, the Group extended its agreement to include funding for graphene projects; increased the capital commitment by a further £2.5m, bringing the total to £7.5m; and extended the agreement to 2019.

Commitments to Limited Partnerships

Pursuant to the terms of their Limited Partnership agreements, the Group has committed to invest the following amounts into Limited Partnerships as at 31 December 2015:

Partnership	Year of commencement of partnership	Original commitment £m	Invested to date £m	Remaining commitment £m
IP Venture Fund	2006	3.1	3.0	0.1
IP Venture Fund II LP	2013	10.0	2.8	7.2
		13.1	**5.8**	**7.3**

26. Post Balance Sheet Events

Between 31 December 2015 and the 26 February 2016, the fair value of the Group's holdings in companies whose shares are listed on the AIM market experienced a net fair value decrease of £19.2m.

Notification to Shareholders in accordance with FRS 101

The financial statements for the year ended 31 December 2014 of IP Group plc ("The Company"), the parent company of the Group, as set out in the 2014 Annual Report, were prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP).

A new UK GAAP accounting framework introduced by the Financial Reporting Council (FRC) becomes mandatorily effective for the financial statements of UK companies in 2015. Under this new framework, the Company is required to prepare its parent company financial statements for its financial year commencing 1 January 2015 on one of the new bases permitted by the FRC.

As the consolidated financial statements include the equivalent disclosures, the Company also proposes to apply the exemptions under FRS 101 available in respect of the following disclosures: in respect of the following disclosures: a Cash Flow Statement and related notes; disclosures in respect of transactions with wholly owned subsidiaries; disclosures in respect of capital management; the effects of new but not yet effective IFRSs; and disclosures of transactions with a management entity that provides key management personnel services to the company.

The Company's decision to adopt FRS 101 does not require shareholder approval. However, due to the election to take the possible disclosure exemptions permitted under FRS 101, the Company is required to notify all shareholders of this election and any shareholder or shareholders holding in aggregate 5 per cent. or more of the total allotted shares in the Company may object. Objections must be served in writing and delivered to the Company Secretary at the Company's registered office; 24 Cornhill, London, EC3V 3ND.