FOR RELEASE ON **10 MARCH 2015**

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

IP Group plc Annual Results Release

Net assets up to £526m, £100m raised, 70% increase in investment rate

IP Group plc (LSE: IPO), the developer of intellectual property-based businesses, today announces its annual results for the year ended 31 December 2014.

2014 HIGHLIGHTS

Positive progress against key strategic objectives

- Net assets increased to £526.2m (2013: £337.0m)
- 70% increase in capital provided to portfolio companies: £46.8m (2012: £27.5m)
- Portfolio of 90 companies (2013: 72)
- £100m (before expenses) raised through issue of new equity capital in February 2014
- Acquisition of Fusion IP plc completed and now fully integrated within the Group, bringing additional expertise and broader portfolio
- Further expansion into the US; now engaged with Princeton, Pennsylvania and Columbia universities.

Financial highlights

- Net assets excluding intangibles and the Oxford equity rights asset increased to £451.3m (2013: £315.5m)
- Net cash and deposits as at 31 December 2014: £97.3m (2013: £24.1m)
- Adjusted profit before tax of £16.2m (2013: £77.6m), excluding £6.7m reduction in fair value of Oxford Equity Rights asset and amortisation of intangible assets (2013: £5.0m)

Portfolio highlights

- Fair value of portfolio: £349.9m (2013: £285.9m)
- Portfolio realisations: £9.7m (2013: £5.5m)
- Group's portfolio companies raised in excess of £200m in new capital (2013: £160m)
- Modern Biosciences agreed collaboration with Johnson & Johnson Innovation Centre and Janssen Biotech, Inc. potentially worth up to £176m plus royalties
- Oxford Nanopore Technologies Limited completed £35m private financing and launched heavily oversubscribed MinION Access Programme
- Diurnal Limited successfully completed phase II trials for the treatment of Congenital Adrenal Hyperplasia and raised £6m to support phase III trials
- Xeros Technology Group plc ("Xeros"), MedaPhor Group plc ("MedaPhor") and Actual Experience plc ("Actual Experience") admitted to AIM with Xeros and MedaPhor raising gross proceeds of £27.6m and £4.7m respectively and Actual Experience valued at £15.6m at the introduction price.

Post-year-end highlights

- Significantly oversubscribed proposed firm placing, placing and open offer to raise gross proceeds of £128m to help fuel the next phase of the Group's growth

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

"Both the Group and its portfolio companies had a very active year in 2014. The equity fundraising in the first quarter of 2014, as well as that announced today, add further strength to the Group's financial position and enable it to continue to significantly increase the rate of capital deployed into its portfolio companies. Furthermore, the Group has benefitted from the additional expertise and larger, more diversified portfolio that the acquisition of Fusion IP plc has brought to the business. Last year, we continued to expand into the US, through the formation of further partnerships, and we were delighted to complete our US first spin-out, from our partnership with the University of Pennsylvania, at the end of the year. The Group will continue to seek partnership and commercialisation opportunities both there and in the UK.

Overall, our portfolio companies progressed well in 2014 with Oxford Nanopore, Modern Biosciences and Diurnal in particular achieving important milestones. Xeros, MedaPhor and Actual Experience, which successfully floated on AIM, all contributed considerable positive fair value to the Group's portfolio although the decline seen by that index over the year was also experienced by some of our quoted company holdings.

We continue to see a wealth of potentially disruptive intellectual property emanating from academic scientific research that we believe has the potential to form the basis of viable commercial businesses. The proposed capital raising, announced today, will add further impetus to the Group's plans for growth as we maintain our focus on exploring these early-stage opportunities as well as supporting our portfolio companies with both human and financial capital. We remain confident that the Group will be able to deliver on its strategy of achieving attractive returns for its shareholders and funds' limited partners over the long term."

For more information, please contact:

IP Group plc	www.ipgroupplc.com
Alan Aubrey, Chief Executive Officer	+44 (0) 20 7444 0050
Greg Smith, Chief Financial Officer	+44 (0) 20 7444 0050
Vicki Bradley, Communications	+44 (0) 20 7444 0050
FTI Consulting	
James Melville-Ross/Simon Conway/ Victoria Foster Mitchell	+44 (0)20 3727 1000

Further information on IP Group is available on our website: www.ipgroupplc.com

Notes

(i) Nature of announcement
This Annual Results Release was approved by the directors on 9 March 2015.

The financial information set out in this Annual Results Release does not constitute the company's statutory accounts for 2014 or 2013. Statutory accounts for the years ended 31 December 2014 and 31 December 2013 have been reported on by the Independent Auditor. The Independent Auditor's Reports on the Annual Report and Financial Statements for 2014 and 2013 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 2013 have been filed with the Registrar of Companies. The statutory accounts for the year ended 31 December 2014 will be delivered to the Registrar following the Company's annual general meeting.

The 2014 Annual Report and Accounts will be published in April 2015 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 summary

In my last statement as Chairman, I am pleased to report that 2014 has been a busy year for IP Group and today's announced £128m proposed funding will help to fuel the next phase in the Group's development. Since its admission to AIM in 2003, the year I first became Chairman, the Group has experienced significant growth, with a tenfold increase in its market capitalisation to over £1bn today.

IP Group's mission is to evolve great ideas into world-changing businesses. Until 2013, the Group concentrated solely on opportunities in the UK. However, during that year, it established a presence in the US - a country that the Board believes offers a rich source of accessible world-class IP. The Group now has pilot commercialisation agreements with three US Ivy League universities and announced its first spin-out from the University of Pennsylvania in December.

The Group's UK operations have also seen significant developments during 2014. In March, the Group acquired Fusion IP plc, a complementary business in which the Group had held a strategic stake since 2009. The acquisition has created a Group with an enlarged specialised team and greater breadth of coverage, enabling deeper access to a pool of intellectual property while also allowing the Group to improve the service offering to existing and potential research institutions. Looking at the UK business overall, on balance I consider that the Group's portfolio companies are progressing well and many have achieved significant milestones during the year. Of these, I particularly highlight Modern Biosciences' collaboration with Johnson & Johnson Innovation Centre and Janssen Biotech, Inc.

Financial performance

In 2014, although the macroeconomic environment improved in the UK and the US, and equity markets were generally positive, AIM, where approximately 40% of the Group's portfolio companies by value are quoted, lost 17.5% of its value. When considered against this backdrop, the Group's financial performance in 2014 was satisfactory although much lower than compared to 2013. Net assets, excluding intangibles and the Oxford Equity Rights asset, increased to £451.3m (2013: £315.5m) while the Group recorded an adjusted profit before tax of £16.2m excluding the £6.7m reduction in the value of the Oxford Equity Rights Asset and amortisation of intangible assets (2013: £77.6m profit; £5.0m reduction in the value of the Oxford Equity Rights Asset). Profit after tax was £9.5m (2013: £72.6m). As highlighted in my 2013 statement, shareholders should continue to consider IP Group as a long-term business and therefore profits and cash realisations will fluctuate from year to year.

Organisational structure

The operational integration of Fusion IP has increased the Group's size and depth of expertise. In order to support this and the Group's continued growth, the two-tiered governance and management structure comprising the Group Board and the Executive Committee has been formalised. In order to further deepen the Group's sectoral knowledge and capability, the core opportunity evaluation and business building team has now been formally divided into four specialist divisions –Biotech, Cleantech, Healthcare and Technology. The Board believes that this new Group structure allows the business to operate more effectively and to the benefit of the Group, and its partners and stakeholders as a whole.

Board changes

As I announced in my 2013 statement, Professor Lynn Gladden joined the Board in 2014 and brings with her an impressive background in academia and industry. I was also pleased to welcome David Baynes and Doug Liversidge - who joined the Group from Fusion IP plc - to the Board as Chief Operating Officer and Non-executive Director respectively. David and Doug bring with them a wealth of knowledge and expertise and, along with Lynn, have already made a significant contribution to the Company.

During the year, Charles   stepped down from the Group's Board as an Executive Director to pursue other opportunities and Francis Carpenter stepped down as Non-executive Director of the Group following the completion of his second three-year term in office.

It was announced in October that I would be stepping down as Non-executive Chairman and a director of the Company once a suitably qualified and experienced successor had been appointed. As announced today, after a rigorous process, the Board has approved the Nominations Committee's recommendation to appoint Mike Humphrey as the Group's Non-executive Chairman. Mike, currently the Group's Senior Independent Director and Chair of its Remuneration Committee, will assume office with effect from the end of the Group's Board meeting to be held on 24 March 2015. The Board considered Mike's experience internationally and with institutional investors, and in leading and growing a major corporation built on innovation into the

FTSE100, made him an exceptional candidate for the role. The role of Senior Independent Director will be assumed by Doug Liversidge and Jonathan Brooks will become Chairman of the Remuneration Committee with effect from this same date. The Group intends to appoint a further Non-executive Director and will update shareholders to this end in due course.

Our stakeholders

The success of the Group relies on the hard work and dedication of many people and, over the twelve years I have served on the Board of IP Group, it has been my privilege to meet and work with so many talented teams. I would like to extend my sincere thanks to the Board, IP Group's staff, its academic partners and the management teams of its portfolio companies for these efforts. I would also like to express my sincere gratitude to the Company's shareholders and limited partners for their support over the years.

Building a sustainable business

Building a sustainable, viable business is fundamental to the Group's future success and we continually strive to run our operations, and respond to issues, in a responsible manner with consideration for all our stakeholders' needs. The Group is also committed to minimising the business' environmental impact as well as having a positive influence on the communities where it operates. Major portfolio themes for IP Group have included, and will continue to include, business opportunities focused on developing clean technology, environmental improvement and resource efficiency. Sustainable and ethical practices are integrated into our business model and will continue to underpin how the Group operates and does business with its partners.

Since I joined the Board in 2002, and first became Chairman in 2003 and again in 2007, the Group has undergone a period of rapid growth and transformation and I am very proud of what has been achieved by the team. Together we have created a business that today has a large specialised team, access to intellectual property from 15 of the UK's, and three of the US's, top research universities and a portfolio with a value of £350m and approximately £97m in cash. This is my last Chairman's statement and I would like to wish IP Group's Board, staff, partners and shareholders every success for the future.

Dr Bruce Smith
Chairman

Business model: evolving great ideas into world-changing businesses

Deal flow: maintaining a pipeline of potentially disruptive commercialisable intellectual property
IP Group seeks to access a wide range of leading scientific research through the formation of long-term partnerships and relationships with the top research universities in the UK and the US. The Group's specialist in-house sourcing team works with its partners, as well as academics from other universities and research institutions, to identify and pursue compelling opportunities across four core sectors.

Business Building: a rigorous and systematic approach to opportunity appraisal, development and business building
During the early stages of an opportunity's development, members of the Group's team work closely with its founders to help shape its strategic direction, often taking an interim management role until such time as the business reaches a sufficient stage of maturity and has the resources to recruit a full external leadership team. The Group team members continue to provide strategic guidance in an executive or non-executive capacity. The Group supports businesses from cradle to maturity with strategic and commercial expertise, executive search and development, innovative and structured programmes for CEOs and boards, and a range of administrative services.

Capital: access to sources of capital to finance businesses as they develop
IP Group provides patient capital for the development of its portfolio companies from its own balance sheet. In addition, IP Group has an FCA-regulated venture capital fund management subsidiary, Top Technology Ventures ("TTV"), which specialises in providing funding for early stage technology businesses. TTV currently manages three funds: IP Venture Fund ("IPVF"), IP Venture Fund II L.P. ("IVPFII") and the Finance for Business North East Technology Fund ("NETF") which, subject to investment guidelines, can provide further additional sources of capital to the Group's portfolio companies. TTV and the Group also work with a wide network of co-investors which can provide further capital alongside the Group.

Long-term value: systematic commercialisation of intellectual property
IP Group seeks to form, or assist in the formation of, a diversified range of spin-out companies based on scientific innovation. IP Group's approach is to take a significant minority equity stake in those spin-out companies, to grow the value of that equity over time - by taking an active role in company development - and to ultimately achieve strong equity returns over the medium to long term.

Operational review

During 2014, the Group continued to strengthen its financial position and expand its access to commercialisable science, both in the UK and the US, in order to pursue its purpose of evolving great ideas into world-changing businesses. This will remain our focus for 2015 and beyond.

Fusion IP plc is now fully integrated within the Group and we are already benefitting from the additional expertise and the larger, more diversified portfolio that this acquisition has brought to the business. The proposed placing of £128m (before expenses) announced today will enable the Group to deploy further capital into its portfolio companies as well as allowing it to expand its access to research and compelling commercialisation opportunities across all its sectors in the UK and the US.

Three core objectives support the Group's purpose: to create and maintain a pipeline of compelling intellectual property-based opportunities, to develop and support these opportunities into a diversified portfolio of robust businesses and to deliver attractive financial returns on our assets and third party funds. Our performance against these objectives is considered in more detail below.

Portfolio company performance

The fair value of the Group's portfolio increased to £349.9m (2013: £285.9m) across 90 businesses that are supported and managed by four specialist sector teams. Tracsis plc, Ilika plc and new entrants to AIM Xeros Technology Group plc, Actual Experience plc and MedaPhor Group plc all contributed significantly to an uplift in the fair value of the portfolio. However, there were some reductions in fair value, which were primarily due to the negative share price performance of some of the quoted companies with Applied Graphene Materials plc, Retroscreen Virology Group plc and Avacta Group plc among the most significant detractors. Some of the key developments of the Group's portfolio companies during the year are highlighted below:

- Oxford Nanopore Technologies Limited ("Oxford Nanopore") completed a significantly oversubscribed £35m fundraising round and launched a community-focused access programme - the "MinION Access Programme" - to allow researchers to begin using its nanopore sequencing technology. All aspects of the technology have been trialled, improved and developed during the programme with the changes leading to an increase in performance and helping to expand the range of applications being developed by the community. In late 2014, publications outlining novel applications for the MinION began to appear. Two waves of participants joined the programme during the year and, at the beginning of 2015, Oxford Nanopore opened the programme to fresh applications.

- Modern Biosciences plc ("MBS"), the Group's 61.1% owned subsidiary, agreed a collaboration with Johnson & Johnson Innovation Centre and Janssen Biotech, Inc ("Janssen") in relation to MBS' lead programme for the development of novel bone-protective compounds in the treatment of rheumatoid arthritis. The collaboration could be worth up to £176m comprising an upfront payment, an option fee exercisable after or during the Phase 1 programme and development-related milestone payments. Assuming developmental and regulatory success, the majority of the £176m could be received over the next 7-10 years. In addition, MBS will receive royalties on any future sales of products that may result from the alliance upon successful launch and commercialisation of any treatment. During the year, MBS was also awarded a further £2.4m grant by the UK Government's Biomedical Catalyst.

- With respect to the portfolio acquired with Fusion IP, Diurnal Limited successfully completed Phase 2 trials for the treatment of Congenital Adrenal Hyperplasia, and raised £6m to support Phase 3 trials, while MedaPhor Group plc, a provider of advanced ultrasound education and training simulators for medical professionals, successfully floated on AIM. Overall, however, due to fair value reductions in a few of the private companies, the Group's holdings in spin-out companies from Fusion IP's partnerships experienced a net fair value reduction of approximately £2m. We remain positive about the prospects for the businesses over the long term.

Further detailed analysis is provided in the Portfolio review.

Supporting our portfolio companies

A key differentiator for the Group in its sectors, and an integral part of its business model, is the active involvement of its people in the development of its spin-out companies. During the early stages of an opportunity, members of the Group's team work closely with its founders to help shape its strategic direction, often taking an interim management role until such time as is it is appropriate to recruit a full external leadership team. The Group's business-building team members continue to provide strategic guidance in an executive or non-executive capacity. The Group currently has board representation on more than 80% of the portfolio companies. IP Exec, the Group's specialist in-house executive search function, assists portfolio companies with the recruitment of experienced and able leadership, sourcing high quality candidates from a range of backgrounds and disciplines. During the year, IP Exec expanded its team to support the Group's portfolio companies more effectively and placed 16 senior executives with the Group's portfolio companies during the year, an increase on the previous year. IP Impact, which has developed a series of innovative programmes to work with CEOs and boards of portfolio companies, has also had a successful year and continues to contribute to the Group's growth. CEOs from more than 20 of the Group's portfolio companies have now participated in these specialist programmes. In 2014, the Group's specialist business support team provided administrative services to 42 of the Group's portfolio companies.

Expanding and nurturing our partnerships

IP Group's ability to access a wide range of innovative scientific research, by creating and developing long-term relationships with leading research institutions in the UK and US, are considered to be an important element of its business model. Some of our achievements in 2014 in this regard are highlighted below:

- At the beginning of the year, the Group announced that it had expanded its 'proof of concept' partnership with the University of Manchester to include graphene projects and had extended the term to 2019.

- During the year, the number of US partnerships was increased following the signing of an IP commercialisation agreement with Princeton University. The partnership, which has an initial pilot phase of 18 months, will concentrate on developing early-stage, proof of principle opportunities based on intellectual property developed at the university. The Group now has partnerships with three Ivy League universities in the US including the University of Pennsylvania and Columbia University.

- In November, the Group formed a pilot initiative with FedIMPACT to identify and develop early-stage technologies from a select group of US Department of Energy ("DOE") Laboratories. FedIMPACT will combine its insight and knowledge of the DOE network with IP Group's unique model of commercialising early-stage technology.

The Group's first commercialisation contract was signed with the University of Oxford's Department of Chemistry in 2000 and will expire in November 2015. The Group will continue to benefit from access to spin-out companies arising from the University of Oxford's Institute of Biomedical Engineering ("IBME") as a result of its strategic stake in, and informal commercialisation alliance with, Technikos LLP ("Technikos"), a venture capital fund specialising in early-stage medical technologies. Technikos' long-term commercial agreement with the IBME is in place until 2023. The acquisition of Fusion IP has enabled a greater degree of exposure to spin-out opportunities emanating from its four partner universities.

Maintaining a strong pipeline

The Group seeks to maintain a pipeline of new opportunities across a wide variety of scientific disciplines and we continue to see many potentially exciting IP commercialisation opportunities across all of our partnerships. In 2014, 10 opportunities received initial incubation or seed funding during the year (2013: 8). At the end of 2014, we completed our first spin-out in the US from our partnership with the University of Pennsylvania. The Group agreed to provide initial capital of up to $1m for a significant minority stake in Exyn Technologies Inc. which has developed software to control multi-sensory rotorcraft micro aerial vehicles as well as communication between flying vehicles.

Deploying capital to support our portfolio

An important component of the Group's business model is its ability to support both its existing portfolio companies and new early-stage opportunities through the provision of patient capital. The £97.4m (net of expenses) raised by the Group through the issue of new equity at the beginning of the year, added further strength to the Group's financial position and, as per our commitment at that time, the rate of capital deployment into our portfolio companies increased significantly to £46.8m for the year (2013: £27.5m). The Group also assisted its portfolio companies to access capital from a variety of sources and, during the year, they raised approximately £165m, in aggregate (2013: £160m). The £128m total capital raising announced today will enable the Group to continue this trend towards increased support for its most promising portfolio company holdings both in the UK and US.

In addition, the Group provides capital from its managed funds: Top Technology Ventures Limited, the Group's FCA-regulated subsidiary, manages three venture capital funds – IP Venture Fund, The North East Technology Fund ("NETF") and IP Venture Fund II with assets under management totalling £85m at 31 December 2014. IP Venture Fund, which is no longer making investments in new portfolio companies, achieved realisations of £11.1m this year. Having launched in 2013, IP Venture Fund II has invested a total of £4.5m across 17 spin-out companies alongside the Group. NETF completed a total of 32 investments during the year into companies in the North East of England bringing its total investments since inception close to its committed capital of £25m. The Group has access to additional follow-on finance for technology companies in the North East of England during 2015.

Outlook

Leading research institutions in the UK and the US continue to carry out world-class research and this provides a wealth of scientific discoveries for the Group to seek to commercialise alongside its partners. The sector in which the Group operates appears to have attracted a number of new entrants during the period and, as a result, the availability of, and competition for, capital and opportunities has increased. However, IP Group has a solid track record, experienced board and senior management team and a strong financial position including £97.3m of cash and a diverse portfolio valued at £349.9m and this gives the Board confidence that the Company has the necessary credentials to continue to exploit this significant opportunity and ultimately deliver attractive returns to shareholders over the long term.

PORTFOLIO REVIEW

Overview

At 31 December 2014 the value of the Group's portfolio had increased to £349.9m, from £285.9m in 2013, as a result of a significant increase in net investment following the Group's equity capital raising of £100m (before expenses), portfolio companies acquired with Fusion IP plc ("Fusion IP") and the fair value movements set out below. The portfolio comprised holdings in 90 companies, compared with 72 at 31 December 2013, with the ten most valuable portfolio companies accounting for almost 73% of the total portfolio value (2013: 79%).

During the year to 31 December 2014, the Group provided pre-seed, seed and post-seed capital totalling approximately £46.8m to its portfolio companies, including a £5.5m investment into what were previously Fusion IP portfolio companies. This rate of deployment is a 70% increase on the £27.5m provided in 2013 and is consistent with the commitments made by management at the time of the Group's 2014 placing. 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 a significant fair value increase in the portfolio over the medium to long term.

The Group not only increased total capital deployed into its portfolio in 2014 but additionally increased the number of new spin-out opportunities supported, with initial capital being deployed by the Group into 11 companies during the year (2013: 9). Four companies were sold during the period, one of which was to another portfolio company, while a further two companies were closed or fully provided against with a total historic cost of £2.7m.

During the year, cash proceeds from the realisation of investments increased to £9.7m (2013: £5.5m). The proceeds predominantly arose from realisations of the Group's holdings in Synairgen plc, Rock Deformation Research Limited and Velocys plc, whilst the prior year was primarily driven by the partial disposal of interests in Tracsis plc and Velocys plc.

Performance summary

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

	2014 **£m**	2013 £m
Unrealised gains on the revaluation of investments	**63.2**	90.3
Unrealised losses on the revaluation of investments	**(42.5)**	(7.9)
Net fair value gains	**20.7**	82.4
Profit/(loss) on disposals of equity investments	**1.6**	(0.2)
Change in fair value of Limited Partnership interests	**0.5**	0.8
Net portfolio gains	**22.8**	83.0

The most significant contributors to unrealised gains on the revaluation of investments comprised Oxford Nanopore Technologies Limited (£18.0m), Actual Experience plc (£9.4m) and Xeros Technology Group plc (£8.4m). The major contributors to the unrealised losses on the revaluation of investments were Applied Graphene Materials plc (£8.7m), Retroscreen Virology Group plc (£6.1m – net of the £0.5m uplift in the fair value of Activiomics Limited upon its acquisition) and Avacta Group plc (£6.3m).

The performance of the Group's holdings in companies quoted on either AIM or ISDX saw a net unrealised fair value decrease of £2.5m while the Group's holdings in unquoted companies experienced a net fair value increase of £23.2m. Excluding fair value increases to portfolio companies that listed on AIM during the year, which include Actual Experience plc and Xeros Technology Group plc as noted in the Operational review above, the performance of the Group's listed portfolio was consistent with the overall performance of the AIM market during 2014. Management believes that despite the poor performance of the quoted market in 2014, the increasing maturity, and technical and commercial progress, of many of its underlying portfolio businesses, both quoted and unquoted, will continue to contribute to significant future increases in fair value.

Investments and realisations

The Group's rate of capital deployment increased during 2014, with a total of £46.8m being deployed across 51 new and existing projects (2013: £27.5m; 44 projects), as follows:

Cash investment analysis by company stage	**2014** **£m**	2013 £m
Incubation opportunities	**0.8**	0.2
Seed businesses	**8.2**	4.2
Post-seed private businesses	**22.3**	13.7
Post-seed quoted businesses	**15.5**	9.4
Total	**46.8**	27.5
Proceeds from sales of equity investments	**9.7**	5.5

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 either AIM or the ISDX markets.

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 IPVF, the dedicated follow-on venture capital fund managed by the Group. IPVF invested a total of £2.7m into existing Group portfolio businesses during the year (2013: £1.4m). This fund has sufficient capital commitments from its limited partners to invest approximately £0.2m further into its existing portfolio.

Since its inception in May 2013, IP Venture Fund II, the £30m venture capital successor fund to IP Venture Fund, has invested alongside the Group in 17 companies spun-out from IP Group's university partnerships and other collaborations. At 31 December 2014, IPVFII had invested £4.5m into spin-out companies from incubation stage through seed and post-seed stage, 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 companies were added to the Group's portfolio as a result of the Fusion IP acquisition. In addition, ten opportunities received initial incubation or seed funding during the year (2013: eight) and one initial opportunity received post-seed funding. During the period one existing incubation project progressed to seed stage (2013: two).

The eleven new opportunities included:

- Genomics Limited (University of Oxford) has developed a unique analytical platform for genomic sequence data analysis and interpretation and has already been awarded two grants funded by the Department of Health and managed by Genomics England to develop its technology. The company is also working with pharmaceutical companies to bring the benefits of genomic analysis to the drug development process;
- Ultrahaptics Limited has developed a unique technology that uses ultrasound to project sensations through the air and directly onto the user. Users can "feel" touchless buttons, get feedback for mid-air gestures or interact with virtual objects;
- Intelligent Ultrasound Limited (University of Oxford), aims to improve the reliability and timeliness of diagnosis for patients requiring ultrasound scans, won the award for Best Emerging Medtech Company at the OBN Annual Awards in October; and
- OxSyBio Limited (University of Oxford) will develop 3D printing techniques to produce tissue-like synthetic materials for wound healing and drug delivery. In the longer term the company aims to print synthetic tissues for organ repair or replacement.

The average level of capital deployed per company increased from £620,000 to £920,000 in 2014. Excluding the Group's participation in Oxford Nanopore Technologies Limited's 2013 and 2014 financing rounds, the average investment per company increased to £820,000 from £530,000 in 2013. The average investment per company is expected to increase in the future.

Portfolio analysis — by stage of company maturity

At 31 December 2014, the Group's portfolio fair value of £349.9m was distributed across stages of company maturity as follows:

	As at 31 December 2014				As at 31 December 2013			
	Fair value		**Number**		Fair value		Number	
Company stage	**£m**	**%**		**%**	£m	%		%
Incubation opportunities	**0.9**	**—**	**13**	**13%**	0.1	—	8	11%
Seed businesses	**16.0**	**5%**	**25**	**29%**	11.3	4%	20	28%
Post-seed private businesses	**194.8**	**56%**	**33**	**37%**	139.4	49%	26	36%
Post-seed quoted businesses	**138.2**	**39%**	**19**	**21%**	135.1	47%	18	25%
All portfolio businesses	**349.9[1]**	**100%**	**90**	**100%**	285.9	100%	72	100%

[1] Total fair value includes £4.2m (2013: £0.1m) attributable to minority interests represented by third party limited partners in the consolidated fund, IPVFII.

Of the 90 companies in the Group's portfolio, 73% (2013: 79%) 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 £255.1m (2013: £225.2m).

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. During 2014, after the acquisition of Fusion IP, the Group formally split its core opportunity evaluation and business building team into four specialist divisions, being Biotech, Cleantech, Healthcare and Technology. The new divisional structure for monitoring and categorising the portfolio is depicted in the following table:

	As at 31 December 2014				As at 31 December 2013			
	Fair value		**Number**		Fair value		Number	
Sector	**£m**	**%**		**%**	£m	%		%
Healthcare	**213.1**	**61%**	**31**	**34%**	176.3	62%	24	33%
Technology	**58.6**	**17%**	**25**	**28%**	48.8	17%	21	29%
Cleantech	**56.2**	**16%**	**18**	**20%**	34.2	12%	18	25%
Biotech	**16.4**	**5%**	**13**	**15%**	6.8	2%	5	7%
Multiple sectors	**5.6**	**1%**	**3**	**3%**	19.8	7%	4	6%
	349.9[1]	**100%**	**90**	**100%**	285.9	100%	72	100%

1. Total fair value includes £4.2m (2013: £0.1m) 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 the 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, Retroscreen Virology Group plc and Tissue Regenix Group plc.

A more detailed analysis of each sector is set out below.

Healthcare

Company name	Description	Group stake at 31 Dec 2014[(i)] %	Fair value of Group holding at 31 Dec 2013 £m	Year to 31 December 2014: Net investment/ (divestment) £m	Acquired with Fusion £m	Fair value movement £m	**Fair value of Group holding at 31 Dec 2014 £m**
Oxford Nanopore Technologies Limited	Single-molecule detection. 1st application in 3rd generation DNA sequencing ("$1000 genome")	19.9%	104.3	6.0	—	18.0	**128.3**
Retroscreen Virology Group plc	Viral challenge and 'virometrics' specialist ("conquering viral disease")	17.5%	30.5[(ii)]	4.0	—	(6.1)	**28.4**
Tissue Regenix Group plc	Regenerative dCELL® soft tissue body parts	13.7%	20.7	—	—	(2.7)	**18.0**
Avacta Group plc	Reagents, arrays and instruments for human and animal healthcare	26.9%	12.2	2.5	—	(6.3)	**8.4**
Genomics Limited	Platform for analysis and interpretation of genomic sequence data	18.6%	—	2.3	—	2.5	**4.8**
MedaPhor Group plc	Advanced ultrasound education and training simulators	41.6%	0.5	1.4	1.5	1.2	**4.6**
Other companies			8.1	5.2	4.3	0.3	**17.9**
IP Group total			176.3	21.4	5.8	6.9	**210.4**
Value not attributable to equity holders			—	1.9	—	0.8	**2.7**
Total			176.3	23.3	5.8	7.7	**213.1**

(i) Represents the Group's undiluted beneficial equity interest (excluding debt) including the portion of IPVFII's stake attributable to the Group.

(ii) Includes Activiomics Limited, another Group portfolio company, which was acquired by Retroscreen Virology in March 2014, for paper valued at £1.4m, representing an uplift of £0.5m on its opening value. The opening value of Retroscreen Virology has been increased to reflect the opening fair value of Activiomics Limited.

Companies in the Healthcare division saw the most significant amount of capital contribution and fair value increase during the year. The major contributors to the healthcare portfolio's fair value increase were Oxford Nanopore (£18.0m) and Genomics Limited (£2.5m), which both raised money at a premium to their previous financing rounds. However, these fair value increases were offset by the poor performance of the share prices of the division's quoted portfolio, specifically Retroscreen Virology (£6.1m unrealised fair value decrease – net of the £0.5m uplift in the fair value of Activiomics Limited upon its acquisition), Avacta Group plc (£6.3m decrease) and Tissue Regenix (£2.7m decrease).

Oxford Nanopore Technologies Limited ("Oxford Nanopore"), a spin-out company from the University of Oxford, which specialises in nanopore-based electronic molecular analysis systems, announced in August 2014 that it had completed a significantly oversubscribed £35m fundraising. Funds from the financing are being used to further develop Oxford Nanopore's commercial and manufacturing infrastructure that has been serving early customers through its MinION Access Programme ("MAP"), its programme designed to give life science researchers access to nanopore sequencing technology. The financing resulted in a fair value uplift in the Group's resultant 19.9% interest of £17.8m. Early in the year, Oxford Nanopore announced that excellent progress had been made in the early phase of MAP and, since the period end, Oxford Nanopore has opened the programme to fresh applications.

In August, Retroscreen Virology Group plc ("Retroscreen Virology"), a spin-out from Queen Mary University of London, announced that it had raised £33.6m before expenses in an oversubscribed placing. The Group contributed £4.0m to the placing, which resulted in a holding of 17.5%. Retroscreen Virology, which pioneered the commercialisation of the hVIVO Human Challenge Models of disease, seeks to leverage its hVIVO platform as a powerful tool in biomarker discovery and the development of new disease models.

In May, Avacta Group plc ("Avacta"), a provider of innovative diagnostic tools, consumables and reagents for human and animal healthcare, raised £10.1m before expenses. The proceeds are being used to accelerate Avacta's development and commercialisation of affimers, engineered proteins that mimic specificity and binding affinities of antibodies.

MedaPhor Group plc ("MedaPhor"), a spin-out from the University of Cardiff, announced its admission to AIM in August. MedaPhor is a provider of advanced ultrasound education and training simulators for medical professionals. Its lead product is the ScanTrainer ultrasound simulator training platform which assists students, doctors and sonographers to acquire ultrasound scanning skills with minimal expert supervision and without the need of a patient on which to practise. In January 2015, the company announced the availability of its first radiology-focused Super Assessment module for its award-winning ScanTrainer simulator. The module will form part of the new Upper Abdomen Education Packages which are a range of solution bundles, designed specifically for radiology, aimed at teaching complex trans-abdominal ultrasound scanning skills in a self-learning environment.

Genomics Limited ("Genomics"), a spin-out from the University of Oxford, has developed a unique analytical platform for genomic sequence data analysis and interpretation and has already been awarded two grants, funded by the Department of Health and managed by Genomics England, to develop its technology. Genomics is also working with pharmaceutical companies to bring the benefits of genomic analysis to the drug development process. In November, the company completed a £10.3m fundraising of which the Group (including the Group's share of IPVFII's investment) contributed £2.3m.

In June 2014, Tissue Regenix Group plc ("Tissue Regenix"), the regenerative medical devices company, launched its DermaPure™ "de-cellularised" dermis product in the US. In February 2015, the company completed a £20m placing of which the Group contributed £2.5m. Tissue Regenix continues to expand its distribution network around the US and currently has a network of over 60 representatives there.

An analysis of the number and value of portfolio companies in the sector by stage of development is as follows:

Stage	*Number*	*Value (£m)*
Incubation	5	0.2
Seed	7	5.2
Post-seed	14	145.5
Quoted	5	59.5
Value not attributable to equity holders	n/a	2.7
Total	**31**	**213.1**

Technology

Company name	Description	Group stake at 31 Dec 2014[(i)] %	Fair value of Group holding at 31 Dec 2013 £m	Year to 31 December 2014 Net investment/ (divestment) £m	Acquired with Fusion £m	Fair value movement £m	**Fair value of Group holding at 31 Dec 2014 £m**
Actual Experience plc	Optimising the human experience of networked applications	29.7%	4.7	—	—	9.4	**14.1**
Tracsis plc	Resource optimisation software for the transport industry	10.5%	5.5	—	—	5.8	**11.3**
Applied Graphene Materials plc	Producer of speciality graphene materials	20.3%	14.9	—	—	(8.7)	**6.2**
Surrey Nanosystems Limited	Low temperature carbon nanotube growth	21.6%	2.3	0.6	—	0.7	**3.6**
Phase Focus Limited	Aberration-free quantitative phase imaging	38.4%	—	1.0	3.3	(1.4)	**2.9**
Other companies			21.3	2.8	2.7	(6.6)	**20.2**
IP Group total			48.7	4.4	6.0	(0.8)	**58.3**
Value not attributable to equity holders			0.1	0.2	—	—	**0.3**
Total			48.8	4.6	6.0	(0.8)	**58.6**

(i) Represents the Group's undiluted beneficial equity interest (excluding debt) including the portion of IPVFII's stake attributable to the Group.

Companies in the Technology division received net investment of £4.6m and saw a fair value decrease of £0.8m during the year. Significant unrealised fair value gains were achieved as a result of an increase in Actual Experience plc's share price since its admission to AIM as well as Tracsis plc's share performance. However, this was offset by the poor performance of Applied Graphene Materials plc's share price, by Phase Focus Limited's funding at a price lower than its previous funding round and impairments to a number of the division's smaller portfolio companies.

In February, Actual Experience plc, an "analytics as a service" spin-out from Queen Mary University of London, listed on AIM. Actual Experience plc's technology enables the measurement of digital performance quality, allowing customers to improve the performance of the software business applications that they provide to their staff and their own clients. This reduces costs while improving the experience of the user. In January 2015, the company announced that it had made material commercial progress with its channel partners and had achieved national media coverage of its analysis, following its publication in Ofcom's triennial infrastructure report. In addition, Actual Experience plc strengthened its sales and senior management teams, and established a US operation.

Developments at Tracsis plc ("Tracsis"), a leading provider of operational planning software to the passenger transport industries, included its acquisition of rail software company Datasys Integration Limited, the establishment of its North American pilot programme and increases in its revenues of 106% to £22.4m (2013: £10.8m). In contrast to the general performance of AIM in 2014, Tracisis's share price performed well and saw over 100% appreciation in value.

In July, Surrey NanoSystems Limited announced that it had launched the world's darkest material, Vantablack®, that can be used to enhance the range and sensitivity of optics. The company's patented nanotechnology has the highest thermal conductivity and lowest mass-volume of any material that can be used in high-emissivity applications.

In March, Schlumberger announced that it had acquired Rock Deformation Research, a company specialising in geological software development and structural geology consultancy for the oil and gas industry.

An analysis of the number and value of portfolio companies in the sector by stage of development is as follows:

Stage	*Number*	*Value (£m)*
Incubation	5	0.3
Seed	7	4.7
Post-seed	7	15.8
Quoted	6	37.5
Value not attributable to equity holders	n/a	0.3
Total	**25**	**58.6**

Cleantech

Company name	Description	Group stake at 31 Dec 2014(i) %	Fair value of Group holding at 31 Dec 2013 £m	Net investment/ (divestment) £m	Acquired with Fusion £m	Fair value movement £m	**Fair value of Group holding at 31 Dec 2014 £m**
			Year to 31 December 2014				
Ceres Power Holdings plc	Ceramic fuel cell technology for distributed generation	23.5%	10.3	4.2	—	1.9	**16.4**
Xeros Technology Group plc	Polymer bead cleaning systems	11.9%	3.2	2.2	—	8.4	**13.8**
Ilika plc	Development of new materials for energy and electronics applications	7.6%	0.9	0.5	—	3.4	**4.8**
Seren Photonics Limited	Nano-engineered structures to enhance the properties of LEDs	66.3%	0.9	0.5	2.3	—	**3.7**
Magnomatics Limited	High torque magnetic transmissions	51.8%	1.0	0.6	1.9	—	**3.5**
Velocys plc	Speciality catalysts for the generation of clean fuels	—	1.2	(1.2)	—	—	—
Other companies			16.7	2.0	1.2	(7.1)	**12.8**
IP Group total			34.2	8.8	5.4	6.6	**55.0**
Value not attributable to equity holders			—	1.1	—	0.1	**1.2**
Total			34.2	9.9	5.4	6.7	**56.2**

(i) Represents the Group's undiluted beneficial equity interest (excluding debt) including the portion of IPVFII's stake attributable to the Group.

The unrealised fair value gain of 19% seen by the Cleantech division portfolio was largely as a result of an increase in value of Xeros Technology Group plc (£8.4m), following its IPO on AIM, as well as Ilika plc (£3.4m) and Ceres Power Holdings plc (£1.9m), whose share prices performed positively during the year. This increase was partially offset by a decrease of £7.1m from the remainder of the division's portfolio.

Ceres Power Holdings plc ("Ceres"), a world-leading developer of low cost, next generation fuel cell technology for use in distributed generation and other applications, announced in July that it had raised £20m (gross of expenses) by way of an oversubscribed placing. The purpose of the placing was to provide the company with sufficient working capital to enable it to respond to the commercial interest it has generated, to continue to develop its technology roadmap and to enhance its manufacturing capability.

In March, Xeros Technology Group plc ("Xeros"), a spin-out from the University of Leeds that has developed a patented polymer bead cleaning system, gained admission to AIM and raised gross proceeds of £27.6m. The admission and fundraising allowed Xeros to accelerate the roll-out of its technology in commercial laundries and to fund the research and development process through to commercialisation in other identified applications, not least the home. In May, Xeros announced that the first major utility company in the US had launched energy incentive programmes for customers who commit to reducing their energy consumption through the use of a Xeros Commercial Laundry System. To date, eight utility companies in the US have launched similar energy incentive programmes.

During 2014, the Group exited its remaining interest in Velocys plc. From the Group's initial investment date into Velocys in 2005 to the final exit date in 2014, the Group had invested £0.4m in the company and realised cumulative proceeds of £12.9m.

An analysis of the number and value of portfolio companies in the sector by stage of development is as follows:

Stage	*Number*	*Value (£m)*
Incubation	1	0.1
Seed	7	5.0
Post-seed	5	9.8
Quoted	5	40.1
Value not attributable to equity holders	n/a	1.2
Total	**18**	**56.2**

Biotech

Company name	Description	Group stake at 31 Dec 2014[i] %	Fair value of Group holding at 31 Dec 2013 £m	Year to 31 December 2014 Net investment/ (divestment) £m	Acquired with Fusion £m	Fair value movement £m	**Fair value of Group holding at 31 Dec 2014 £m**
Diurnal Limited	Novel treatments of hormone deficiency	51.7%	—	4.0	5.1	1.0	**10.1**
Absynth Biologics Limited	Vaccines and therapeutic antibodies	45.0%	—	0.3	1.5	—	**1.8**
Karus Therapeutics Limited	Inflammatory disease and cancer	8.6%	0.9	0.6	—	—	**1.5**
Synairgen plc	Respiratory diseases	—	4.3	(4.3)	—	—	**—**
Other companies			1.6	0.5	0.9	—	**3.0**
IP Group total			6.8	1.1	7.5	1.0	**16.4**
Value not attributable to equity holders			—	—	—	—	**—**
Total			6.8	1.1	7.5	1.0	**16.4**

(i) Represents the Group's undiluted beneficial equity interest (excluding debt) including the portion of IPVFII's stake attributable to the Group.

While there was a modest increase in the fair value of the Group's holdings in Biotech portfolio companies, largely as a result of Diurnal Limited's £6m fundraising being completed at a premium to its previous financing round, additionally there were significant underlying developments within Diurnal Limited itself and portfolio companies Modern Biosciences plc and Synairgen plc.

Diurnal Limited ("Diurnal"), a spin-out company from the University of Sheffield, announced positive Phase 2 data for its lead product, Chronocort®. Chronocort is in development for the treatment of Congenital Adrenal Hyperplasia ("CAH"), a rare condition characterised by a lack of the natural steroid-hormone, cortisone. Chronocort represents an entirely novel approach to a debilitating disease that is inadequately controlled by current drugs and is the subject of Orphan Drug designation from the European Medicines Agency. During 2014, the Group took the decision to lead a round designed to fund Chronocort's pivotal Phase 3 studies, with a view to eventually taking the product to market. The Group anticipates that Diurnal's lead product Chronocort and its second product, Infacort®, for the treatment of childhood CAH, will enter Phase 3 studies during 2015.

Modern Biosciences plc ("MBS"), a subsidiary company of the Group that in-licenses and develops intellectual property relating to new therapeutic compounds using a virtual drug-discovery model, entered into an R&D alliance and global option and licence agreement with Janssen Biotech, Inc. in relation to MBS's novel bone-protective compounds for the treatment of rheumatoid arthritis ("RA"). The goal of the collaboration, facilitated by the Johnson & Johnson Innovation Centre in London, is to develop new drugs for the treatment of RA. The collaboration could be worth up to £176m comprising an upfront payment, an option fee exercisable after or during the Phase 1 programme and development-related milestone payments. Assuming developmental and regulatory success, the majority of the £176m could be received over the next 7-10 years. In addition, MBS will be eligible to receive royalties on future sales of any products that may result from the alliance upon successful launch and commercialisation. As MBS is currently consolidated into the Group's results, it is not attributed any value in the Group's portfolio.

Synairgen plc ("Synairgen"), a spin-out from the University of Southampton focused on respiratory disease, also announced a global licensing deal for its lead asthma/COPD drug SNG001 with AstraZeneca. Total deal size was $232.5m, including a $7.25m upfront payment and potential developmental, regulatory and commercial milestones, plus royalties. Shortly after the announcement of this deal, the Group exited its position in Synairgen, realising proceeds of £4.3m against total capital deployed of £1.3m.

An analysis of the number and value of portfolio companies in the sector by stage of development is as follows:

Stage	*Number*	*Value (£m)*
Incubation	2	0.1
Seed	3	—
Post-seed	6	16.0
Quoted	2	0.3
Value not attributable to equity holders	n/a	—
Total	13	16.4

FINANCIAL REVIEW

Statement of comprehensive income

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

	2014 **£m**	2013 £m
Net portfolio gains	**22.8**	83.0
Licensing income	**3.0**	—
Other income	**2.6**	2.4
Change in fair value of Oxford Equity Rights asset	**(1.8)**	(5.0)
Amortisation of intangible assets	**(4.9)**	—
Acquisition costs	**(1.1)**	—
Administrative expenses – Modern Biosciences plc	**(1.8)**	(0.5)
Administrative expenses – all other businesses	**(9.9)**	(7.7)
Finance income	**0.6**	0.4
Profit and total comprehensive income for the year	**9.5**	72.6

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

Other income for the year remained relatively consistent at £2.6m (2013: £2.4m). 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 ("IPVF") and North East Technology Fund ("NETF")). As a result of an extension by its limited partner during the period, NETF's "investment period" is now anticipated to continue until the end of 2015, while that of IPVF 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.

As a result of Modern Biosciences plc's R&D alliance and global option and licence agreement with Janssen Biotech, Inc. ("Janssen"), the Group became entitled to an upfront payment of £3.0m (£2.1m net of sub-licensing and other costs) during the period, which was subsequently received in cash in January 2015. The Group allocated an increased level of capital to the evaluation and development of certain early-stage therapeutic programmes, including through its subsidiary Modern Bioscience 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 statement of comprehensive income 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 £9.9m (2013: £7.7m). This is predominantly due to an increase in the cost base, following the Fusion IP plc ("Fusion IP") acquisition, and is inclusive of an IFRS 2 share-based payments charge totalling £0.9m (2013: £0.9m), which relates to the Group's Long-Term Incentive Plan and Annual Incentive Scheme 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 £97.4m equity capital raising (net of expenses) at the beginning of the year, and the resultant increased average cash balance during the year, the Group's interest receivable during the period increased to £0.6m (2013: £0.4m).

Statement of financial position

The Group ended the period with net assets attributable to shareholders of £526.2m, representing an increase of £189.2m from the position at 1 January 2014 (£337.0m). As described above, the most significant contributing factors to the increase in net assets during the period was the £97.4m (net of expenses) capital raising, the acquisition of Fusion IP 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 £451.3m at 31 December 2014 (2013: £315.5m).

At 31 December 2014 the Group held cash and deposits of £97.3m (2013: £24.1m) and a diversified portfolio of equity and debt investments in 90 private and publicly listed technology companies (2013: 72), 13 of which were added to the Group's portfolio as a result of the Fusion IP acquisition.

The value of the Group's holdings in portfolio companies increased to £349.9m at year end (2013: £285.9m) after net unrealised fair value gains of £20.7m and net investment of £37.1m (2013: £82.4m net unrealised fair value gain; £22.0m net investment). The Portfolio review 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 (2013: £18.4m), acquired intangible assets of £16.5m and an equity rights asset of £1.1m (2013: £2.9m). The goodwill and acquired intangible assets values arose as a result of the Group's acquisition of Fusion IP. The previous year's goodwill balance arose from historical acquisitions of Techtran Group Limited (university partnership business, £16.3m; 2013: £16.3m) and Top Technology Ventures Limited (venture capital fund management business, £2.1m; 2013: £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 will be amortised on a straight line basis over each partnership's useful economic life.

The equity rights asset represents amounts paid to the University of Oxford in 2000 and 2001 giving the Group the right to receive 50% of the university's entitlement to equity in any spin-out company and of any licensing income emanating from the University of Oxford's Department of Chemistry until November 2015. Based on the Directors' calculations, and as described more fully in note 14 to the Group's financial statements, the fair value of the contract at 31 December 2014 has reduced by £1.8m (2013: £5.0m) to £1.3m (2013: £3.1m) and its value by 31 December 2015 will be £nil.

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:

	2014 £m	2013 £m
Net cash used in operating activities (excluding cash flows to/from deposits)	**(6.4)**	(1.9)
Net cash used in investing activities	**(35.4)**	(21.9)
Issued share capital	**97.4**	—
Acquisition of subsidiary	**17.6**	—
Movement during period	**73.2**	(23.8)

At 31 December 2014, the Group's Cash totalled £97.3m, an increase of £73.2m from a total of £24.1m at 31 December 2013 predominantly due to a net £97.4m increase from the issue of new equity capital and £17.6m through the acquisition of Fusion IP offset by net investment in the Group's spin-out companies.

The Group's net cash used in investing activities increased during 2014, reflecting both an increase in investments (2014: £46.8m; 2013: £27.5m) and an increase in realisations (2014: £9.7m; 2013: £5.5m). As described in more detail in the Portfolio review above, the Group allocated a total of £46.8m across 51 portfolio companies during the period (2013: £27.5m; 44 companies).

A further £0.3m was committed to IP Venture Fund (2013: £0.2m), which in turn invested £2.7m across eight portfolio companies (2013: £1.4m; 6 companies). The Group received a distribution of £1.1m following IP Venture Fund realising £11.1m from two exits and one partial disposal.

Overall, net cash used in investing activities totalled £35.4m (2013: £21.9m).

Primarily as a result of an increase in the Group's cost base post the acquisition of Fusion IP, cash used in operating activities increased to £6.4m (2013: £1.9m).

It remains the Group's policy to place cash, which 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 2014, the Group recognised £4.5m of loans (2013: £1.3m) 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. Whilst the Group continued to have no borrowings, it may in the future consider introducing a modest level of gearing into the business if this is considered to be in the best interests of the Group.

At 31 December 2014 the Group had a total of £1.2m (2013: £0.1m) in US Dollars held 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.

PRINCIPAL RISKS AND UNCERTAINTIES

The operations of the Group, and the implementation of its objectives and strategy, are subject to a number of key risks and uncertainties. All levels of management have responsibility for identifying and reporting on risks, which are reviewed by the Board at least twice a year, and appropriate procedures are put in place to monitor and, to the extent possible, mitigate these risks. Were more than one of the risks to occur together, the overall impact on the Group may be compounded. A summary of the key risks affecting the Group and the steps taken to manage these is set out below.

Risk and description	*Impact*	*Mitigation*
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: - 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.	- 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 impairment or failure of one or more of these companies. - Cash realisations from the Group's portfolio through trade sales and IPOs could vary significantly from year to year.	- The Group's staff have significant experience in sourcing, developing and growing early-stage technology companies to significant value, including systematic opportunity evaluation and business building methodologies. - 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 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.
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 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 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.

Risk and description	*Impact*	*Mitigation*
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 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 operate (such as the US).	- 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.	- 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 partner of choice for other institutions, acting as a barrier to entry to competitors.
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 carries out regular market comparisons for staff and executive remuneration. - The Group 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 long-term incentives for all senior staff are in the form of shares in the Group and all executives are shareholders in the business. - The Group encourages staff development and inclusion through coaching and mentoring.

Risk and description	*Impact*	*Mitigation*
There may be changes to, or impacts from, 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 moneys are made available to universities and research institutions and the ownership of any resulting intellectual property.	- Changes could result in universities and research institutions no longer being able to own, exploit or protect intellectual property. - Changes in government policy or legislation may make it unattractive for research academics to participate in the commercialisation of the IP that they create. - 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. - The Group operates an FCA-authorised subsidiary and regulatory changes or breaches could ultimately lead to withdrawal of regulatory permissions, loss of fund management contracts, reputational damage or fines.	- 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's university partners also maintain close links with the government to manage their position with respect to future legislative changes. - The Group utilises professional advisers as appropriate to support its monitoring of, and response to changes in, tax 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.

In addition, through its normal operations the Group is exposed to a number of financial risks, comprising liquidity, market and credit risks. Further quantitative information is set out in note 2 to the Group's consolidated financial information.

****

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

ON BEHALF OF THE BOARD

Dr Bruce Smith
Chairman

9 March 2015

CONSOLIDATED FINANCIAL INFORMATION

The financial information set out below has been extracted from the Annual Report and Accounts of IP Group plc for the year ended 31 December 2014 and is an abridged version of the full financial statements, not all of which are reproduced in this announcement.

DIRECTORS' RESPONSIBILITIES STATEMENT

The responsibility statement set out below has been reproduced from the Annual Report and Accounts, which will be published in April 2015, and relates to that document and not this announcement.

Each of the directors confirms to the best of their knowledge:

- The Group financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and give a true and fair view of the assets, liabilities, financial position and profit and loss of the Group.
- The Annual Report and Accounts includes a fair review of the development and performance of the business and the financial position of the group and the parent company, together with a description or the principal risks and uncertainties that they face.

ON BEHALF OF THE BOARD

Bruce Smith	Alan Aubrey
Chairman	Chief Executive Officer

9 March 2015

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2014

	Note	**2014 £m**	2013 £m
Portfolio return and revenue			
Change in fair value of equity and debt investments	15	**20.7**	82.4
Profit/(loss) on disposal of equity investments		**1.6**	(0.2)
Change in fair value of limited and limited liability partnership interests	22	**0.5**	0.8
Other portfolio income		**0.2**	—
Licensing Income		**3.0**	—
Revenue from services and other income	4	**2.4**	2.4
		28.4	85.4
Administrative expenses			
Research and development costs		**(1.5)**	(0.4)
Share-based payment charge	21	**(0.9)**	(0.9)
Change in fair value of Oxford Equity Rights asset		**(1.8)**	(5.0)
Amortisation of intangible assets		**(4.9)**	—
Acquisition costs		**(1.1)**	—
Other administrative expenses		**(9.3)**	(6.9)
		(19.5)	(13.2)
Operating profit	7	**8.9**	72.2
Finance income — interest receivable		**0.6**	0.4
Profit before taxation		**9.5**	72.6
Taxation	9	—	—
Profit and total comprehensive income for the year		**9.5**	72.6
Attributable to:			
Equity holders of the parent		**9.1**	73.0
Non-controlling interest		**0.4**	(0.4)
		9.5	72.6
Earnings per share			
Basic (p)	10	**1.97**	19.60
Diluted (p)	10	**1.96**	19.27

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Note	**2014** **£m**	2013 £m
ASSETS			
Non-current assets			
Intangible assets:			
Goodwill	11	**57.1**	18.4
Acquired intangible assets	12	**16.5**	—
Property, plant and equipment		**0.2**	0.2
Oxford Equity Rights asset and related contract costs	14	**1.3**	3.1
Portfolio:			
Equity investments	15	**345.9**	283.1
Debt investments	15	**4.0**	2.8
Limited and limited liability partnership interests	22	**4.6**	4.8
Other financial asset		**—**	0.7
Contingent value rights	17	**1.4**	1.4
Total non-current assets		**431.0**	314.5
Current assets			
Trade and other receivables	16	**4.8**	0.8
Deposits		**30.0**	5.0
Cash and cash equivalents		**67.3**	19.1
Total current assets		**102.1**	24.9
Total assets		**533.1**	339.4
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital	19	**9.6**	7.5
Share premium account		**327.6**	150.4
Merger reserve		**12.8**	12.8
Retained earnings		**176.2**	166.3
Total equity attributable to equity holders		**526.2**	337.0
Non-controlling interest		**—**	(0.4)
Total equity		**526.2**	336.6
Current liabilities			
Trade and other payables	18	**2.1**	1.5
Non-current liabilities			
Loans from limited partners of consolidated funds		**4.5**	1.3
Contingent loans from university partners		**0.3**	—
Total equity and liabilities		**533.1**	339.4

Registered number: 4204490

Approved by the Board of Directors and authorised for issue on 9 March 2015 and were 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 2014

	2014	2013
	£m	£m
Operating activities		
Profit before taxation	**9.5**	72.6
Adjusted for:		
Finance income — interest receivable	**(0.6)**	(0.4)
Change in fair value of equity and debt investments	**(20.7)**	(82.4)
Change in fair value of limited and limited liability partnership interests	**(0.5)**	(0.8)
(Profit)/loss on disposal of equity investments	**(1.6)**	0.2
Depreciation of property, plant and equipment	**0.1**	0.1
Amortisation of intangible non-current assets	**4.9**	—
Change in fair value of Oxford equity rights asset	**1.8**	5.0
Share-based payment charge	**0.9**	0.9
Other portfolio income classified as investing activities cash flows	**(0.2)**	(0.3)
Changes in working capital		
(Increase)/decrease in trade and other receivables	**(3.2)**	0.1
(Increase)/decrease in trade and other payables	**(0.5)**	1.1
Increase in non-current liabilities	**3.2**	1.3
Net cash flow (to)/from deposits	**(25.0)**	27.5
Other operating cash flows		
Interest received	**0.5**	0.7
Net cash (outflow) / inflow from operating activities	**(31.4)**	25.6
Investing activities		
Purchase of property, plant and equipment	**(0.1)**	—
Purchase of equity and debt investments	**(46.8)**	(27.5)
Investment in limited and limited liability partnerships	**(0.3)**	(0.2)
Proceeds from sale of equity investments	**9.7**	5.5
Distributions from limited and limited liability partnerships	**1.1**	0.2
Proceeds from other financial asset	**0.8**	—
Other portfolio income received	**0.2**	0.1
Net cash outflow from investing activities	**(35.4)**	(21.9)
Financing activities		
Proceeds from the issue of share capital	**97.4**	—
Proceeds from acquisition of subsidiary	**17.6**	—
Net cash inflow from financing activities	**115.0**	—
Net increase in cash and cash equivalents	**48.2**	3.7
Cash and cash equivalents at the beginning of the year	**19.1**	15.4
Cash and cash equivalents at the end of the year	**67.3**	19.1

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	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 2013	7.3	150.4	12.8	92.6	263.1	—	263.1
Comprehensive income	—	—	—	73.0	73.0	(0.4)	72.6
Issue of equity	0.2	—	—	(0.2)	—	—	—
Equity settled share based payments	—	—	—	0.9	0.9	—	0.9
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 31 December 2014	**9.6**	**327.6**	**12.8**	**176.2**	**526.2**	**—**	**526.2**

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 losses attributable to the Limited Partners of IP Venture Fund II L.P. – a consolidated fund which was created in May 2013.

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

1. ACCOUNTING POLICIES

Basis of preparation

The results are based on the Group financial statements, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") and the International Financial Reporting Interpretations Committee's interpretations as adopted by the European Union, and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. This release does not include all of the information required for full annual financial statements. Copies of the 2014 Annual Report and Accounts will be published on the Group's website and will be available upon request.

The accounting policies are consistent with those applied by the Group in its 2013 annual report and accounts except as described below. On 1 January 2014 the Group adopted the following new accounting standards and amendments to standards:

Amendment to IFRS 10 — Investment Entities: The amendments define an investment entity and require a parent that is an investment entity to measure its investments in particular subsidiaries at fair value through profit or loss, rather than consolidating them in its consolidated financial statements. Measurement at fair value through profit or loss must also be applied to an investment entity's separate financial statements. The amendments also introduce disclosure requirements for investment entities into IFRS 12 Disclosure of Interests in Other Entities and amend IAS 27 Separate Financial Statements. The Group, after examination, does not qualify for the investment entity exemption and consequently the amendment has not resulted in changes to the preparation and presentation of the Group's subsidiaries, associates or Limited Partnerships.

No other new standards, interpretations and amendments effective for the first time from 1 January 2014 have had a material effect on the Group's financial statements.

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 (18 companies) or ISDX (1 company) 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 2014 of £20.7m represents a 7% change against the opening balance (2013: net increase of £82.4m, 45%) 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.

	2014			2013		
	Quoted £m	**Unquoted £m**	**Total £m**	Quoted £m	Unquoted £m	Total £m
Equity investments and investments in limited partnerships	**1.4**	**2.1**	**3.5**	1.4	1.5	2.9

(ii) Interest rate risk

As the Group has no significant borrowings, it has only a limited interest rate risk. The primary impact to the Group is the impact on income and operating cash flow as a result of the interest-bearing deposits and cash and cash equivalents held by the Group.

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.

	2014				2013			
	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**	—	—	2.9	2.9
Equity investments	**—**	**—**	**345.9**	**345.9**	—	—	283.1	283.1
Debt investments	**0.2**	**—**	**3.8**	**4.0**	0.6	—	2.2	2.8
Limited and limited liability partnership interests	**—**	**—**	**4.6**	**4.6**	**—**	**—**	4.8	4.8
Contingent value rights	**—**	**—**	**1.4**	**1.4**	—	—	1.4	1.4
Deposits	**30.0**	**—**	**—**	**30.0**	5.0	—	—	5.0
Cash and cash equivalents	**—**	**67.3**	**—**	**67.3**	—	19.1	—	19.1
Other financial assets	**—**	**—**	**—**	**—**	—	—	0.7	0.7
Trade receivables	**—**	**—**	**4.8**	**4.8**	—	—	0.4	0.4
Other receivables	**—**	**—**	**—**	**—**	—	—	0.4	0.4
	30.2	**67.3**	**361.6**	**459.1**	5.6	19.1	295.9	320.6
Financial liabilities								
Trade payables	**—**	**—**	**(1.5)**	**(1.5)**	—	—	(0.1)	(0.1)
Other accruals and deferred income	**—**	**—**	**(0.6)**	**(0.6)**	—	—	(1.4)	(1.4)
Loans from limited partners of consolidated funds	**—**	**—**	—	—	—	—	(1.3)	(1.3)
	—	**—**	**(2.1)**	**(2.1)**	—	—	(2.8)	(2.8)

At 31 December 2014, if interest rates had been 1% higher/lower, post-tax profit for the year, and other components of equity, would have been £0.7m (2013: £0.2m) 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	**2014 £m**	2013 £m
P1	**68.7**	14.2
P2	**28.6**	9.9
AA	**–**	-
Total deposits and cash and cash equivalents	**97.3**	24.1

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 2014 was £25m (2013: £10m).

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 plc had contractual arrangements with four UK universities. The Group separately recognised each of these contractual arrangements as intangible assets at the fair value of these assets 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 2014 and the year ended 31 December 2013, 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 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

Year ended 31 December 2014	University partnership business £m	Venture capital fund management £m	In-licensing activity £m	Consolidated £m
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)

Year ended 31 December 2013	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	82.4	-	-	82.4
Loss on disposal of equity investments	(0.2)	-	-	(0.2)
Change in fair value of limited and limited liability partnership interests	0.8	-	-	0.8
Revenue from advisory services and other portfolio 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	(5.0)	-	-	(5.0)
Amortisation of intangible assets	-	-	-	-
Administrative expenses	(6.9)	(0.8)	(0.5)	(8.2)
Operating profit/(loss)	71.9	0.8	(0.5)	72.2
Finance income – interest receivable	0.4	-	-	0.4
Profit/(loss) before taxation	72.3	0.8	(0.5)	72.6
Taxation	-	-	-	-
Profit/(loss) and total comprehensive income for the year	72.3	0.8	(0.5)	72.6
STATEMENT OF FINANCIAL POSITION				
Assets	332.8	6.4	0.2	339.4
Liabilities	(1.3)	(1.4)	(0.1)	(2.8)
Net assets	331.5	5.0	0.1	336.6
Other segment items				
Capital expenditure	-	-	-	-
Depreciation	0.1	-	-	0.1

6. AUDITOR'S REMUNERATION

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

	2014 **£000**	2013 £000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**70**	64
The audit of the Company's subsidiaries, pursuant to legislation	**94**	36
Total fees for audit services	**164**	100
Audit-related assurance services	**33**	23
Total assurance services	**197**	123
Tax compliance services	**—**	46
Taxation advisory services	**—**	26
All other services	**—**	7
Total non-assurance services	**—**	79
	197	202

During 2014, KPMG LLP was appointed as auditor of IP Group plc to replace BDO LLP. BDO LLP remain engaged by the Group as tax advisors.

7. PROFIT/(LOSS) FROM OPERATIONS

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

	2014 **£m**	2013 £m
Amortisation of intangible assets	**(4.9)**	—
Depreciation of tangible assets	**(0.1)**	(0.1)
Employee costs (see note 8)	**(6.1)**	(5.1)
Operating leases — property	**(0.4)**	(0.4)
Profit/(loss) on disposal of equity investments	**1.6**	(0.2)

8. EMPLOYEE COSTS

Employee costs (including directors) comprise:

	2014 **£m**	2013 £m
Salaries	**4.4**	3.7
Defined contribution pension cost	**0.3**	0.1
Share-based payment charge (see note 21)	**0.9**	0.9
Equity bonuses (released)/accrued in the year	**(0.1)**	—
Social security	**0.6**	0.4
	6.1	5.1

The average monthly number of persons (including Executive Directors) employed by the Group during the year was 49, all of whom were involved in management and administration activities (2013: 35). Details of the Directors' remuneration can be found in the Directors' Remuneration Report in the full Annual Report and Accounts.

9. TAXATION

	2014 **£m**	2013 £m
Current tax	**—**	—
Deferred tax	**—**	—

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

	2014 £m	2013 £m
Profit before tax	**9.5**	72.6
Tax at the UK corporation tax rate of 21.5% (2013: 23.5%)	**2.0**	16.9
Expenses not deductible for tax purposes	**1.3**	—
Non taxable income	**—**	(19.9)
Fair Value movement on investments qualifying for SSE	**(3.4)**	—
Movement on share based payments	**(1.0)**	—
Unrecognised other temporary differences	**(2.1)**	—
Movement in tax losses arising not recognised	**3.2**	3.0
Tax credit	**—**	—

At 31 December 2014, deductible temporary differences and unused tax losses, for which no deferred tax asset has been recognised, totalled £62.7m (2013: £53.0m). An analysis is shown below:

	2014		2013	
	Amount £m	**Deferred tax £m**	Amount £m	Deferred tax £m
Share-based payment costs	**5.0**	**1.0**	13.7	2.7
Unused tax losses	**57.7**	**11.5**	39.3	7.9
	62.7	**12.5**	53.0	10.6

At 31 December 2014, deductible temporary differences and unused tax losses, for which a deferred tax asset/(liability) has been recognised, totalled £nil (2013: £nil). An analysis is shown below:

	2014		2013	
	Amount £m	**Deferred tax £m**	Amount £m	Deferred tax £m
Temporary timing differences	**11.3**	**2.3**	—	—
Unused tax losses	**(11.3)**	**(2.3)**	—	—
	—	**—**	—	—

10. EARNINGS PER SHARE

Earnings	**2014 £m**	2013 £m
Earnings for the purposes of basic and dilutive earnings per share	**9.1**	73.0

Number of shares	**2014 Number of shares**	2013 Number of shares
Weighted average number of ordinary shares for the purposes of basic earnings per share	**462,466,944**	372,513,387
Effect of dilutive potential ordinary shares: Long-Term Incentive Plan	**2,523,968**	6,515,903
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**464,990,912**	379,029,290

The Group has only one class of potentially dilutive ordinary share. These are contingently issuable shares arising under the Group LTIP.

11. GOODWILL

	£m
At 1 January 2013	18.4
At 1 January 2014	18.4
Recognised on acquisition of subsidiary (see note 27)	38.7
At 31 December 2014	**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.

	2014	2013
	£m	£m
University partnership CGU	**55.0**	16.3
Fund management CGU	**2.1**	2.1
	57.1	18.4

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:

	2014	2013
Discount rate	**9%–11%**	9%–11%
Number of funds under management	**3**	3
Management fee	**2%–3.5%**	2%–3.5%
Cost inflation	**3%**	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 relate to the Group's contract with the University of Oxford's Department of Chemistry (see note 14). 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:

	2014	2013
Number of spin-out companies per year	**10–15**	7-10
Annual investment rate	**£40m–£60m**	£20m-£35m
Rate of return achieved	**18%–22%**	18%-22%
Initial equity stake acquired by the Group under the university partnership	**15%–35%**	12%–30%
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**	£35m–£45m
Proportion of disposal exits	**28%–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 2014	—
Additions through acquisition of subsidiary (see note 27)	21.4
At 31 December 2014	**21.4**
Accumulated amortisation	
At 1 January 2014	—
Charge for the year	4.9
At 31 December 2014	**4.9**
Net book value	
At 31 December 2014	**16.5**
At 31 December 2013	—

The intangible assets represents 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 two months to 39 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 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**
At 31 December 2013				
Equity rights	**3.1**	**—**	**—**	**3.1**
Equity investments	**—**	**283.1**	**—**	**283.1**
Debt investments	**—**	**2.8**	**—**	**2.8**
Other financial assets	**0.7**	**—**	**—**	**0.7**
Contingent value rights	**—**	**1.4**	**—**	**1.4**
Limited and limited liability partnership interests	**—**	**4.8**	**—**	**4.8**
Trade and other receivables	**—**	**—**	**0.8**	**0.8**
Deposits	**—**	**—**	**5.0**	**5.0**
Cash and cash equivalents	**—**	**—**	**19.1**	**19.1**
Total	**3.8**	**292.1**	**24.9**	**320.8**

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 (2013: £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 (2013: 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. EQUITY RIGHTS AND RELATED CONTRACT COSTS

	Equity rights £m	**Contract costs £m**	**Total £m**
Cost			
At 1 January 2014 and 31 December 2014	**19.9**	**0.5**	**20.4**
Aggregate amortisation and change in fair value of contract costs			
At 1 January 2014	(17.0)	(0.3)	(17.3)
Change in fair value during the year	(1.8)	—	(1.8)
At 31 December 2014	**(18.8)**	(0.3)	(19.1)
Net book value			
At 31 December 2014	**1.1**	**0.2**	**1.3**
At 31 December 2013	2.9	0.2	3.1

	Equity rights £m	Contract costs £m	Total £m
Cost			
At 1 January 2013 and 31 December 2013	19.9	0.5	20.4
Aggregate amortisation and change in fair value of contract costs			
At 1 January 2013	(12.0)	(0.3)	(12.3)
Change in fair value during the year	(5.0)	—	(5.0)
At 31 December 2013	(17.0)	(0.3)	(17.3)
Net book value			
At 31 December 2013	2.9	0.2	3.1
At 31 December 2012	7.9	0.2	8.1

Carrying amount of equity rights

Equity rights represent consideration paid to the University of Oxford between December 2000 and June 2001.

In return for the non-refundable, non-interest bearing, advance totalling £20.1m, the Group has the right to receive from the University the following over its 15-year term:

- 50% of the university's equity shares in any spin-out company, which is created, based on intellectual property created by academics that are considered to be part of the Department of Chemistry (i.e. equity instruments in unlisted companies); and
- 50% of the university's share of any cash payments received by the university from parties who have licensed intellectual property created by academics that are considered to be part of the Department of Chemistry.

The contract expires on 23 November 2015.

The Directors consider that for each of the key variables which would be relevant in determining a fair value for this financial instrument, there is a range of reasonably possible alternative values. The key variable ranges are set out below:

	2014	2013
Number of spin-out companies per year from University of Oxford's Department of Chemistry	**1**	1–2
Initial equity stake acquired by the Group under the equity rights contract	**20%–25%**	20%–25%
Proportion of spin-out companies failing	**30%–40%**	30%–40%
Dilution rates prior to exit as a result of financing for spin-out companies	**35%–60%**	35%–60%
Proportion of IPO exits	**30%–40%**	30%–40%
IPO exit valuations	**£30m–£50m**	£30m–£50m
Proportion of disposal exits	**25%–35%**	25%–35%
Disposal valuations	**£30m–£40m**	£30m–£40m
Discount rate	**9%–11%**	9%–11%

These key variable ranges result in a wide range of fair value estimates for the equity rights agreement, from £nil to £2.9m using a range of reasonably possible variables, with the number of spin-outs being the variable giving rise to the widest variation in estimated fair values. In order to calculate a more accurate valuation figure, given the multitude of reliable scenarios generated when altering the discounted cash flows variables, a probability weighting expected return method is utilised. Having applied probabilities to the various possible scenarios, the method returned an estimated asset value of £1.3m at 31 December 2014 (2013: £3.1m).

15. 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 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**
At 1 January 2013	84.6	86.5	3.9	6.8	181.8
Investments during the year	9.4	14.1	4.0	–	27.5
Transaction-based reclassifications during the year	—	3.6	(3.7)	0.1	—
Other transfers between hierarchy levels during the year	0.6	(12.0)	(0.4)	11.8	—
Disposals	(5.6)	(0.2)	—	—	(5.8)
Change in fair value in the year	46.1	39.0	(1.0)	(1.7)	82.4
At 31 December 2013	135.1	131.0	2.8	17.0	285.9

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 27 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 £1.5m, with a corresponding increase if the unobservable inputs were to increase by 10%.

For assets and liabilities that are recognised at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing 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 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 £20.4m.

Transfers between Level 1 and Level 2 would occur when a quoted investment's market becomes inactive. There have been no such instances in the current period.

Transfers between Level 3 and Level 2 occur when an investment which previously had a most recent investment of over twelve months ago undertake an investment, resulting in an observable market rate. In the current period, transfer of this nature amounted to £20.5m.

Transfers between Level 2 and Level 3 occur when an investment's recent investment becomes more than twelve months old, with the price becoming deemed unobservable. In the current period, transfers of this nature amounted to £12.4m.

Fair value changes in Level 3 investments have been a loss of £5.8m in the period, recognised in 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

	2014	2013
	£m	£m
Fair value gains	**63.2**	90.3
Fair value losses	**(42.5)**	(7.9)
	20.7	82.4

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

16. TRADE AND OTHER RECEIVABLES

	2014	2013
	£m	£m
Trade debtors	**4.6**	0.3
Prepayments	**0.2**	0.1
Other receivables	—	0.4
	4.8	0.8

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.

17. 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 (2013: £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.

18. TRADE AND OTHER PAYABLES

	2014	2013
Current liabilities	**£m**	£m
Trade payables	**1.3**	0.1
Social security expenses	**0.2**	0.1
Other accruals and deferred income	**0.6**	1.3
	2.1	1.5

	2014	2013
Non-current liabilities	**£m**	£m
Loans drawn down from the Limited Partners of consolidated funds	**4.5**	1.3
Contingent loans from university partners	**0.3**	—
	4.8	1.3

19. SHARE CAPITAL

Issued and fully paid:	2014 Number	2014 £m	2013 Number	2013 £m
Ordinary Shares of 2p each				
At 1 January	**375,258,859**	**7.5**	365,763,664	7.3
Issued under share placing	**60,606,060**	**1.2**	—	—
Issued under Fusion IP plc acquisition	**39,150,484**	**0.8**	—	—
Issued under employee share plans	**4,508,994**	**0.1**	9,495,195	0.2
At 31 December	**479,524,397**	**9.6**	375,258,859	7.5

In February 2014, the Group issued 60,606,060 new ordinary shares with a par value of 2p as part of a fundraising which raised £97.4m net of expenses. In March 2014, the Group issued 39,150,484 shares to the shareholders of Fusion IP plc in exchange for the remaining 79.9% equity stake in the company. In March 2014, the Group issued 4,508,994 new ordinary shares with a par value of 2p in order to settle the 2011 LTIP scheme which partially achieved its vesting conditions and consequently became payable to the Group's employees. The Company has one class of 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.

20. OPERATING LEASE ARRANGEMENTS

	2014 £m	2013 £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:

	2014 £m	2013 £m
Within one year	**0.3**	0.3
In the second to fifth years inclusive	**0.3**	0.6
	0.6	0.9

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

Annual Incentive Scheme ("AIS")

In 2014, the Group continued to incentivise employees through its Long-Term Incentive Plan and Annual Incentive Schemes. The AIS awards include an element of IP Group shares, which are subject to further time-based vesting over two years (typically 50% after year one and 50% after year two). As at 31 December 2014, the 2013 AIS options or shares had been granted and are expected to vest in 2015 and 2016. However, as the number shares to be granted are based as a percentage of employees' salary, the share-based payments line includes the associated expense incurred in 2014. No associated expense has been incurred for the 2014 AIS as the financial performance targets were not achieved.

Long-Term Incentive Plan ("LTIP") awards

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 is set out in the Directors' Remuneration Report in the full Annual Report and Accounts.

For reasons detailed in the Directors Remuneration Report, 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 in the full 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.

No LTIP awards were made in 2013.

The 2012 LTIP awards will ordinarily vest on 31 March 2015 to the extent that the performance conditions have been met. The awards are based on the performance of Group's Hard NAV and 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 in the full 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 FTSE Small Cap index, which can reduce the awards by up to 50%. The matrix is designed such that up to 100% of the award (prior to the application of the underpin) will vest in full in the event of both Hard NAV increasing by 15% per year on a cumulative basis, from 1 January 2012 to 31 December 2014, and TSR increasing by 15% per year on a cumulative basis from the date of award to 31 March 2015, 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 2011 LTIP awards vested on 31 March 2014 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 2011 LTIP awards and the actual performance achieved.

Performance condition	Target performance	Actual/forecast performance
Hard NAV (at 31 Dec 2013)	8%: £236.7m 15%: £285.8m	£315.5m (18.8% p.a. growth)
Annual TSR[1] (share price)	8%: 63.0p 15%: 76.0p	194.0p (73% p.a. growth)
Comparative TSR[1]	FTSE Small cap +72%	IP Group +288%

As the performance measures were achieved in full and the underpin was exceeded, 100% of the 2011 LTIP awards vested on 31 March 2014.

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

	2014	2013
At 1 January	**6,163,436**	18,000,923
Forfeited during the year	**(144,129)**	(2,342,292)
Vested during the year	**(4,508,994)**	(9,495,195)
Notionally awarded during the year	**2,140,180**	—
Notionally awarded during the year – as part of the Fusion acquisition	**1,338,000**	—
At 31 December	**4,988,493**	6,163,436

The fair value of shares notionally awarded during 2014 were calculated using Monte Carlo pricing models with the following key assumptions:

	2014	2013
Share price at date of award	**£1.775**	£1.775
Exercise price	**£nil**	£nil
Fair value at grant date	**£0.52**	£0.85
Expected volatility (median of historical 50-day moving average)	**32%**	32%
Expected life (years)	**2.83**	1.83
Expected dividend yield	**0%**	0%
Risk-free interest rate	**1.0%**	1.0%

The fair value charge recognised in the statement of comprehensive income during the year in respect of share awards was £0.9m (2013: £0.9m).

22. LIMITED AND LIMITED LIABILITY PARTNERSHIP INTERESTS

	£m
At 1 January 2013	4.0
Additions during the year	0.2
Realisations in the year	(0.2)
Change in fair value during the year	0.8
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 31 December 2014	**4.6**

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	**2014 £m**	2013 £m
Revenue from services	**1.3**	1.3

Statement of financial position	**2014 £m**	2013 £m
Investment in limited partnerships	**3.2**	3.6
Amounts due from related parties	**—**	—

b) Key management transactions

Key management had investments in the following spin-out companies as at 31 December 2014:

Director	Company name	Number of shares held at 1 January 2014	Number of shares acquired/ (disposed) in the period	**Number of shares held at 31 December 2014**	%
Alan Aubrey	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**	0.4%
	Capsant Neurotechnologies Limited	11,631	—	**11,631**	0.8%
	Chamelic Limited	26	—	**26**	0.4%
	Cloud Sustainability Limited[1]	19	—	**19**	0.5%
	Crysalin Limited	1,447	—	**1,447**	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**	0.8%
	Ilika plc	117,500	(48,210)	**69,290**	0.2%
	Karus Therapeutics Limited	223	—	**223**	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 Advanced Surfaces Group plc	2,172,809	—	**2,172,809**	1.1%
	Oxford Nanopore Technologies Limited	114,420	1,246	**115,666**	0.5%
	Oxtox Limited	25,363	—	**25,363**	0.1%
	Plexus Planning Limited	1,732	—	**1,732**	0.6%
	Retroscreen Virology Group plc	37,160	—	**37,160**	<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	393	60	**453**	0.2%
	Sustainable Resource Solutions Limited	30	—	**30**	1.3%
	Tissue Regenix Group plc	2,389,259	—	**2,389,259**	0.4%
	Tracsis plc	121,189	—	**121,189**	0.5%
	Velocys plc	21,518	(21,518)	—	0.0%
	Xeros Technology Group plc	40,166	—	**40,166**	<0.1%
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%
	Chamelic Limited	23	—	**23**	0.3%
	Cloud Sustainability Limited[1]	18	—	**18**	0.5%
	Crysalin Limited	1,286	—	**1,286**	0.1%
	EmDot Limited	14	—	**14**	0.8%
	Getech Group plc	20,000	—	**20,000**	<0.1%
	Green Chemicals plc	113,222	—	**113,222**	0.8%
	Ilika plc	10,000	—	**10,000**	<0.1%
	Mode Diagnostics Limited	1,756	—	**1,756**	0.2%
	Modern Biosciences plc	1,185,150	—	**1,185,150**	1.7%
	Modern Water plc	575,000	—	**575,000**	0.7%
	Oxford Advanced Surfaces Group plc	932,994	—	**932,994**	0.5%
	Oxford Advanced Surfaces Limited	—	5,000	**5,000**	0.2%
	Oxford Nanopore Technologies Limited	34,900	380	**35,280**	<0.1%
	Oxtox Limited	25,363	—	**25,363**	0.1%
	Retroscreen Virology Group plc	37,160	—	**37,160**	<0.1%
	Revolymer plc	35,940	—	**35,940**	<0.1%
	Structure Vision Limited	212	—	**212**	1.0%
	Surrey Nanosystems Limited	350	54	**404**	0.2%

	Sustainable Resource Solutions Limited	28	—	**28**	1.2%
	Synairgen plc	20,000	—	**20,000**	<0.1%
	Tissue Regenix Group plc	1,950,862	—	**1,950,862**	0.3%
	Tracsis plc	25,430	—	**25,430**	<0.1%
	Velocys plc	5,000	(5,000)	—	0.0%
	Xeros Technology Group plc	35,499	—	**35,499**	<0.1%
Greg Smith	Avacta Group plc	390,407	—	**390,407**	<0.1%
	Capsant Neurotechnologies Limited	896	—	**896**	<0.1%
	Chamelic Limited	3	—	**3**	<0.1%
	Cloud Sustainability Limited[1]	6	—	**6**	0.2%
	Crysalin Limited	149	—	**149**	<0.1%
	EmDot Limited	4	—	**4**	0.2%
	Encos Limited	5,671	—	**5,671**	0.3%
	Getech Group plc	8,000	—	**8,000**	<0.1%
	Green Chemicals plc	4,830	—	**4,830**	<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**	0.6%
	Modern Water plc	7,250	—	**7,250**	<0.1%
	Oxford Nanopore Technologies Limited	1,500	—	**1,500**	<0.1%
	Retroscreen Virology Group plc	61,340	—	**61,340**	0.1%
	Revolymer plc	4,500	—	**4,500**	<0.1%
	Summit Therapeutics plc[2]	798	—	**798**	<0.1%
	Surrey Nanosystems Limited	76	12	**88**	<0.1%
	Sustainable Resource Solutions Limited	9	—	**9**	0.4%
	Tissue Regenix Group plc	175,358	—	**175,358**	<0.1%
	Velocys plc	2,559	—	**2,559**	<0.1%
	Xeros Technology Group plc	5,499	—	**5,499**	<0.1%
David Baynes	Diurnal Limited	82	36	**118**	0.2%
Bruce Smith	Capsant Neurotechnologies Limited	20,724	—	**20,724**	1.4%
	Evocutis plc	15,241	—	**15,241**	<0.1%
	Getech Group plc	15,000	—	**15,000**	0.1%
	iQur Limited	2,000	—	**2,000**	0.8%
	Synairgen plc	200,000	—	**200,000**	0.3%
	Velocys plc	10,000	(10,000)	**-**	<0.1%
Angela Leach	Avacta Group plc	74,152	—	**74,152**	<0.1%
	Capsant Neurotechnologies Limited	1,858	—	**1,858**	0.1%
	Chamelic Limited	3	—	**3**	<0.1%
	Cloud Sustainability Limited [1]	6	—	**6**	0.2%
	Evocutis plc	7,990	—	**7,990**	<0.1%
	Getech Group plc	2,083	—	**2,083**	<0.1%
	Mode Diagnostics Limited - Ordinary Shares	606	—	**606**	<0.1%
	Mode Diagnostics Limited - A Shares	—	102	**102**	<0.1%
	Modern Water plc	29,800	—	**29,800**	<0.1%
	Oxford Advanced Surfaces Group plc	68,101	—	**68,101**	<0.1%
	Oxford Nanopore Technologies Limited	1,500	16	**1,516**	<0.1%
	Retroscreen Virology Group plc	25,903	—	**25,903**	<0.1%
	Revolymer plc	4,500	—	**4,500**	<0.1%
	Structure Vision Limited	21	—	**21**	0.1%
	Surrey Nanosystems Limited	78	12	**90**	<0.1%
	Sustainable Resource Solutions Limited	9	—	**9**	0.4%
	Tissue Regenix Group plc	329,172	—	**329,172**	<0.1%
	Xeros Technology Group plc	5,666	—	**5,666**	<0.1%

1 Cloud Sustainability Limited was formerly known as Revise Limited

2 Summit Therapeutics was formerly known as Summit Corporation plc and completed a 20:1 share consolidation in 2014. Share numbers shown are post-consolidation.

Compensation to key management comprises that paid to executive and non-executive directors of the Group. Full details of directors' compensation are disclosed in the Directors' Remuneration Report in the full Annual Report and Accounts and 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. The following amounts have been included in respect of these fees:

Statement of comprehensive income	**2014 £m**	2013 £m
Revenue from services	**0.9**	0.7

Statement of financial position	**2014 £m**	2013 £m
Trade receivables	**0.6**	0.3

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:

	2014 £m	2013 £m
Intercompany balances with other Group companies	**8.5**	7.8

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

e) 2014 capital raising and acquisition of Fusion IP plc

In February 2014 the Group completed a firm placing and placing, open offer and offer for subscription to raise gross proceeds of £100m (the "Fund Raise") and in March 2014 completed the acquisition, by way of a scheme of arrangement, of Fusion IP plc (the "Acquisition"). In accordance with Listing Rule 11.1.10(2)(c) the following related party transactions occurred as part of the Fund Raise and Acquisition:

- Invesco Perpetual, Lansdowne Partners Limited and Baillie Gifford & Co., all of whom each held in excess of 10% of the Group's issued share capital at the time, subscribed for £14.2m, £5.0m and £10.5m respectively in the Fund Raise.
- Lansdowne Partners Limited and Invesco Perpetual received 8,094,900 and 6,243,656 new consideration shares respectively as a result of the completion of the Acquisition.

25. 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 issue new shares or dispose of interests in more mature portfolio companies.

During 2014, the Group's strategy, which was unchanged from 2013, 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.

26. 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 2014, 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	0.7	3.5
University of Bristol(v)	2005	5.0	1.1	3.9
University of Surrey(vi)	2006	5.0	0.5	4.5

Partnership	Year of commencement of partnership	Original commitment £m	Invested to date £m	Remaining commitment £m
University of York(iii)	2006	5.0	0.1	4.9
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	1.2	3.8
University of Manchester(x)	2013	7.5	0.1	7.4
		52.5	**10.2**	**42.3**

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 has agreed to target investing the remaining commitment of £3.2m over a three-year period; KCL cannot, however, require the Group to make any additional funds available. Other changes effected by the revised agreement included the removal of the Group's automatic entitlement to initial partner equity in every spin-out company and/or a share of KCL's licensing fees from intellectual property commercialisation and to the termination rights of the parties.

III. In 2003, the Group entered into an agreement with the University of York. The agreement relates to a specialist research centre within the University of York, the Centre for Novel Agricultural Products ("CNAP"). The Group has committed to invest up to a total of £0.8m in spin-out companies based on CNAP's intellectual property. In 2006, the Group extended its partnership with the University of York to cover the entire university. The Group has committed to invest £5.0m in University of York spin-outs over and beyond the £0.8m commitment as part of the Group's agreement with CNAP. The agreement with 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 2014:

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 L.P.	2013	10.0	1.7	8.3
		13.1	**4.7**	**8.4**

27. ACQUISTION OF SUBSIDIARIES

Acquisition of Fusion IP plc

In 2009, the Group subscribed for a 20.1% stake in Fusion IP plc ("Fusion IP"), a similar intellectual property commercialisation firm, and entered into an agreement with Fusion IP under which it acquired co-investment rights in all future Fusion IP portfolio companies. On 20 March 2014, the Group acquired the remaining 79.9% equity stake in Fusion IP, in exchange for 39,150,484 shares in IP Group plc. The acquisition has been accounted for using the acquisition method. The consolidated financial statements for the year ending 31 December 2014 include the results of Fusion IP for the nine-month period from the acquisition date.

	Fair value net assets/ (liabilities) £m
Net assets acquired:	
Acquired intangible assets	**21.4**
Investment portfolio	**24.9**
Trade and other receivables	**1.1**
Cash and cash equivalents	**17.6**
Trade and other payables less than one year	**(1.1)**
Trade and other payables more than one year	**(0.3)**
Net assets	**63.6**
Less: fair value of 20.1% interest previously held(i)	**(20.5)**
Share of net assets acquired	**43.1**
Goodwill	**38.7**
Total consideration	**81.8**

Consideration satisfied by:	
Issue of share capital (39,150,484 shares at 209 pence(ii))	**81.8**

(i) In the period from 1 January 2014 to the date of acquisition, the fair value of the Group's existing stake in Fusion IP increased in value by £6.0m and is recognised in the change in fair value of equity and debt investments in the consolidated statement of comprehensive income.

(ii) being the closing price of IP Group plc shares on 20 March 2014, the date of acquisition.

From the date of acquisition, Fusion IP has contributed £2.6m of gains through the acquired portfolio companies to the fair value gains, £0.2m to revenue from services and other income, and £2.7m in expenses for the year. If the acquisition had occurred on 1 January 2014, the acquisition would have contributed £3.0m to fair value gains, £0.4m to revenue from services and other income, and £3.4m expense for the period.

The Group incurred acquisition costs of £1.1m relating to, amongst other items, broker's fees, legal costs and due diligence costs. These costs are reflected separately on the consolidated statement of comprehensive income.

The balances noted above for trade and other receivables, as well as trade and other payables less than one year, represent the fair value of the receivables at the date of acquisition and are not materially different from the carrying values held by Fusion IP prior to acquisition. The fair value of the acquired trade and other receivables is equivalent to the gross contractual amounts receivable, being the best estimate at the acquisition date of the contractual cash flows expected to be collected.

Prior to acquisition, Fusion IP recognised an additional £1.5m in trade and other payables due over more than one year relating to balances owed to university partners on the basis of the values of associated spin-out companies. On applying the Group's valuation policies (as described in note 1) to these spin-outs, a number were impaired and, correspondingly, the fair value of the associated liability has been adjusted to reflect these fair value changes. The remaining balances owed to Fusion IP's university partners are contingent upon both timing and value of the realisation of the associated spin-outs.

At the date of its acquisition by the Group, Fusion IP had contractual arrangements and memorandums of understanding with four UK universities. At the date of acquisition of Fusion IP, the acquired intangible assets were valued at £21.4m. The fair value of the acquired intangible assets was calculated on an indexed cost basis as there is a limited number of such arrangements with universities and there is no active market. As the contractual agreements are for a finite term, the intangible assets will be subsequently measured at amortised cost. Amortisation will occur over the remaining term, or useful life, of each contractual arrangement. Both the acquired intangible assets and the associated cost of amortisation are shown in individual lines on the consolidated statement of financial position and the consolidated statement of comprehensive income respectively.

Goodwill arising on the acquisition of Fusion IP primarily relates to the expertise, knowledge and processes concerning successful commercialisation of intellectual properties through early investment and development gained by the Group. The goodwill forms part of the university partnership CGU. None of the goodwill is expected to be deductible for tax purposes. Further detail on goodwill can be found in the note above.

28. POST BALANCE SHEET EVENTS

On 10 March 2015, the Group announced a proposed firm placing, placing and open offer to raise gross proceeds of £128m.